

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED
保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3326

GLOBAL OFFERING



Sole Sponsor



Sole Global Coordinator



Joint Bookrunners



Convoy Investment Services Limited
康宏証券投資服務有限公司

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	112,500,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	11,250,000 Shares (subject to reallocation)
Number of International Placing Shares	:	101,250,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.40 per Offer Share and expected to be not less than HK\$0.93 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK\$0.01 per Share
Stock code	:	3326

Sole Sponsor



廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

Sole Global Coordinator



廣發證券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Joint Bookrunners



廣發證券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Convoy Investment Services Limited

康宏証券投資服務有限公司

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the matters discussed in the section "Risk Factors" in this prospectus before making any investment decision in relation to our Company.

The Offer Price will not be more than HK\$1.40 and is currently expected to be not less than HK\$0.93. The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) the notice of such change.

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 29 December 2015 and, in any event, not later than 5:00 p.m. on Tuesday, 29 December 2015.

If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Tuesday, 29 December 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the U.S. in offshore transactions in reliance on Regulation S.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus. Should the Sole Global Coordinator (on behalf of the Public Offer Underwriters) terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement in accordance with its terms, the Global Offering will not become unconditional and will lapse.

EXPECTED TIMETABLE⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Monday, 28 December 2015
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Monday, 28 December 2015
Application lists close ⁽²⁾	12:00 noon on Monday, 28 December 2015
Expected Price Determination Date ⁽⁴⁾ to be on or around	Tuesday, 29 December 2015
Announcement of the final Offer Price, the levels of indication of interest in the International Placing, the level of applications in the Public Offer and basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁵⁾ and our Company's website at www.hkperjew.com.hk ⁽⁶⁾ and in The Standard (in English) and Sing Tao Daily (in Chinese) on	Thursday, 31 December 2015
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section "How to apply for Public Offer Shares — 10. Publication of results" from	Thursday, 31 December 2015
Results of allocations in the Public Offer to be available at www.unioniporesults.com.hk with a "search by ID" function from	Thursday, 31 December 2015
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on ⁽⁷⁾	Thursday, 31 December 2015
Despatch/collection of refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on ⁽⁷⁾⁽⁸⁾	Thursday, 31 December 2015
Dealing in the Shares on the Stock Exchange to commence on	Monday, 4 January 2016

EXPECTED TIMETABLE⁽¹⁾

Note:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Public Offer, are set out in the section “Structure and Conditions of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 28 December 2015, the application lists will not open and close on that day. Please see the section “How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Monday, 28 December 2015, the dates mentioned in this section “Expected timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Tuesday, 29 December 2015 and, in any event, not later than 5:00 p.m. on Tuesday, 29 December 2015. If, for any reason, the final Offer Price is not agreed by 5:00 p.m. on Tuesday, 29 December 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (5) The announcement will be available for viewing on the “Main Board — Allotment of results” page on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.hkperjew.com.hk.
- (6) None of the websites or any of the information contained on those websites form part of this prospectus.
- (7) Applicants who apply with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and/ or refund cheques (if applicable) in person and may do so from our Hong Kong Branch Share Registrar, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 31 December 2015 or any other date as notified by us in the newspapers as the date of despatch of share certificates/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Union Registrars Limited. Applicants who have applied on **YELLOW** Application Forms may collect their refund cheques (if applicable), in person but may not collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section “How to Apply for Public Offer Shares” in this prospectus.
- (8) Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section “How to Apply for Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Share certificates are expected to be issued on Thursday, 31 December 2015 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section “Definitions” in this prospectus.

BUSINESS OVERVIEW

We are one of the top fine jewellery manufacturers and wholesalers with approximately 30 years of history in Hong Kong. We are primarily engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). According to the IPSOS Report, we ranked second by total revenue of the fine jewellery manufacturing and export industry targeting the high-end retail segment of fine jewellery in Hong Kong in 2014, accounting for approximately 5.6% of the market share of the total revenue of the jewellery manufacturing and export industry in Hong Kong. We position our products to target the high-end segment of the fine jewellery market by average wholesale price. The average unit price of our fine jewellery products was approximately HK\$9,433, HK\$9,420, HK\$8,869 and HK\$8,941 in the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

We operate 2 offices, situated in Hong Kong and Dubai respectively. Our Hong Kong Office bridges our design, production and sales teams with our customers worldwide whilst our Dubai Office serves as our marketing and logistics hub in the Middle East and its vicinity. Our production operations are exclusively carried out at Perfect Factory, a processing factory in Dongguan under the Processing Agreement. Under the processing arrangement, Perfect Factory deploys raw materials, accessories, machinery equipment and packaging materials owned and imported by our Group to produce fine jewellery products for our Group exclusively whilst our Group closely participates in the operation and management of Perfect Factory and effectively controls its decision making process. Despite the absence of legal ownership, owing to the facts and reasons as disclosed in the section “Business — Production facility” in this prospectus, Perfect Factory has been treated as part of our Group (i.e. a business under the control of our Group pursuant to HKFRS 10 and being consolidated pursuant to such HKFRS).

SUMMARY

Our products

The table below sets out our revenue, sales volume and average unit price by product types for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
			Average			Average			Average			Average			Average
	Revenue	Quantity	unit price	Revenue	Quantity	unit price	Revenue	Quantity	unit price	Revenue	Quantity	unit price	Revenue	Quantity	unit price
(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Ring	202,567	27,182	7,452	193,408	25,533	7,575	201,142	26,122	7,700	111,993	14,877	7,528	101,840	13,255	7,683
Earrings	173,723	16,716	10,393	175,159	16,421	10,667	152,174	16,299	9,336	86,984	8,857	9,821	74,765	8,065	9,270
Pendant	72,615	10,202	7,118	71,056	11,539	6,158	61,298	9,994	6,133	34,153	5,511	6,197	29,729	5,226	5,689
Bangle	33,981	1,223	27,785	38,145	1,565	24,374	39,019	2,456	15,887	18,094	958	18,887	22,743	1,477	15,398
Necklace	41,103	1,385	29,677	39,044	1,058	36,904	31,346	1,666	18,815	16,235	986	16,465	17,073	702	24,321
Bracelet	18,842	841	22,404	19,481	815	23,902	31,175	1,660	18,780	13,932	657	21,205	19,653	1,002	19,614
Total	542,831	57,549	9,433	536,293	56,931	9,420	516,154	58,197	8,869	281,391	31,846	8,836	265,803	29,727	8,941

The average unit price of our products was approximately HK\$9,433, HK\$9,420, HK\$8,869, HK\$8,836 and HK\$8,941 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. During the Track Record Period, we witnessed a relatively stable unit price variation in rings and earrings. As we catered for our customers' needs and preferences towards less intricate design for pendants, bangles, necklaces and bracelets, we have accordingly adjusted our production and produced products with less intricate design. The average unit prices of such products was lower since less raw materials and time were required for their production. As a result, the average unit price of our products was affected and our revenue had been dropping slightly throughout the Track Record Period notwithstanding our sales quantity remained relatively stable.

The following table sets forth our product mix and the products' respective revenue and gross profit margin for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
			Gross			Gross			Gross			Gross			Gross
	Revenue	Percentage of revenue	profit margin	Revenue	Percentage of revenue	profit margin	Revenue	Percentage of revenue	profit margin	Revenue	Percentage of revenue	profit margin	Revenue	Percentage of revenue	profit margin
(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	
									(unaudited)	(unaudited)	(unaudited)				
Ring	202,567	37.3	22.9	193,408	36.1	29.4	201,142	39.0	28.1	111,993	39.8	28.9	101,840	38.3	27.6
Earrings	173,723	32.0	23.3	175,159	32.7	30.9	152,174	29.5	30.2	86,984	30.9	31.2	74,765	28.1	28.6
Pendant	72,615	13.4	23.1	71,056	13.2	29.4	61,298	11.9	29.3	34,153	12.1	30.2	29,729	11.2	27.8
Bangle	33,981	6.3	24.0	38,145	7.1	30.3	39,019	7.6	29.9	18,094	6.4	31.0	22,743	8.6	28.7
Necklace	41,103	7.6	22.3	39,044	7.3	29.9	31,346	6.0	29.2	16,235	5.8	29.6	17,073	6.4	27.1
Bracelet	18,842	3.4	23.0	19,481	3.6	30.4	31,175	6.0	29.1	13,932	5.0	29.9	19,653	7.4	28.7
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

SUMMARY

The fluctuations of gross profit margin of each product type were in line with the fluctuations of our overall gross profit margin during the Track Record Period. Our gross profit margin increased to 30.0% for the year ended 31 December 2013 from 23.1% for the year ended 31 December 2012. Such increase was principally due to the decreased cost of goods sold, resulting from falling gold price, while the revenue remained stable in 2013.

Our design

We believe that our ability to continuously create and produce appealing designs which promptly responds to market trend and customers' taste in different regions contributes to our products' success. As at the Latest Practicable Date, our design team comprised a total of 16 jewellery designers. Our designers have attended various jewellery design courses and received important recognitions for their skills and techniques in fine jewellery design. In particular, our Hong Kong-based designers are equipped with over 7 years of experience in jewellery design. One of our designers has won various recognitions in several jewellery design competitions.

Our craftsmanship

As at the Latest Practicable Date, our production team comprised a total of 193 craftsmen, of which approximately 83 diamond setting craftsmen, specialising in wax setting, channel setting and invisible setting. Our stone setting team has an average of 3 years of experience at Perfect Factory and is familiar with our production process and quality requirement. We believe that their experience and specialisation in particular stone setting skills are the key to the quality of our fine jewellery products.

Our production

We produced our products exclusively at Perfect Factory in Dongguan. Our production operations at Perfect Factory are currently undertaken under the Processing Agreement. Under the processing arrangement, Perfect Factory receives the production materials from our Group and produce finished goods. After production, Perfect Factory transports the finished products to our Group for onward sales.

During the Track Record Period, the processing fee incurred by Perfect Factory amounted to approximately HK\$3.5 million, HK\$3.8 million, HK\$4.6 million and HK\$2.6 million respectively.

For details of our production facility and the Processing Agreement, please refer to the section "Business — Production facility" in this prospectus.

Our customers

Our customers are wholesalers and retailers of jewellery products worldwide. During the Track Record Period, most of our customers were from the Middle East, the USA and the Philippines, and the sales to customers from these regions collectively accounted for more than 80% of our total revenue in the respective periods.

Our 5 largest customers during the Track Record Period were recurring customers engaging in wholesale and retail of jewellery products who had maintained 7 to 16 years of business relationship with our Group. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, sales to our 5 largest customers amounted to approximately HK\$115.7 million, HK\$106.5

SUMMARY

million, HK\$97.3 million and HK\$62.7 million and accounted for approximately 21.3%, 19.9%, 18.9% and 23.6% of our total revenue respectively. Sales to our largest customer amounted to approximately HK\$46.0 million, HK\$36.4 million, HK\$30.7 million and HK\$18.4 million and accounted for approximately 8.5%, 6.8%, 5.9% and 6.9% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

The table below sets out our revenue by location of our customers during the Track Record Period:

Region/Country	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Middle East ⁽¹⁾	309,833	57.1	299,370	55.8	285,509	55.3	133,432	50.2
USA	67,134	12.3	80,573	15.0	84,620	16.4	55,858	21.0
Philippines	71,135	13.1	79,734	14.9	78,904	15.3	44,526	16.8
Sub-total	448,102	82.5	459,677	85.7	449,033	87.0	233,816	88.0
Others ⁽²⁾⁽³⁾	94,729	17.5	76,616	14.3	67,121	13.0	31,987	12.0
Total	542,831	100.0	536,293	100.0	516,154	100.0	265,803	100.0

Note:

- (1) Sales to customers from the Middle East mainly include sales to customers from the UAE as well as sales to customers from other Middle East countries, such as Turkey, Egypt, Lebanon and Israel.
- (2) Sales to “Others” include sales to customers from more than 20 regions/countries, without limitation to Australia, Russia, Hong Kong, Malaysia, Indonesia and Canada, and sales to walk-in customers who patronised our ready-made jewellery products at jewellery exhibitions, the places of origins of whom were not identified. During the Track Record Period, sales to the aforesaid walk-in customers were minimal.
- (3) None of the sales to each of the countries identified and categorised under “Others” exceed 3% of the total revenue of our Group in the respective periods.

Customers from different locations could choose to pick up their orders in our offices in Hong Kong, Dubai or the U.S. during the Track Record Period. As our Dubai Office serves as our marketing and logistics hub in the Middle East, our customers from the Middle East tend to pick up their orders in Dubai. Our customers from other regions, such as the Philippines, Australia, Russia, Hong Kong and other Southeast Asian countries, tend to pick up their orders in Hong Kong when they visit our office in Hong Kong or when they attend various regularly held jewellery exhibitions in Hong Kong. We also arrange delivery of our products to our U.S.-based customers if so requested. In general, our pricing policy is not determined by the location of delivery or the places of origins of customers.

SUMMARY

The table below sets out our revenue by region, based on the location of delivery to customers, and the respective gross profit margin for the respective periods indicated:

Region/Country	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin
	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)
										<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>			
Dubai	282,801	52.1	22.0	275,096	51.3	28.9	262,819	50.9	28.5	149,663	53.1	29.5	123,802	46.6	26.3
Hong Kong	226,774	41.8	25.5	220,971	41.2	33.4	206,848	40.1	32.1	105,401	37.5	33.1	112,470	42.3	31.6
USA	33,256	6.1	16.0	40,226	7.5	23.0	46,487	9.0	21.9	26,327	9.4	22.4	29,531	11.1	21.6
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

Note: The above is based on the location of delivery to customers. For example, sales taking place in exhibitions held in Hong Kong where delivery of products to customers happening at the same time would be regarded as sales conducted in Hong Kong, regardless of the places of origins of the relevant customers.

During the Track Record Period, the gross profit margin of our sales of products delivered in Dubai was relatively lower than those delivered in Hong Kong. This was mainly owing to the fact that most of our major customers who received our products in Dubai generally purchased in larger quantities and therefore we generally offered more favourable price to them.

During the Track Record Period, the gross profit margin of our sales of products delivered in the U.S. was relatively lower. This was mainly due to the fact that we were willing to sell at a lower gross profit margin to one of our major customers in the U.S. with considerable strategic value who typically receives our products in the U.S. For details of the aforementioned customer, please refer to the information of Customer A in the section “Business — Sales and marketing — Customers who were also our suppliers during the Track Record Period” in this prospectus.

Customers from Sanctioned Countries

As disclosed in the section “Business — Sales and marketing — Business activities with customers from the Sanctioned Countries” in this prospectus, we have had historical and on-going sales to customers from the Sanctioned Countries. During the Track Record Period, we have had sales in connection with customers from the Sanctioned Countries, and a small number of them were entities whose names matched or partly matched the names of entities listed on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia. The amount of total revenue generated from sales to customers from the Sanctioned Countries for each of the three years ended 31 December 2012, 2013 and 2014 and

SUMMARY

the six months ended 30 June 2015 represented approximately 3.6%, 3.6%, 6.5% and 4.8% of our total revenue for the same periods respectively. The table below sets forth the respective total revenue generated from sales to our customers from the Sanctioned Countries during the Track Record Period:

Region/Country	Year ended 31 December						Six months ended	
	2012		2013		2014		30 June	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Egypt	8,353	1.5	5,086	0.9	11,175	2.2	4,643	1.7
Lebanon	7,999	1.5	10,899	2.0	16,810	3.3	6,124	2.3
Russia	3,121	0.6	3,515	0.7	5,419	1.0	2,074	0.8
Ukraine	10	0.0	—	—	—	—	30	0.0
Total revenue from customers of the Sanctioned Countries	19,483	3.6	19,500	3.6	33,404	6.5	12,871	4.8

The Sanctions Law Advisers have reviewed the customer and supplier lists provided by us in connection with transactions made during the Track Record Period, and screened the same against the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia. Subject to the assumptions and qualifications set out in each of their legal opinions, the Sanctions Law Advisers have advised that our Group's historical sales to customers from the Sanctioned Countries during the Track Record Period present a low sanctions risk to our Group, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. Please see the section "Business — Sales and marketing — Sales to customers from the Sanctioned Countries" in this prospectus for the reasons why our Group's historical sales to customers from the Sanctioned Countries during the Track Record Period present a low sanctions risk to the aforesaid parties.

We have been advised by the Sanctions Law Advisers that, if any of the customers from the Sanctioned Countries during the Track Record Period were on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia, but we could not prove that we did not know, and had no reasonable cause to suspect, that we were dealing with a sanctioned entity, then no liability would arise under the U.S., E.U./U.N. or Australian sanctions law.

We have made various undertakings to the Stock Exchange and implemented various internal control procedures in order to monitor exposure to sanction risks and to ensure compliance with the undertakings to the Stock Exchange. In light of such internal control procedures, our Directors expect that sales to customers from the Sanctioned Countries will continue but will not increase going forward. For details, please refer to the section "Business — Sales and marketing — Sales to customers from the Sanctioned Countries — Our undertakings and internal control procedures" in this prospectus.

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Our suppliers

Our major suppliers are suppliers of raw materials, in particular, diamonds and gold. During the Track Record Period, our 5 largest suppliers mainly include wholesalers and trade dealers of diamonds and gold in Hong Kong with whom we had maintained an average of approximately 5 years of business relationship. During the Track Record Period, purchases from our 5 largest suppliers amounted to approximately HK\$371.6 million, HK\$353.5 million, HK\$348.3 million and HK\$135.6 million, which accounted for approximately 94.7%, 96.1%, 96.1% and 94.2% of our total purchases during the relevant periods respectively. Purchases from our largest supplier amounted to approximately HK\$218.5 million, HK\$230.3 million, HK\$239.0 million and HK\$96.0 million during the Track Record Period, which accounted for approximately 55.7%, 62.6%, 66.0% and 66.7% of our total purchases during the relevant periods respectively. Our largest supplier during the Track Record Period was a diamond supplier. We usually pay for our purchases within 0 to 120 days after our suppliers issue the invoice.

Competition

According to the IPSOS Report, the majority of fine jewellery manufacturers in Hong Kong focus on export businesses. As of 2014, there were approximately 136 players in the fine jewellery manufacturing and wholesale (export) market in Hong Kong. The industry is quite consolidated with the top 10 players by revenue accounted for approximately 68.0% of the total market in 2014. Most of these fine jewellery manufacturers produced their products in the PRC. Our Directors consider that jewellery manufacturers and exporters in Hong Kong typically compete on the basis of reputation in the jewellery industry, design and craftsmanship, manufacturing capability, quality consistency and pricing.

Going forward, we will continue focusing on our existing business by expanding our customer base and upgrading our production capability. As at the Latest Practicable Date, we did not have any plan to commence other new business after the Listing.

Our competitive strengths

We believe that the following competitive strengths contributed to our past success and will continue to invigorate our future growth:

- we are one of the top fine jewellery manufacturers and wholesalers in Hong Kong with well-established and strong business relationship with customers worldwide;
- we possess strong design capability appealing to end-customers' preference;
- we have an experienced and skillful production team enabling production of fine jewellery products of high quality and complexity;
- our diverse customer base reduces risks of geographical risks and seasonality; and
- our management team is experienced, stable and dedicated.

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Our business strategies

We strive to maintain our Group as one of the top fine jewellery manufacturers and wholesalers in Hong Kong. To this end, we plan to implement the following business strategies:

- expand our customer base in Europe and fortify our Middle East markets;
- enhance our product development capability;
- develop our brand to extend our range of target customers; and
- introduce RFID technology to enhance our CRM system.

SHAREHOLDERS INFORMATION

Immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), Immaculate Diamonds will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Immaculate Diamonds is directly wholly-owned by Mr. Kan. As such, Immaculate Diamonds and Mr. Kan are our Controlling Shareholders. For details, please refer to the section “Relationship with Controlling Shareholders” in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The financial information for the Track Record Period includes the results, changes in equity and cash flows of the Jewellery Business as if our Company had always been the holding company of our Group and the Jewellery Business had always been operated by our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, whichever the shorter period.

Selected combined income data

The table below sets forth selected items from our combined statement of profit or loss and other comprehensive income for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	542,831	536,293	516,154	281,391	265,803
Gross profit	125,280	160,958	150,505	84,427	74,518
Profit for the year/period	80,980	107,049	90,439	54,919	41,948

SUMMARY

Selected combined financial position data

The table below sets forth selected items from our combined statements of financial position in the Accountants' Report:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Total non-current assets	41,425	46,248	152,761	7,124
Total current assets	264,717	383,984	401,061	560,547
Assets classified as held for sale/distribution	—	—	40,510	150,510
Total current liabilities	104,495	77,054	191,079	144,091
Bank loans and overdrafts	33,071	31,738	121,835	—
Liabilities directly associated with assets classified as held for distribution	—	—	9,431	86,399
Net current assets	160,222	306,930	209,982	416,456
Net assets	200,014	350,945	361,287	422,521

Pursuant to the Reorganisation, the Hong Kong Property and the Dubai Property, being our major non-current assets as at 31 December 2014, were retained in HK Perfect upon completion of the Business Transfer and were no longer recognised in our combined statements of financial position subsequent to the completion of the Business Transfer on 5 August 2015. Accordingly, such properties were deemed to be disposed of by us on the date of completion of the Business Transfer and were classified as asset classified as held for sale/distribution as at 30 June 2015, resulting in a significant decrease of our non-current asset position as at 30 June 2015. The associated bank loans have also been reclassified as liabilities directly associated with assets classified as held for sale/distribution, resulting a nil balance of bank loans as at 30 June 2015.

Pursuant to Rule 5.01B(2) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus shall include the full text of valuation report for such property interest. The Hong Kong Property was deemed to be disposed of by us on 5 August 2015, being the date of completion of the Business Transfer, and has been leased to us from HK Perfect since then. As the carrying amount of the Hong Kong Property exceeds 15% of our total assets as at 30 June 2015, being the latest date of the most recent audited combined statements of our financial position, in order to comply with Rule 5.01B(2) of the Listing Rules, a property valuation report in respect of the Hong Kong Property is included in Appendix III to this prospectus. As at 31 October 2015, the market value of the Hong Kong Property was approximately HK\$147.0 million while the property interest in the Hong Kong Property attributable to our Group was nil. For details of the valuation and property interests of the Hong Kong Property, please refer to "Appendix III — Property Valuation" to this prospectus.

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Key financial ratios

The table below sets forth our key financial ratios, with pro forma information as at 30 June 2015 to demonstrate the effect of derecognition of certain assets and liabilities which have been retained in HK Perfect pursuant to the Business Transfer:

	Year ended/ At 31 December			Six months ended/ At 30 June (Based on audited figures)	Six months ended/ At 30 June (Pro forma adjusted as if assets classified as held for sale/ distribution and its directly associated liabilities has been derecognised)
	2012	2013	2014	2015	2015
Gross profit margin	23.1%	30.0%	29.2%	28.0%	28.0%
Net profit margin	14.9%	20.0%	17.5%	15.8%	15.8%
Return on equity	40.5%	30.5%	25.0%	19.9%	23.4%
Return on total assets	26.5%	24.9%	16.3%	14.8%	20.1%
Current ratio	2.5	5.0	2.1	3.9	7.1
Debt to equity ratio	37.7%	13.8%	42.9%	26.0%	6.6%

Note: Please refer to the section “Financial information — Key financial ratios” in this prospectus for the definition of the ratios.

Save for the year ended 31 December 2012, our gross profit margin and net profit margin have remained stable. The increase in gross profit margin and net profit margin in the subsequent periods was associated with the decreasing gold price.

Our return on equity, return on total assets, current ratio and gearing ratio fluctuated during the Track Record Period mainly due to (i) our relatively low total assets and total equity amount in the beginning of the Track Record Period which increased by approximately 85.4% and 111.2%, respectively, during the Track Record Period; and (ii) the purchase and the expected derecognition of 2 of our properties, carrying an amount of HK\$150.5 million as at 30 June 2015, representing approximately 26.5% of our total asset as at 30 June 2015, and its associated liabilities, carrying an amount of HK\$86.4 million as at 30 June 2015, representing approximately 60.0% of our current liabilities.

Please refer to the section “Financial Information” in this prospectus for further details.

RECENT DEVELOPMENT

Business Transfer

On 5 August 2015, the Business Transfer, including transferring all the rights, debts, obligations and liabilities attached to the Jewellery Business carried on by HK Perfect as at 26 June 2015 and the assets and liabilities owned or held as security by HK Perfect and utilised in the Jewellery Business

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from HK Perfect to Perfect (HK) (except for the loan facilities, the Dubai Property, the Hong Kong Property, the shares of HKP LLC, the shares of Perfect (USA) and the shares of Kension), was completed.

There was no material interruption to our Group's operations as a result of such transfer and reorganisation. The consideration for the above transfer was approximately HK\$282.1 million which was based on the carrying value of the Jewellery Business and assets and liabilities as at the date of Business Transfer. Please refer to the section "History, Development and Reorganisation — Corporate structure — Reorganisation" in this prospectus for details of the Reorganisation.

On 5 August 2015, Perfect (HK) entered into the Hong Kong Tenancy Agreement with HK Perfect, pursuant to which Perfect (HK) has agreed to lease the Hong Kong Property from HK Perfect for a term of three years commencing on 5 August 2015 as offices. Please refer to the section "Connected Transactions — Non-exempt continuing connected transactions subject to reporting and announcement requirements" in this prospectus for details.

Dividends

On 31 July 2015, HK Perfect declared a dividend of HK\$77.0 million to its shareholders and it was subsequently settled.

Recent performance subsequent to the Track Record Period

Based on our unaudited financial information for the nine months ended 30 September 2015, our revenue for the nine months ended 30 September 2015 decreased moderately compared to the revenue for the corresponding period in 2014. Such decrease was mainly attributable to the recent weak global market sentiment and the consequential decline in the sales generated from the September Hong Kong Jewellery & Gem Fair 2015 as compared to the sales generated from the same jewellery fair in 2014.

Although our sales to customers from the USA increased moderately for the nine months ended 30 September 2015, our sales to customers from the Middle East and regions/countries categorised as "Others" for the nine months ended 30 September 2015 decreased considerably.

Our Directors believe that the recent weak global market sentiment and the consequential decrease in demand for our high-end fine jewellery products was primarily attributable to the uncertainty of global economic environment. According to the *World Economic Outlook Update* published by the International Monetary Fund in October 2015, there was temporary surge in volatility in the financial market, which was partially associated with the sharp stock market decline in China and a sharp correction in equity price worldwide. Furthermore, the decline in commodity prices (including oil prices) has also affected the economies and market sentiment of commodity exporting countries, such as the Middle East countries. Based on the aforesaid, our Directors believe that the recent weak global market sentiment may continue to affect our Group's sales performance in 2016.

Despite of the decrease in revenue, our average unit price and gross profit margin for the three months ended 30 September 2015 remained stable as compared to the six months ended 30 June 2015.

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Based on the decrease in our revenue, coupled with the non-recurring listing expenses expected to be incurred for the year ending 31 December 2015, we expect our net profit for the year ending 31 December 2015 to be lower than that of the previous financial year. For further details of our listing expenses incurred, please refer to the section “Financial Information — Listing expenses” in this prospectus. Our Directors have confirmed that, save as disclosed above, there has been no material adverse change in our financial, operational or trading position and no event has occurred that would materially affect the information disclosed in the Accountants’ Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing. Listing expenses to be borne by our Company are estimated to be approximately HK\$24.5 million, of which approximately HK\$6.1 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity, and approximately HK\$18.4 million has been or is expected to be reflected in our combined statements of profit or loss and other comprehensive income. During the Track Record Period, we have incurred listing expenses of approximately HK\$4.0 million which were recognised as general and administrative and other expenses for the six months ended 30 June 2015 and a further HK\$14.4 million is expected to be reflected in the combined statements of profit or loss and other comprehensive income of our Group after the Track Record Period.

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.165 per Share, being the mid-point of the indicative range of the Offer Price of HK\$0.93 to HK\$1.40 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$106.5 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- (1) approximately HK\$40.0 million (representing approximately 37.5% of the net proceeds) will be used for expanding our Middle East and European high-end markets by hiring sales team with relevant experience and participating in renowned and high-end focused jewellery exhibitions in Europe;
- (2) approximately HK\$35.0 million (representing approximately 32.9% of the net proceeds) will be used for upgrading our existing production facilities by purchasing the updated 3D printing machines, replacing equipment and machineries used for stones setting, filing and electroplating; installing the RFID inventory system at Perfect Factory; and hiring and training additional labour with relevant skills and experience;
- (3) approximately HK\$23.4 million (representing approximately 22.0% of the net proceeds) will be used for brand development, which includes investment in brand image enhancement by employing professional marketing teams, renovating our VIP show rooms at our Hong Kong Office and Dubai Office to better serve our high-end customers and initiating a different product line which targets to produce high-quality fine jewellery with relatively simplistic designs and lower wholesale price so as to further stretch our customer base;

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- (4) approximately HK\$5.0 million (representing approximately 4.7% of the net proceeds) will be used for enhancing our CRM system by introducing the RFID technology in various jewellery exhibitions which enable us to collect computerised data of our visitors' purchasing behavior; and
- (5) the remaining balance of approximately HK\$3.1 million (representing 2.9% of the net proceeds) will be used for additional working capital and other general corporate purposes.

For details, please refer to the section "Future Plans and Use of Proceeds" in this prospectus.

DIVIDEND POLICY

During the Track Record Period, we declared dividends of HK\$20 million for the year ended 31 December 2012, approximately HK\$136.1 million for the year ended 31 December 2013, HK\$60 million for the year ended 31 December 2014, and HK\$20 million for the six months ended 30 June 2015. As at the Latest Practicable Date, the aforementioned dividends declared were settled. After the Listing, subject to our constitutional documents and the Companies Law, our Shareholders may declare, at a general meeting, dividends not exceeding the amount recommended by our Directors. The amount of dividends recommended by our Directors is under the absolute discretion of our Directors, including the discretion to not to recommend any dividends. Our Directors will/shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial condition, capital requirements, future plans of our Group and any other conditions that our Directors deem relevant at such time. The foregoing, including our dividend distribution record, should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Notwithstanding the above, our Directors currently intend to recommend an annual dividend of around 30% of net profits to our Shareholders in the foreseeable future. Such intention does not constitute any guarantee or representation or indication that our Directors must or will recommend and that our Group must or will pay dividends in such manner or declare and pay dividends at all. For details, please refer to the section "Financial Information — Dividend policy" in this prospectus.

RISK FACTORS

There are risks associated with our business and investment in the Offer Share, among others, (1) our profitability and financial position may be materially and adversely affected if any of our major customers ceases their business relationship with us; (2) our business and financial position may be materially and adversely affected if there is a global economic downturn, in particular, in the Middle East market; (3) our reliance on Perfect Factory for the production of our products under the Processing Agreement renders our operation vulnerable to any disruption or cessation of operation of Perfect Factory for whatever reason, including factors that are beyond our control, and also non-compliance of the applicable laws and regulations by Perfect Factory; and (4) we are susceptible to material and adverse change in the Hong Kong tax laws or unfavourable interpretation regarding apportionment claim of profits in cross-border processing business. For details and discussions of other risks, please refer to the section "Risk Factors" in this prospectus.

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LEGAL COMPLIANCE

During the Track Record Period, we did not fully comply with the applicable PRC laws and regulations in respect of social insurance contribution and housing provident fund contribution. Our Directors consider such previous non-compliance incidents not to have constituted material or systematic non-compliance. For details regarding the non-compliance incidents, the remedial measures taken, the relevant risks and internal control measures adopted, please refer to the sections “Risk Factors”, “Business — Litigation and non-compliance matters”, and “Business — Internal control measures to prevent reoccurrence of non-compliance incidents” in this prospectus.

GLOBAL OFFERING STATISTICS

	Based on the minimum Offer Price of HK\$0.93 per Offer Share	Based on the maximum Offer Price of HK\$1.40 per Offer Share
Market capitalisation of the Shares	HK\$418.5 million	HK\$630.0 million
Unaudited pro forma adjusted combined net tangible assets of our Group per Share	HK\$1.13	HK\$1.24

Note:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme.
- (2) The market capitalisation is calculated based on 450,000,000 Shares expected to be in issue immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is calculated after making the adjustments referred to “Appendix II — Unaudited Pro Forma Financial Information” to this prospectus and on the basis of a total of 450,000,000 Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme).

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Accountants’ Report”	the accountants’ report of our Group set out in Appendix I to this prospectus
“AED”	United Arab Emirate Dirham, the lawful currency of the UAE
“Application Form(s)”	WHITE application form(s) and YELLOW application form(s), or where the context so requires, any of forms which is used in relation to the Public Offer
“Articles of Association”	the articles of association of our Company adopted on 14 December 2015 to take effect on the Listing Date, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”, “Board of Directors” or “our Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong or days on which a tropical cyclone warning no.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Business Transfer”	the transfer of the Jewellery Business carried on by and certain assets and liabilities of HK Perfect to Perfect (HK) as further described in the section “History, Development and Reorganisation — Corporate structure — Reorganisation” in this prospectus
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of 337,499,700 Shares to be made upon the capitalisation of HK\$3,374,997 standing to the credit of the share premium account of our Company upon completion of the Global Offering as referred to in the section “A. Further information about our Group — 4. Written resolutions of our Shareholders” in Appendix V to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be an individual(s) or joint individuals or a corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Classic Amber”	Classic Amber Holdings Limited, a BVI business company incorporated in the BVI on 5 June 2015 and wholly-owned by Mr. Luo, which will hold 7.5% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“Classic Emerald”	Classic Emerald Holdings Limited, a BVI business company incorporated in the BVI on 5 June 2015 and wholly-owned by Mr. Chung, which will hold 2.25% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“Classic Ruby”	Classic Ruby Holdings Limited, a BVI business company incorporated in the BVI on 5 June 2015 and wholly-owned by Mr. W.H. Chan, which will hold 3.75% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)

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“Classic Sapphire”	Classic Sapphire Holdings Limited, a BVI business company incorporated in the BVI on 5 June 2015 and wholly-owned by Mr. W.S. Chan, which will hold 7.5% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Managers”	Sanfull Securities Limited and Kilmorey Securities Limited
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Perfect Group International Holdings Limited 保發集團國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 16 June 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, refers to Mr. Kan and Immaculate Diamonds or, where the context so requires, any one of them. Please refer to the section “History, Development and Reorganisation” in this prospectus for the shareholding of each of our Controlling Shareholders in our Company immediately following completion of the Reorganisation, the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 14 December 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the section “E. Other Information — 1. Tax and other indemnity” in Appendix V to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 14 December 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section “Relationship with Controlling Shareholders — Deed of non-competition” in this prospectus
“DIPN 21”	Departmental Interpretation and Practice Notes No. 21 (Revised) issued by the IRD in July 2012
“Director(s)” or “our Director(s)”	director(s) of our Company
“Dongguan”	Dongguan, Guangdong Province, the PRC
“Dubai Office”	our office situated at Unit No. B3-19-11, 3 Gold Tower, Jumeirah Lakes Towers, Dubai, the UAE in which marketing and other administrative operations are carried out
“Dubai Property”	the premises of our Dubai Office, together with Parking Spaces Nos. 3081 and 3082 on L3, 3 Gold Tower, Jumeirah Lakes Towers, Dubai, the UAE
“Dubai Tenancy Agreement”	the tenancy agreement dated 14 December 2015 entered into between Perfect (UAE) and HKP Jewellery Trading Limited, being a wholly-owned subsidiary of HK Perfect, pursuant to which Perfect (UAE) has agreed to lease the Dubai Property from HKP Jewellery Trading Limited for a term commencing on 16 December 2015 and expiring on 31 December 2017 as offices
“EIT”	the enterprise income tax charged by the PRC
“Embankment Maintenance Levy”	the embankment maintenance levy (堤圍防護費) levied by the relevant government body in the PRC
“E.U.”	the European Union, an economic and political union of 28 member states which are located primarily in Europe
“foreign currency(ies)”	currencies other than the functional currency of our Company
“FPASC”	Dongguan City Foreign Processing and Assembling Service Company* (東莞市對外加工裝配服務公司)
“GDP”	gross domestic product
“Global Offering”	collectively, the Public Offer and the International Placing

DEFINITIONS

“Group”, “we”, “our” or “us”	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries at the relevant time
“HIBOR”	the Hong Kong Interbank Offered Rate
“HK Perfect”	Hong Kong Perfect Jewellery Company Limited (保發珠寶有限公司) (formerly known as I Strong Limited (強強有限公司)), a company incorporated in Hong Kong with limited liability on 14 June 1985, which is 100% beneficially owned by Perfect Group, and 99% and 1% legally owned by Perfect Group and Mr. Kan (who holds such 1% legal interest in HK Perfect in trust for the benefit of Perfect Group) respectively
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKJMA”	Hong Kong Jewelry Manufacturers’ Association
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKP LLC”	HKP Jewellery Trading (LLC), a corporation incorporated in Dubai, the UAE, on 2 June 2009, which is 49% and 51% legally owned by HK Perfect and a UAE national owned entity (being an Independent Third Party who holds such 51% legal interest in HKP LLC for the benefit of HK Perfect) respectively, and procedures have been carried out to dissolve such company
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Office”	our main office situated at 26th Floor, YHC Tower, No. 1 Sheung Yuet Road, Kowloon, Hong Kong in which design, sales and marketing and other administrative operations are carried out
“Hong Kong Property”	the premises of our Hong Kong Office, together with the Flat Roof appurtenant thereto and Car Parking Space Nos. 2, 3, 4 and 15 on 2nd Floor, YHC Tower, No. 1 Sheung Yuet Road, Kowloon, Hong Kong

DEFINITIONS

“Hong Kong Branch Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Tenancy Agreement”	the tenancy agreement dated 5 August 2015 entered into between Perfect (HK) and HK Perfect, pursuant to which Perfect (HK) has agreed to lease the Hong Kong Property from HK Perfect for a term of three years commencing on 5 August 2015 as offices
“Hung Hom Property”	the premises of our previous office, situated at Unit Nos. 3, 4 and 5 on 5th Floor of Block A, Focal Industrial Centre, No. 21 Man Lok Street, Hung Hom, Kowloon, Hong Kong, which was disposed of in 2015
“Immaculate Diamonds”	Immaculate Diamonds Limited, (a) a BVI business company incorporated in the BVI on 5 June 2015 and wholly-owned by Mr. Kan, which will hold 54% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme); and (b) our Controlling Shareholder
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“International Placing”	the placing of the International Placing Shares at the Offer Price with professional, institutional and other investors by the International Placing Underwriters on behalf of our Company as described in the section “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 101,250,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, but subject to reallocation, as described in the section “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing which are expected to enter into the International Placing Underwriting Agreement on or around the Price Determination Date

DEFINITIONS

“International Placing Underwriting Agreement”	the conditional international placing underwriting agreement relating to the International Placing to be entered into on or around the Price Determination Date between our Company, our Controlling Shareholders, the Sole Sponsor and the International Placing Underwriters
“IPSOS”	Ipsos Limited, an industry research consultant commissioned by us to prepare the IPSOS Report and an Independent Third Party
“IPSOS Report”	the industry research report prepared by IPSOS
“IRD”	the Inland Revenue Department of Hong Kong
“Jewellery Business”	the fine jewellery business operated by HK Perfect prior to the Reorganisation, which was transferred to our Group on 5 August 2015
“Joint Bookrunners” or “Joint Lead Managers”	GF Securities and Convoy Investment Services Limited
“Kension”	Kension Jewelry Co., Ltd., a company incorporated in British Columbia, Canada on 14 January 2010, which was 100% beneficially owned by HK Perfect, and 1% and 99% legally owned by Mr. Chung and Mrs. Kan (each of whom held their respective legal interests in Kension in trust for the benefit of HK Perfect) respectively, prior to its dissolution on 4 September 2015
“Latest Practicable Date”	14 December 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange, which is expected to be on Monday, 4 January 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Loan Capitalisation Issue”	the allotment and issue of 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively, prior to the Listing at an aggregate subscription price equal to the amount of approximately HK\$282.1 million, being the consideration of the Business Transfer, due from Perfect (HK) to HK Perfect, details of which are set out in the section “Share Capital — Loan capitalisation issue” in this prospectus
“Memorandum of Association”	the memorandum of association of our Company, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“Mr. Chung”	Mr. Chung Chi Keung (鍾志強先生), our executive Director and the sole shareholder of Classic Emerald which will hold 2.25% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“Mr. Kan”	Mr. Kan Kin Kwong (簡健光先生), the founder of our Group, the chairman of our Board, our chief executive officer, our executive Director, the sole shareholder of Immaculate Diamonds which will hold 54% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), our Controlling Shareholder and the spouse of Mrs. Kan
“Mr. Luo”	Mr. Luo Jacky (羅惠源先生), the sole shareholder of Classic Amber which will hold 7.5% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)
“Mr. W.H. Chan”	Mr. Chan Wai Hung (陳偉雄先生), the sole shareholder of Classic Ruby which will hold 3.75% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) and the son of Mr. W.S. Chan

DEFINITIONS

“Mr. W.S. Chan”	Mr. Chan Wing Sum (陳永森先生), the sole shareholder of Classic Sapphire which will hold 7.5% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) and the father of Mr. W.H. Chan
“Mrs. Kan”	Ms. Shek Mei Chun (石美珍女士), our executive Director and the spouse of Mr. Kan
“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.40 and not less than HK\$0.93 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, such price to be determined by the Price Determination Agreement to be entered into between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or around the Price Determination Date
“Offer Shares”	the Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters under the International Placing Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Placing Underwriters) at any time from the Listing Date until the 30th day after the Listing Date, to require our Company to issue up to 16,875,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any
“Perfect (BVI)”	Perfect Group International Holdings Limited (保發集團國際控股有限公司), a BVI business company incorporated in the BVI on 9 June 2015 and our wholly-owned subsidiary
“Perfect (HK)”	Perfect Group International Holdings (HK) Limited (保發集團國際控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 23 June 2015 and our wholly-owned subsidiary
“Perfect (UAE)”	Hong Kong Perfect Jewellery DMCC, a company incorporated in Dubai, the UAE, with limited liability on 25 November 2014 and our wholly-owned subsidiary

DEFINITIONS

“Perfect (USA)”	Hong Kong Perfect Jewellery Corp., a corporation incorporated in California, the USA, on 1 August 2012, which was 100% beneficially owned by HK Perfect, and 50% legally owned by each of Mr. Luo and Mr. Chung (each of whom held such 50% legal interest in Perfect (USA) in trust for the benefit of HK Perfect) prior to its dissolution on 25 August 2015
“Perfect Factory”	Dongguan Tangxia Perfect Jewellery Factory* (東莞塘廈保發珠寶首飾廠), an entity established in the PRC on 23 April 2008 which operates in the form of “three forms of processing/assembly operations and compensatory trade” (三來一補) pursuant to the Processing Agreement and located at No. 22 Xinhou Road, Lin Village, Tangxia town, Dongguan, Guangdong Province, the PRC, and controlled by Perfect (HK)
“Perfect Group”	Perfect Group (HK) Holding Co. Ltd (保發集團(香港)控股有限公司), a BVI business company incorporated in the BVI on 28 September 2010, which is owned as to 72% by Mr. Kan, 10% by Mr. W.S. Chan, 10% by Mr. Luo, 5% by Mr. W.H. Chan and 3% by Mr. Chung
“PRC”	the People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Shu Jin Law Firm, our legal advisers as to PRC law
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 29 December 2015 and no later than 5:00 p.m. on Tuesday, 29 December 2015, on which the Offer Price is fixed for the purpose of the Global Offering
“Processing Agreement”	the processing agreement dated 3 April 2008 and entered into between HK Perfect, Tangxia Zhenlian Trading being an Independent Third Party, and FPASC, being an Independent Third Party, the supplemental processing agreement dated 23 June 2015 and entered into between Perfect (HK), HK Perfect, Tangxia Zhenlian Trading and FPASC and the ancillary agreements including the enterprise contracted operation agreement dated 28 June 2015 and the processing & assembly agreement and its renewals for manufacturing fine jewellery in Perfect Factory

DEFINITIONS

“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription to the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms
“Public Offer Shares”	the 11,250,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation, details of which are set out in the section “Structure and Conditions of the Global Offering” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement relating to the Public Offer entered into on 21 December 2015 between our Company, our Controlling Shareholders, the Sole Sponsor and the Public Offer Underwriters
“QC”	quality control
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the pre-listing reorganisation of our Group in preparation for the Listing, details of which are set out in the section “History, Development and Reorganisation — Corporate structure — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sanctioned Countries”	Lebanon, Russia, Ukraine and Egypt, being those countries which are the targets of economic sanctions as advocated by the U.S., the E.U., the U.N. and Australia, which the Sanctions Law Advisers have advised on
“Sanctions Law Advisers”	Loeb & Loeb LLP, Norton Rose Fulbright LLP and Norton Rose Fulbright Australia, our legal advisers as to U.S. sanctions law, E.U. sanctions law and U.N. sanctions law, and Australia sanctions law respectively
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, the principal terms of which are set out in the section “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Global Coordinator” or “GF Securities”	GF Securities (Hong Kong) Brokerage Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Sole Sponsor” or “GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activities
“sq. ft.”	square feet
“Stabilising Manager”	GF Securities
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered between Immaculate Diamonds and the Sole Global Coordinator on or around the Price Determination Date, pursuant to which the Stabilising Manager, may borrow up to 16,875,000 Shares from Immaculate Diamonds to cover any over-allocations under the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, for the purpose of this prospectus, refers to the entities disclosed in the section “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Tangxia Zhenlian Trading”	Dongguan Tangxia Town Zhenlian Trading Company Limited* (東莞市塘廈鎮鎮聯經貿有限公司)
“Track Record Period”	the period comprising the three financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015

DEFINITIONS

“U.N.”	the United Nations, an intergovernmental organisation established in 1945 to promote international co-operation
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“UAE”	the United Arab Emirates, its territories, its possessions and all areas subject to its jurisdiction
“Underwriters”	collectively, the Public Offer Underwriters and the International Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
“United States”, “U.S.”, or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	United States dollars, the lawful currency of the U.S.
“ WHITE Application Form(s)”	the application form(s) to be completed by applicants who want the Public Offer Shares to be allotted and issued in their names in accordance with the instructions set out in the section “How to Apply for Public Offer Shares” in this prospectus
“ YELLOW Application Form(s)”	the application form(s) to be completed by applicants who want the Public Offer Shares to be allotted and issued in the name of HKSCC Nominees and deposited directly into CCASS in accordance with the instructions set out in the section “How to Apply for Public Offer Shares” in this prospectus
“%”	per cent

In this prospectus, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, etc. marked “” are translations of their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.*

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

GLOSSARY

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors in which we operate. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“carat”	a unit of weight for diamonds and gemstones, each of which is equal to 200 milligrams
“CRM”	customers relationship management
“fine jewellery”	jewellery products principally made of precious metals mounted with diamonds, with or without other gemstones
“gemstones”	natural mineral crystals and stones that can be cut and polished to make jewellery. Examples of gemstones include diamond, pearl, ruby, sapphire, emerald, opal, quartz, topaz, and amethyst
“karat”	a unit of measure for the fineness of gold
“ounce” or “oz”	a unit of weight for gold, each of which is equal to approximately 28 grams
“RFID”	Radio-frequency identification

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion about our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section “Risk Factors” in this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section “Risk Factors” in this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's productions are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our profitability and financial position may be materially and adversely affected if any of our major customers ceases their business relationship with us

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, sales to our 5 largest customers amounted to approximately HK\$115.7 million, HK\$106.5 million, HK\$97.3 million and HK\$62.7 million respectively. They accounted for approximately 21.3%, 19.9%, 18.9% and 23.6% of our total revenue respectively. Sales to our largest customer amounted to approximately HK\$46.0 million, HK\$36.4 million, HK\$30.7 million and HK\$18.4 million which accounted for approximately 8.5%, 6.8%, 5.9% and 6.9% of our total revenue respectively. Whilst we have maintained 7 to 16 years of business relationship with our 5 largest customers during the Track Record Period, as we have not entered into any long-term contract with any of our 5 largest customers, there is no assurance that any of the aforesaid customers will continue to purchase from us at the same historical level or at all in the future. Should any of these customers cease their business relationship with us, or substantially reduce their volume of business with us for whatever reason, and if we are unable to locate new customers with similar sales volume and profit margins, or successfully promote sales with our existing customers to compensate for the loss caused by the cessation or reduction of businesses with our major customers, our profitability and financial position may be materially and adversely affected.

Our business and financial position may be materially and adversely affected if there is a global economic downturn, in particular, in the Middle East market

Our fine jewellery products are high-end products where the demand for which is highly sensitive to the global economic conditions as well as the specific economic conditions in the principal markets we operate including those due to political factors, trade disputes and natural disasters. In the event of any significant economic downturn or recession in the global economy, we would be subject to potential fluctuation in currency and costs of raw material, which in turn could cause the demand for our products to drop significantly. In such event, the demand of our customers could be materially and adversely affected. In addition, should one or more of our principal markets experience economic downturn or recession, the purchasing power of our customers and end-customers will decrease and the demand for our high-end fine jewellery products would also decrease, and it could have a material and adverse effect on our business, results of operations and financial condition.

During the Track Record Period, we have historically been relying heavily on the Middle East market. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, revenue arising from sales delivered in Dubai amounted to approximately HK\$282.8 million, HK\$275.1 million, HK\$262.8 million and HK\$123.8 million respectively, representing approximately 52.1%, 51.3%, 50.9% and 46.6% of our total revenue during the corresponding periods respectively.

RISK FACTORS

Products delivered in Dubai are usually sold to customers from the Middle East. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our sales to customers from the Middle East amounted to approximately HK\$309.8 million, HK\$299.4 million, HK\$285.5 million and HK\$133.4 million respectively and representing approximately 57.1%, 55.8%, 55.3%, and 50.2%, of our total revenue for the corresponding periods. We cannot assure you that we will be able to continue to achieve so in the future. It is expected that we shall continue to develop the UAE market and fortify our existing customer base in the Middle East. Where we are unable to respond effectively to the market trend in the Middle East or offer competitive prices to our Middle East customers, our business and financial performance could be materially and adversely affected.

Further, in the event that the Middle East experiences an economic downturn due to social or political instability, natural disaster or otherwise, demand for fine jewellery products from the Middle East may drastically decrease which may materially and adversely affect our business and financial performance.

Apart from the Middle East market, we have also historically been relying on the sales leads and revenue generated from our participation in various jewellery exhibitions and shows in Hong Kong and sales orders which were delivered in Hong Kong. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, revenue arising from sales of products delivered in Hong Kong amounted to approximately HK\$226.8 million, HK\$221.0 million, HK\$206.8 million and HK\$112.5 million respectively, representing approximately 41.8%, 41.2%, 40.1% and 42.3% of our total revenue during the corresponding periods respectively. Although customers of our Group come from worldwide and sales of our Group, including sales delivered in Hong Kong which were attributable to Hong Kong-based retailers or wholesalers, were minimal during the Track Record Period, economic downturn and slowdown in the retail market in Hong Kong may adversely affect the market sentiment, resulting in potential decrease in the demand for our high-end fine jewellery products and consequentially impact our business, results of operations and financial conditions.

For details of our customers' profile, please refer to the section "Business — Sales and marketing — Our customers" in this prospectus.

We may face difficulties in maintaining our existing customer base due to lack of long-term purchase commitment and in developing new customers which could materially and adversely affect our business

We are one of the top fine jewellery manufacturers and wholesalers, with approximately 30 years of history in Hong Kong. Our ability to maintain and expand the volume of business with our existing customers and to source and develop new customers or expand our product diversity is fundamental to the success of our Group. Further, some of our fine jewellery products are manufactured based on confirmed purchase orders, and we have not entered into any long-term contract with any of our 5 largest customers. There is no assurance that we will be successful in continuing to uphold amicable business relationships with our existing customers or in sourcing new customers or expanding our product diversity or any of our customers will continue to place orders with us in the future at the same volume, or at the same margin, as compared to prior periods, or at all. We may face difficulties in locating alternative customers to replace purchase orders or sales. There is also no assurance that the sales volume or profit margin of our customers' orders will be consistent with our expectations when we plan our expenditures. As a result, our results of operations may vary from time to time and there is a risk that it may fluctuate significantly in the future.

RISK FACTORS

During the Track Record Period, our customers mainly comprised wholesalers and retailers of jewellery worldwide, where emphasis on product quality and delivery are highly sought after. In order to meet our customers' stringent requirements on product quality, we implement quality control procedures for production materials, each production process, and finished products at Perfect Factory. For details of our quality control measures, please refer to the section "Business — Quality control" and "Business — Raw materials and suppliers" in this prospectus. However, there is no assurance that we will be successful in continuing to uphold our product quality or to deliver our products to our customers in accordance with the agreed delivery schedule.

In the event that we are unable to expand the size of our business with our existing customers or to expand our customer base and diversity by sourcing new customers at desired levels or at all, or to develop and expand our product diversity, or to meet the requirements of our customers regarding product quality and delivery or any other requirements of our customers at a reasonable or affordable costs, our relationship with our customers, our business, financial condition and results of operations could be materially and adversely affected.

Any change in the relevant policies, laws and regulations in Dubai resulting in a restriction on the import of fine jewellery products could materially and adversely affect our financial and business operation

Whilst there is currently no quota or tariff system restricting the import of fine jewellery products to Dubai other than the levy of customs duty, we cannot assure you that the relevant policies, laws and regulations will not change in the future. Should there be a change in the relevant policies, laws and regulations in Dubai resulting in the restriction on the import of fine jewellery products to Dubai, our financial and business operation could be materially and adversely affected.

We could be materially and adversely affected as a result of our operations with customers from certain countries that are subject to evolving economic sanctions of the U.S., the E.U., the U.N. or Australia and other relevant sanctions authorities

As disclosed in the section "Business — Sales and marketing — Business activities with customers from the Sanctioned Countries — Sales to customers from the Sanctioned Countries" in this prospectus, we have had historical and on-going sales to customers from the Sanctioned Countries. The U.S., E.U., U.N., and Australia have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Country or any other government, individual or entity sanctioned by the U.S., the E.U., the U.N., Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions or that would be in breach of the sanctions imposed by the U.S., the E.U., the U.N. or Australia. If we breach such undertaking to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist the Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please

RISK FACTORS

refer to the section “Business — Sales and marketing — Business activities with customers from the Sanctioned Countries — Our undertakings and internal control procedures” in this prospectus.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., U.N., Australia and other applicable jurisdictions with respect to any current or future activities with customers from the Sanctioned Countries by us. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the U.S., E.U., U.N., Australia or Hong Kong. We can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions due to our business nature or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., E.U., U.N., Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, since many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds respectively, in companies that are members of corporate groups with activities in certain countries that are subject to sanctions. As a result, concern about potential legal or reputational risk associated with our historical and on-going sales to customers from the Sanctioned Countries could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of the Offer Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Global Offering to dealings with sanctioned parties. Before investing in the Shares, you should consider if such investment would expose you to any of the U.S., E.U., U.N., and Australia or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

We cannot assure you that our past business activities will not subsequently be considered sanctionable business activities under U.S., E.U., U.N. or Australian sanctions laws, rules and regulations. If our historical business activities in connection with the Sanctioned Countries are subsequently considered to be in violation of any of the U.S., E.U., U.N. or Australian sanctions laws, rules and regulations, we may be subject to the applicable penalties pursuant to such laws, rules and regulations. Our business and reputation could be adversely affected if the relevant authorities of the U.S., E.U., U.N. or Australia were to determine that any of our historical and on-going business activities constituted violations of the sanctions they impose.

We cannot guarantee that our internal control measures as disclosed in the section “Business — Sales and marketing — Business activities with customers from the Sanctioned Countries — Our undertakings and internal control procedures” in this prospectus will be effective in avoiding sanctions risk as there may be limitation or restriction for us to ascertain the background of our customers.

Concern about potential legal or reputational risk associated with our historical and on-going business activities with customers from the Sanctioned Countries could materially and adversely affect our business, financial condition and results of operations.

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As disclosed in the section “Business — Sales and marketing — Business activities with customers from the Sanctioned Countries — Our undertakings and internal control procedures” in this prospectus, our Company has given certain undertakings to the Stock Exchange concerning our future business activities with customers from the Sanctioned Countries. Should we fail to comply with any such undertakings in the future, we may run the risk of having the Shares delisted by the Stock Exchange.

Fluctuation of raw material prices could materially and adversely affect our business

Diamonds and gold are the major raw materials used in the production of our fine jewellery products. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our cost of diamonds and other non-diamond gemstones accounted for approximately 58.1%, 63.5%, 67.1% and 69.0% of our cost of goods sold respectively; and our cost of gold accounted for approximately 35.2%, 28.1%, 23.8% and 24.1% of our cost of goods sold respectively.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively, the average cost of diamonds per carat were approximately HK\$2,882, HK\$2,730, HK\$2,759 and HK\$2,979 respectively, and the average cost of gold per ounce that we purchased were approximately HK\$11,878.4, HK\$9,766.4, HK\$8,760.0 and HK\$10,353.0 respectively.

Our products are priced with reference to factors such as costs of major raw materials including diamonds and gold, the product types complexity of the design and craftsmanship involved, the strategic value of the respective customers, and our expected profit margins. The prevailing market prices determine the purchase price of our raw materials. Whilst during the Track Record Period, there is no significant fluctuation in our purchase in diamonds and gold, should the prices of our major raw materials increase or fluctuate to the extent that it is beyond the ability of our customers to afford and price their products competitively without significantly hampering their sales of the products in their respective regional retail market, our sales to our customers may be materially and adversely affected. Further, to cater for and alleviate the burden with our customers in affording the increase and fluctuations of the price of raw materials, we may need to adjust our profit margins downward which in any event our business and financial performance will be materially and adversely affected. For details of the fluctuation of raw material (particularly diamonds and gold) prices, please refer to the section “Financial Information — Key factors affecting our results of operations — Fluctuation of prices of raw materials” in this prospectus.

We rely on the Processing Agreement in the PRC and our business, financial condition and results of operations may be materially and adversely affected if there exists factors which may affect the Processing Agreement

During the Track Record Period and up to the Latest Practicable Date, the production operations of our Group were undertaken through Perfect Factory in Dongguan.

The Processing Agreement will expire on 7 April 2018, subject to further renewal. However, there is no assurance that the Processing Agreement will be renewed upon expiry, or if renewed, will be renewed for any particular period of time. In the event the Processing Agreement cannot be renewed and find other reliable processing agents or subcontractors to undertake our Group’s production operations, or otherwise to take up such production operations on our own at affordable or reasonable costs and on a timely basis, the operations and profitability of our Group may be materially and adversely affected.

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Under the Processing Agreement, we are responsible for providing, among other things, equipment and all raw materials for production at Perfect Factory whilst Tangxia Zhenlian Trading (as the PRC party) and FPASC (as the business agent), are responsible for facilitating the operation of Perfect Factory by providing us with suitable production factory and assisting us in obtaining relevant governmental approvals necessary for operations of Perfect Factory respectively. Should there be any disagreement with the contracting parties, our operations may be interrupted and there is no assurance that our Group's production operations through Perfect Factory would not be interrupted materially in the event of dispute between Perfect (HK) and the other contracting parties.

Other factors could cause prolonged interruptions or have a negative effect on the operations of our production facilities, whether caused by power or water shortage, labour strikes, riots, fire or any other events that may be beyond our control or there occurs any change in the relevant PRC laws and regulations which may materially and adversely affect the production operations of Perfect Factory. We cannot assure you that, if any of the aforesaid events occurs, we will be able to find alternative ways to produce our products and fulfil our customers' orders. If we cannot find alternative ways to produce our products at comparable costs and to deliver our products in accordance with the agreed delivery or at all, our business and operation and our reputation could be materially and adversely affected.

We are susceptible to material and adverse change in the Hong Kong tax laws or unfavourable interpretation regarding apportionment claim of profits in cross-border processing business

HK Perfect has entered into processing arrangements with Tangxia Zhenlian Trading (as the PRC party) and FPASC (as the business agent) since 2008. Pursuant to DIPN 21, in the event a Hong Kong manufacturing company enters into a contract processing arrangement with a PRC entity where the production processes are carried out at a processing facility situated in the PRC and such Hong Kong manufacturing company provides raw materials and machinery without consideration and the technical and managerial know-how according to the processing arrangements, profits of the Hong Kong manufacturing company generated from the sale of goods that are manufactured or processed by such PRC entity can be apportioned on a 50:50 basis and 50% of the chargeable profits so apportioned can be treated as non-taxable in Hong Kong.

HK Perfect has been entitled to the concessionary tax treatment under DIPN 21 since the financial year ended 31 December 2008. We enjoyed total tax savings being approximately HK\$8.2 million, HK\$8.7 million, HK\$10.7 million and HK\$5.0 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

The fine jewellery business carried on by and certain assets and liabilities of HK Perfect had been transferred to Perfect (HK) on 5 August 2015 as such the benefit arising under DIPN 21 would also be assigned to Perfect (HK). For details, please refer to the section "History, Development and Reorganisation — Corporate structure — Reorganisation" in this prospectus. In the event there is any change in conditions for the entitlement of tax benefits under DIPN 21 or there is any change in Hong Kong tax laws or their interpretation leading to the consideration by the IRD that DIPN 21 is no longer applicable to our mode of operations, we may be unable to continue to enjoy the concessionary tax treatment under DIPN 21, and full amount of profits derived from Perfect (HK) may be taxable which may lead to material and adverse impact on our Group's profitability.

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Moreover, in the event the Processing Agreement cannot be renewed, we will lose our concessionary tax treatment under the DIPN 21 issued by the IRD, and our financial conditions will be materially and adversely affected. For details of our tax concessionary treatment, please refer to the section “Financial Information — Key factors affecting our results of operations — Taxation and tax concessionary treatment” in this prospectus.

Non-compliance by Perfect Factory of the applicable PRC laws and regulations during the Track Record Period may affect the operation of our facilities

Under the relevant PRC laws and regulations, Perfect Factory is required to contribute to social security insurance and housing provident fund, for the benefit of their own employees. During the Track Record Period, Perfect Factory has failed to make full social insurance contributions and failed to contribute to its employees’ housing provident fund account. For details, please refer to section “Business — Litigation and non compliance matters” in this prospectus. In relation to Perfect Factory, as advised by our PRC Legal Advisers, it is not an independent legal entity (企業法人) under the PRC law. As advised by our PRC Legal Advisers, in respect of Perfect Factory which does not have a legal entity status, it is the judicial practice of the PRC that the foreign investor of Perfect Factory will be deemed to be jointly liable for the civil liabilities owing by Perfect Factory to any third party; Perfect Factory shall be primarily liable for such civil liabilities, and the foreign party thereunder will be jointly liable if and to the extent that such liabilities cannot be met by the assets of Perfect Factory. As advised by our PRC Legal Advisers, based on the terms of the Processing Agreement, it is the contractual obligation of Perfect (HK) to be jointly liable with Perfect Factory in respect of the liabilities of Perfect Factory owing to any third party arising from or in connection with the performance of its duties under the Processing Agreement, and Perfect (HK) shall assume such liabilities if and to the extent that they cannot be met by Perfect Factory out of its own assets. As such, our Group may be liable for any liabilities or claims relating to any breaches or non-compliances with the applicable PRC laws, rules and regulations by Perfect Factory.

As advised by our PRC Legal Advisers, save as disclosed under the sections “Business — Litigation and non compliance matters” and “Business — Licences and permits” in this prospectus, as at the Latest Practicable Date, Perfect Factory had obtained all necessary licences, certificates, approvals and permits for the production of our existing products under the Processing Agreement. There is no assurance that Perfect Factory will be able to renew such licences, certificates, approvals and permits upon their expiration. The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licences, certificates, approvals or permits requirements relevant to our business and the fine jewellery industry may significantly escalate our compliance and maintenance costs or may limit our Group to continue with our existing operations or may limit or prohibit us from expanding our business. Any such event may have a material and adverse effect to our business, financial results and future prospects.

We rely on our major suppliers whose supply and marketing strategies may materially and adversely affect our business, financial condition and results of operations

We procured a significant portion of our major raw materials, such as diamonds and gold sold by us in the form of finished products from third party suppliers, which were also our 5 largest suppliers during the Track Record Period. For each of the years ended 31 December 2012, 2013 and

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2014 and the six months ended 30 June 2015, purchases from the 5 largest suppliers of our Group amounted to approximately HK\$371.6 million, HK\$353.5 million, HK\$348.3 million and HK\$135.6 million respectively, and accounted for approximately 94.7%, 96.1%, 96.1% and 94.2% of our Group's total purchases respectively, and purchases from our top supplier amounted to approximately HK\$218.5 million, HK\$230.3 million, HK\$239.0 million and HK\$96.0 million and accounted for approximately 55.7%, 62.6%, 66.0% and 66.7% of our Group's purchases respectively.

There is no assurance that any of our major suppliers will continue to supply diamonds and gold to us at our desired quality or at all and in a timely manner or on commercially acceptable terms. In the event that any of our major suppliers fails to meet our purchase orders on a timely basis or fails to offer us commercially acceptable terms or fail to supply us with diamonds and gold that we require or terminates their business relationship with us, we may be unable to source diamonds and gold from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial condition and results of operations may be materially and adversely affected.

Our business could be materially and adversely affected if we cannot protect our trade name

We consider our corporate image and trade name “保發珠寶” (Perfect Jewellery) to be our most important assets. Our ability to sell our fine jewellery products relies on the strength of our trade name. Any deterioration in the reputation of our trade name could have a material and adverse effect on our sales, profitability and implementation of growth strategy.

We cannot assure you that our trade name will not be subject to any infringement in the future. Any unauthorised use of our trade name in our principal markets could harm our brand, market image and reputation, which could materially and adversely affect our business, financial conditions and results of operations.

We may be subject to claims on intellectual property rights from other parties

Product design plays a crucial role in our Group's business model and has been our Group's strong emphasis. The majority of our fine jewellery products are designed by our Group's in-house design team. There is no assurance that our Group's designs will not infringe any third parties' design rights or intellectual property rights. During the Track Record Period, our Group did not receive any material claim of this nature. However, there can be no assurance that our Group will not face such claims in the future. Should our Group face such claims in the future, the business reputation of our Group could be adversely affected and our Group might lose our customers.

Our production machinery and technical know-how may become out-of-date which may affect our business, results of operations and profitability

We may incur significant costs in adapting to new requirements or specifications from our majors customers due to the requirement of new machineries or know-how. Our customers' requirements, product specifications, market trends and statutory requirements are subject to changes. Our competitors may develop production techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques out-of-date and our business non-competitive. Equipment producers may also develop new production machinery which would render our existing machinery out-of-date. Should any of these factors materialise, our business, results of operations and profitability could be materially and adversely affected.

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We may have difficulties in recruiting and retaining skilled labour at competitive prices which may affect our profitability

Our continued success depends greatly on the contribution of our skilled labour and it would take time and cost to find replacements as supply of skilled labour is scarce. Perfect Factory did not experience any shortage of skilled labour during the Track Record Period as we consider our staff to be our most valuable assets, for details of our recruitment and bonus system, please refer to the section “Business — Employees — Recruitment and bonus system” in this prospectus.

Our management takes note of the general trend of rising labour costs in the PRC, which may increase our production costs and thereby reduce our profit margins and induce upward pressure on the selling price of our products, hence affecting our competitiveness. Our sales, relationship with customers and financial results may be materially and adversely affected. Further, as we need to recruit and retain labour with skillful craftsmanship to maintain our competitiveness in the fine jewellery industry, if Perfect Factory cannot retain our skilled labour or fail to find replacement with comparable experiences at similar wages, it may result in increase of the operation cost and may also affect our product quality, which will have a material and adverse impact on our business, financial condition and results of operations.

Our business relies on certain key personnel and experienced staff, and loss of them could have a material and adverse effect on our business, financial conditions and results of operations

Our success has been largely attributable to the management, sales and marketing, and operational and technical expertise of certain key personnel. In particular, we are dependent on the experience of our key personnel, including Mr. Kan, our founder, chairman of our Board, executive Director and Chief Executive Officer and Mrs. Kan, our executive Director responsible for sales and marketing. Details of their expertise and experience are set out in the section “Directors and Senior Management” in this prospectus.

Our success also depends on the efforts and abilities of our design team, production team, procurement team and sales team, which undertake the design and development of our fine jewellery products, the procurement of raw materials and the sales of our fine jewellery products respectively. Save for Mr. Kan and Mrs. Kan, there can be no assurance that we will be able to retain these officers or that such personnel may not receive and/or accept competing offers of employment. If our Group fails to retain our key personnel or offer to the key personnel a competitive package or attract or engage suitable replacements or recruit suitable new appointees on a timely basis, it may result in the loss of strategic leadership, disruption or delay to business operation or expansion, which could have a material and adverse effect upon our business, financial conditions and results of operations. Requisite level of technical expertise to select and effectively negotiate the prices of diamonds of the requisite quality is also difficult to find, develop and replicate, as are the skills to develop long lasting relationship with our customers. As it is highly competitive to seek for qualified personnel in the fine jewellery industry, we may not be able to attract and retain a sufficient number of qualified employees in the future, particularly in light of our plans to expand our business. In the event that we lose such personnel, it would require more time for us to seek and train a replacement personnel up to our requisite standards, which could have a material and adverse effect on our business, financial conditions and results of operations.

We are exposed to credit risks of our customers which may affect the financial position of our Group

As at 31 December 2012, 2013, 2014 and 30 June 2015, our Group recorded trade and bills receivables balances of approximately HK\$82.6 million, HK\$84.6 million, HK\$102.8 million and

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HK\$119.0 million respectively, accounted for approximately 15.2%, 15.8%, 19.9% and 44.8% of our Group's total revenue respectively. In general, our sales are made on credit basis and we require our customers to settle our invoices up to 120 days after delivery. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the average debtors' turnover days were approximately 49.4 days, 56.9 days, 66.3 days and 76.2 days respectively. There may be a risk of delay in payment by our Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivable in a timely manner. In the event the settlements from the customers are not made in full or not in a timely manner, the financial position, profitability and cash flow of our Group may be materially and adversely affected.

We could be exposed to legal risks relating to our business conducted in foreign countries

Due to our business activities, we may be subject to laws and regulations of the various countries or territories in which our principal markets lie. The legal, political and business environments in areas such as money-laundering and terrorist financing are evolving and are inconsistent across various jurisdictions and often lack clarity or predictability. These factors may increase our compliance costs and legal risks. Subsequent legislations, regulations, litigations, court rulings or other events could expose us to increased costs, liabilities and risks of reputational damage. Further, uncertainty in the business and legal environment in foreign countries to which our business activities are related may affect our business and limit our ability to enforce our rights.

RISKS RELATING TO THE FINE JEWELLERY MANUFACTURING AND WHOLESALE (EXPORT) INDUSTRY

Competition in the fine jewellery manufacturing and wholesale (export) industry is highly intense and could cause us to lose market share, thereby materially and adversely affecting our business, results of operations and financial condition

According to the IPSOS Report, the fine jewellery manufacturing and wholesale (export) industry is highly competitive. The majority of fine jewellery manufacturers in Hong Kong focus on export businesses. There were approximately 136 fine jewellery manufacturers-wholesalers (export) in Hong Kong as at 31 December 2014. We attribute our success to product quality which is derived from skilled craftsmanship, product designs and our efforts in enhancing and ensuring the quality of our services. There is no assurance that we may continue to refine and develop our manufacturing techniques, keep up with market trends to improve our designs, develop areas for improvement to maintain our competitive advantages, or that we may price our products competitively to the satisfaction of our customers. If we fail to compete effectively against our competitors, we may be unable to expand and maintain our market share and profitability.

Our products include rings, earrings, pendants, bangles, necklaces and bracelets, most of which are supplied to wholesalers and retailers of jewellery products worldwide. We believe that our success not only depends on our ability to foresee, identify and interpret the behaviours, style, tastes of and trends among our customers and to offer products that accommodates their preferences, but also depends on the success of our customers in their business including but not limited to sales, image brand and strength. Moreover, given the diversity of our customers across the globe, buying habits, market trends and consumer tastes, style and preferences may vary from region to region. Accordingly, we must continuously develop and offer products with various designs and characteristics across our product categories that satisfy a broad spectrum of regional market trends and customer preferences. For details

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of our product diversity, please refer to the sections “Business — Products” and “Business — Design” in this prospectus. There is no assurance that we can correctly foresee, identify and interpret the varying behaviours, style, tastes and preferences of our customers across regions, and produce products with designs and characteristics that are well received by them so that our customers may be able to market and sell their products successfully. Should we fail to continuously introduce products and adjust our product mix to meet the changing market tastes and preferences in the regions that we serve and generate into orders from our customers or our customers fail to sell their products successfully, our business, financial performance and results of operations may be materially and adversely affected.

The nature of fine jewellery products business exposes us to security and transport risks

Our industry is prone to theft and robbery. There is no guarantee that any measures which are implemented will be adequate or effective despite that we have implemented various security measures to safeguard the safety of our inventory and valuable properties. Any occurrences of theft or robbery at Perfect Factory can have a material and adverse effect on our reputation and our brand and could result in financial losses.

The transportation of our products to our customers and the transportation of raw materials to Perfect Factory also expose us to risks. For details of our various procedures to manage and track our products and raw materials and insurance policy, please refer to the sections “Business — Inventory Control” and “Business — Insurance” in this prospectus. However, any security breach or failure in transport logistics could result in a huge loss in inventory and have a material and adverse impact on our business, financial conditions and results of operations.

Any illegality of the sources of raw materials, our reputation, business and results of operations may be materially and adversely affected

We have put in place internal control measures to ensure that the raw materials we purchased from our suppliers are from legitimate sources. Please refer to the section “Business — Quality Control — Quality control over raw materials, production process and finished products” in this prospectus for details for our measures taken against procuring raw material from illegitimate source. In case there is any illegality of the sources of raw materials, our customers may discontinue their businesses with us and our reputation, business and results of operations may be materially and adversely affected.

Our insurance coverage may not cover all losses which could have a material and adverse effect on our business

Different types of insurance policies are maintained to cover our operations, for details of our insurance policy, please refer to the section “Business — Insurance” in this prospectus. Our insurance policies may not cover certain circumstances such as the types of loss, damage and liability in which case we could incur losses that could have a material and adverse effect on our business and results of operations. There can also be no assurance that we will continue to be able to renew our existing levels of coverage on commercially acceptable terms, or at all.

RISKS RELATING TO THE PRC

A substantial part of our Group’s productions is located in the PRC. Accordingly, the results of operations, financial position and prospects of our Group are subject, to a significant degree, to the economic, political and legal developments of the PRC.

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Political and economic policies of the PRC government could affect our Group's business

As a substantial part of our production is located in the PRC, our results, financial position and prospects are dependent on the economic, political and social conditions to a significant degree. Government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government continues to play a significant role in regulating industries by imposing industrial policies as the PRC economy is moving to a more market-driven economy. There can be no assurance that economic, political or legal systems of the PRC will not develop in a way which is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

RMB is not freely convertible to other currencies at present. Under the current foreign exchange regulations, RMB is convertible without approvals from SAFE or its local counterpart only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE or its local counterpart. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions. If the PRC government imposes additional restrictions on the convertibility of RMB, we may have difficulties converting HK\$ or other foreign currencies into RMB and vice versa for our operations in the PRC, and our business operations could be materially and adversely affected.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose material and adverse impact on our Group's business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government of the PRC has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislations or the interpretation thereof will not have a material and adverse effect upon our Group's business, operations or profitability.

We cannot assure you that introduction of new laws and amendments or interpretations of existing laws by the PRC government would not materially and adversely affect our profitability and prospects. For details of some of the relevant PRC laws and regulations to which our Group is currently subject, please refer to the section "Regulations" in this prospectus.

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Any change in the relevant PRC laws, regulations or policies regarding processing arrangements may materially and adversely affect our operation and business

During the Track Record Period and up to the Latest Practicable Date, we relied on the Processing Agreement entered into by Perfect (HK) and its predecessor for production of our fine jewellery products and enjoyed concessionary tax treatments in relation to the processing arrangements. For details, please refer to the section “Financial Information — Key factors affecting our results of operations — Taxation and tax concessionary treatment” in this prospectus. The processing arrangement forms an important part in our production capacity, operations and profitability. Should the development of Perfect Factory and the corresponding Processing Agreement and its implementation thereof be prohibited or restricted for any reasons including but not limited to any change in the relevant PRC laws, regulations or policies, our Group may be materially and adversely affected. For details regarding the relevant PRC laws and regulations in respect of processing arrangements under the Processing Agreement, please refer to the section “Regulations — Regulations relating to processing trade” in this prospectus.

During the Track Record Period, the production of most of our fine jewellery products was carried out in Perfect Factory pursuant to the Processing Agreement. As advised by our PRC Legal Advisers, although the People’s Government of Dongguan Municipality promulgated certain guidelines to promote and encourage the transformation of contract processing enterprises in Dongguan into foreign invested enterprises (namely, the sino-foreign joint ventures, sino-foreign cooperative enterprises and wholly foreign-owned enterprises), the People’s Government of Dongguan Municipality does not impose any mandatory obligations for the transformation of all of the contract processing enterprises into foreign invested enterprises within a specified time. Therefore, although the aforesaid policy applies to Perfect Factory, our Group is at liberty to continue our manufacturing operation through the existing processing arrangement.

As advised by our PRC Legal Advisers, under the relevant PRC policies, the approval and licensing requirements in respect of processing trade business has been tightened and that the relevant authorities encourage the change of nature of the processing trade business into foreign invested enterprises. Up to the Latest Practicable Date, our Group has not been ordered or requested by the PRC government to terminate the processing arrangements with Perfect Factory under the Processing Agreement and to continue such manufacturing operations in a foreign invested enterprise established or to be established by our Group. Our licence will expire on 7 April 2018, subject to further renewal, however we cannot assure you that we will be able to renew such licence when required. In the event that we cannot renew the licence when required, operations in Perfect Factory will be interrupted and our operation and business could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Immediately following the Global Offering, or if the Sole Global Coordinator (for itself and on behalf of the Underwriters) exercises the Over-allotment Option in full, our Controlling Shareholders will own 54.0% and approximately 52.0% of the Shares respectively. Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

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The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

There has not been any prior public market for the Shares and an active trading market may not develop

Prior to the Global Offering, there has been no public market for the Shares. There is no guarantee that an active market for the Shares will be developed or be sustainable upon completion of the Global Offering.

If an active public market for the Shares could not develop after the Global Offering, the market price of the Shares might be materially and adversely affected. The stock market of Hong Kong may be subject to increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the results of operations of companies in recent years. Volatility in the price of the Shares may be caused by factors beyond our Group's control and may be unrelated or disproportionate to our Group's operating results.

Whilst the Offer Price range has been determined through negotiation between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements made by us or our competitors, environmental accidents suffered by us, loss of key personnel, developments in the fine jewellery industry, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will be traded. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future sales of substantial amounts of the Shares in the public market may materially and adversely affect the prevailing market price of the Shares

Except for the Shares issued in the Global Offering, our Company has agreed with the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters not to, among others, sell or issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters). Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Underwriters)

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may, in their sole and discretion, waive or terminate these restrictions. Please refer to the section “Underwriting — Underwriting arrangements and expenses — Public Offer” in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

Our Group may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our Group’s business. Our Group may require additional equity funding after the Global Offering and the equity interests of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

In addition, we may consider offering and issuing additional Shares in the future to the extent that our ordinary Shares are issued upon the exercise of Share options which may be granted in the future. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Our Group has derived certain facts and other statistics in this prospectus relating to the fine jewellery industry and the global economy from various government publications and organisations that it believes to be reliable. While our Group believes that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by our Group, the Sole Sponsor or any member of our Group’s or their respective affiliates or advisers. Therefore, our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections “Summary”, “Industry Overview” and “Business” in this prospectus. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

Upon completion of the transfer of the Jewellery Business carried on by and certain assets and liabilities of HK Perfect to Perfect (HK), on 5 August 2015, Perfect (HK) entered into the Hong Kong Tenancy Agreement with HK Perfect, pursuant to which Perfect (HK) has agreed to lease the Hong Kong Property from HK Perfect for a term of three years commencing on 5 August 2015 as offices. The monthly rent payable by Perfect (HK) under the Hong Kong Tenancy Agreement is HK\$290,000. It is expected that the transactions contemplated under the Hong Kong Tenancy Agreement will continue following the Listing.

With respect to the connected transactions contemplated under the Hong Kong Tenancy Agreement, the historical figures during the Track Record Period and the proposed annual caps for the three years subsequent to the Track Record Period are listed below:

Historical figures for				Proposed annual cap for		
the year ended 31 December			the six months ended 30 June	the year ending 31 December		
2012	2013	2014	2015	2015	2016	2017
Not applicable as the term of the Hong Kong Tenancy Agreement was not commenced yet				HK\$1,450,000	HK\$3,480,000	HK\$3,480,000

As all the percentage ratios (other than the profits ratio) under the Listing Rules in respect of the above annual caps for the Hong Kong Tenancy Agreement are more than 0.1% but less than 25% and the total annual consideration is more than HK\$3,000,000 but less than HK\$10,000,000, the transactions contemplated under the Hong Kong Tenancy Agreement will, in the absence of a waiver, be subject to reporting and announcement requirements but exempt from circular and shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

Given (a) the transactions contemplated under the Hong Kong Tenancy Agreement are expected to continue on a recurring basis after the Listing; (b) details of the transactions contemplated under the Hong Kong Tenancy Agreement are disclosed in this prospectus for the information of potential investors; and (c) our Directors' confirmation as set out in the section "Connected Transactions — Confirmations — Directors' confirmation" in this prospectus, our Directors consider that compliance with the announcement requirement under Chapter 14A of the Listing Rules would be unduly burdensome and would add unnecessary administration costs to our Group, which would not be beneficial to our Group and our Shareholders as a whole.

Pursuant to Rule 14A.105 of the Listing Rules, the Sole Sponsor has applied on behalf of our Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the announcement requirement under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Our Directors have confirmed that apart from the announcement requirement of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules upon the Listing. Further information on such waiver are set forth in the section "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our 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 our Group. Our Directors, having made all reasonable enquiries, have confirmed that to the best of their knowledge and belief the information contained in this prospectus 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 in this prospectus misleading.

THE OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Global Offering which comprises the Public Offer and the International Placing. The Public Offer comprises the offer of 11,250,000 new Shares by our Company initially for subscription at the Offer Price while the International Placing comprises the offer of 101,250,000 new Shares by our Company initially for subscription at the Offer Price.

The Global Offering is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. Details of the structure and conditions of the Global Offering are set out in the section "Structure and Conditions of the Global Offering" this prospectus.

The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. The International Placing will be fully underwritten by the International Placing Underwriters subject to the terms and conditions of the International Placing Underwriting Agreement. Please refer to the section "Underwriting" in this prospectus for further details of the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offer of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws, rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. As far as the Global Offering is concerned, no person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares as confirmed, that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares, in circumstances which contravene any such restrictions.

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Offer Shares and any applicable exchange control regulations in the jurisdictions of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors of the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Global Offering will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Branch Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Codan Trust Company (Cayman) Limited. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of the Shares being sold or transferred.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain AED and USD amounts into HKD.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of foreign currencies into HKD in this prospectus was made at the following rates:

AED1.0 = HK\$2.10

US\$1.0 = HK\$7.76

Such conversions shall not be construed as representations that amount of such currencies were or may have been converted into HKD and vice versa at such rates or any other exchange rates or at all.

LANGUAGE

The English translations of the names of PRC nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits in this prospectus are not official names for, and do not form any official part of, such nationals, entities, departments, facilities, certificates, titles, laws, rules, regulations, licences and permits.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Kan Kin Kwong (簡健光先生)	Flat B, 31st Floor, Block 2 Parc Palais, 18 Wylie Road King's Park, Kowloon Hong Kong	Chinese
Ms. Shek Mei Chun (石美珍女士)	Flat B, 31st Floor, Block 2 Parc Palais, 18 Wylie Road King's Park, Kowloon Hong Kong	Chinese
Mr. Chung Chi Keung (鍾志強先生)	Flat B, 30th Floor, Tower 1 Vision City, 1 Yeung Uk Road Tsuen Wan, New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Chu Kin Wang Peleus (朱健宏先生)	Flat 1001, 10th Floor, Block D Galaxia, 3 Lung Poon Street Diamond Hill, Kowloon Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Fan Chor Ho (范佐浩先生)	Room 14, Peak Gardens 18 Mount Austin Road The Peak Hong Kong	Chinese
Mr. Li Cheuk Wai (李卓威先生)	Flat B, 22nd Floor Wai Sing Mansion Sing Fai Terrace Taikoo Shing Hong Kong	Chinese
Mr. Wong Wai Keung Frederick (黃煒強先生)	Flat D, 16th Floor, Block T58 Choi Tien Mansion 11 Tai Koo Wan Road Quarry Bay Hong Kong	Chinese

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Senior management</i>		
Ms. Chan Hoi Man (陳凱文女士)	Flat E, 4th Floor, Block 16 City One, Shatin New Territories Hong Kong	Chinese
Mr. Chan Wai Hung (陳偉雄先生)	Flat E, 30th Floor, Tower 11 The Palazzo, 28 Lok King Street Shatin, New Territories Hong Kong	Chinese
Ms. Kong Pui Fun Pansy (江佩芬女士)	Flat F, 9th Floor, Block 8 Site 9 Whampoa Garden Hung Hom, Kowloon Hong Kong	Chinese
Mr. Luo Jacky (羅惠源先生)	Flat A, 55th Floor, Block 1 Harbour Front Landmark 11 Wan Hoi Street Hung Hom, Kowloon Hong Kong	U.S.
Mr. Tam Pei Qiang (譚沛強先生)	Flat H, 6th Floor, Block 3 Charming Garden, Phase 2 16 Hoi Ting Road Mongkok, Kowloon Hong Kong	Chinese

For detailed information on our Directors and senior management, please refer to the section “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING**Sole Sponsor****GF Capital (Hong Kong) Limited**

29th-30th Floors, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sole Global Coordinator**GF Securities (Hong Kong) Brokerage Limited**

29th-30th Floors, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers**

GF Securities (Hong Kong) Brokerage Limited
29th-30th Floors, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Convoy Investment Services Limited
24C, @Convoy
169 Electric Road
North Point
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Pang & Co.
in association with Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to UAE law

Trench & Associates
2nd Floor, Union National Bank Building
Khalid Bin Al Waleed Road
PO Box 21832
Dubai
UAE

As to U.S. law and U.S. sanctions law

Loeb & Loeb LLP
10100 Santa Monica Boulevard
Suite 2200
Los Angeles, CA 90067
U.S.

As to Canadian law

Gowling Lafleur Henderson LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario M5X 1G5
Canada

As to PRC law

Shu Jin Law Firm
12th Floor, Taiping Finance Tower, No.6001
Yitian Road, Futian District
Shenzhen
PRC

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to U.N. sanctions law and E.U. sanctions law

Norton Rose Fulbright LLP

3 More London Riverside
London, SE1 2AQ
United Kingdom

As to Australian sanctions law

Norton Rose Fulbright Australia

Level 15, RACV Tower
485 Bourke Street
Melbourne VIC 3000
Australia

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law

P. C. Woo & Co.

12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

As to PRC law

Jun He Law Offices

Suite 1301, 13th Floor, E Building
G.T. Land Plaza
13 Zhujiang East Road
Zhujiang New Town
Tianhe District, Guangzhou 510623
PRC

Reporting accountants

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place
88 Queensway
Hong Kong

Property valuer

RHL Appraisal Limited

Room 1010, 10th Floor, Star House
Tsimshatsui
Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited

15th Floor Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Place of business in Hong Kong and headquarters	26th Floor, YHC Tower No. 1 Sheung Yuet Road Kowloon Hong Kong
Company's website address	www.hkperjew.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Tam Pei Qiang (譚沛強先生) (CPA) Flat H, 6th Floor, Block 3 Charming Garden, Phase 2 16 Hoi Ting Road Mongkok, Kowloon Hong Kong
Authorised representatives	Mr. Kan Kin Kwong (簡健光先生) Flat B, 31st Floor, Block 2 Parc Palais, 18 Wylie Road King's Park, Kowloon Hong Kong Mr. Tam Pei Qiang (譚沛強先生) (CPA) Flat H, 6th Floor, Block 3 Charming Garden, Phase 2 16 Hoi Ting Road Mongkok, Kowloon Hong Kong
Audit committee	Mr. Wong Wai Keung Frederick (黃煒強先生) (Chairman) Mr. Chu Kin Wang Peleus (朱健宏先生) Mr. Li Cheuk Wai (李卓威先生)
Remuneration committee	Mr. Li Cheuk Wai (李卓威先生) (Chairman) Mr. Chung Chi Keung (鍾志強先生) Mr. Wong Wai Keung Frederick (黃煒強先生)
Nomination committee	Mr. Kan Kin Kwong (簡健光先生) (Chairman) Mr. Fan Chor Ho (范佐浩先生) Mr. Li Cheuk Wai (李卓威先生)

CORPORATE INFORMATION

Risk management committee	Mr. Kan Kin Kwong (簡健光先生) (<i>Chairman</i>) Ms. Shek Mei Chun (石美珍女士) Mr. Li Cheuk Wai (李卓威先生)
Compliance adviser	GF Capital (Hong Kong) Limited
Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Union Registrars Limited A18/F., Asia Orient Tower Town Place, 33 Lockhart Road Wanchai Hong Kong
Principal bankers	The Bank of East Asia, Limited Millenium City 5 BEA Tower 418 Kwun Tong Road Hong Kong OCBC Wing Hang Bank Limited 104 Ma Tau Wai Road Hung Hom Hong Kong Standard Chartered Bank (Hong Kong) Limited Standard Chartered Tower 388 Kwun Tong Road Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government sources and a commissioned report, the IPSOS Report, prepared by IPSOS which is an independent third party. Our Company believes that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by our Company, or any of our affiliates or advisers, nor by the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriter(s) or any of their affiliates or advisers or any other party involved in the Global Offering other than IPSOS with respect to the information contained in the IPSOS Report. No representation is given as to the accuracy of the IPSOS Report. After taking reasonable care, our Directors have confirmed that there has been no adverse change in the market information since the date of the IPSOS Report up to the date of this prospectus.

SOURCES OF INFORMATION

Our Company has commissioned IPSOS, an independent market research company, to analyse and report on, among others, the trends of the global and Hong Kong fine jewellery industry for the period from 2010 to 2019 at a fee of HK\$548,000 and our Directors consider that such fee reflects the market rates. To provide an analysis of the aforementioned markets, IPSOS combined the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts of fine jewellery players in Hong Kong. The information and statistics set forth in this section have been extracted from the IPSOS Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, IPSOS SA acquired Synovate Ltd. in October 2011. After the combination, IPSOS became the third largest research company in the world which employs approximately 16,000 personnel worldwide across 87 countries. IPSOS conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. IPSOS is independent of our Company and none of our Directors or their associates has any interest in IPSOS.

Our Directors have confirmed that IPSOS, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of the Listing Rules) in any way. IPSOS has given its consent for us to quote from the IPSOS Report and to use information contained in the IPSOS Report in this prospectus.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the IPSOS Report, various official government publications and other publications.

INDUSTRY OVERVIEW

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Analyses in the IPSOS Report are based on the following assumptions:

- the supply of and demand for fine jewellery products and companies in the fine jewellery industry in Hong Kong are assumed to be stable and without shortage over the forecast period; and
- there is no external shock such as financial crises or natural disasters in the global market to affect the demand for fine jewellery over the forecast period.

The following key parameters have been taken into account in the market sizing and forecast model in the IPSOS Report:

- nominal GDP, GDP growth rate and GDP per capita in the world, the Middle East, the UAE, Dubai, the U.S., the Philippines, Mainland China and Hong Kong from 2010 to 2014;
- average annual household disposable income and consumption expenditure in the U.S., the UAE, Dubai, Mainland China and Hong Kong from 2010 to 2014;
- total export volume and value of fine jewellery products in Hong Kong from 2010 to 2014;
- average historical price trend of diamonds and gold in the global market from 2010 to 2014; and
- total retail sales value of fine jewellery products in the global market from 2010 to 2014.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the IPSOS Report. Our Directors believe that the IPSOS Report is reliable and not misleading as IPSOS is an independent professional research agency with extensive experience in its profession.

AN OVERVIEW OF THE GLOBAL FINE JEWELLERY MARKET

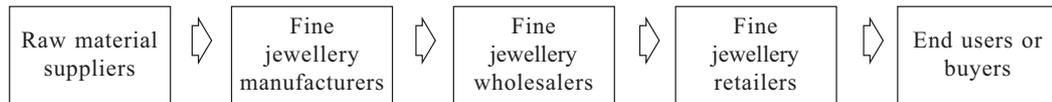
Fine jewellery refers to jewellery products made of precious metals, with or without the mounting of various kinds of gemstones (including diamonds) whilst fine jewellery mounted with diamonds is jewellery made of precious metals with diamonds mounted, and with or without the inclusion of non-diamond gemstones mounted on the same piece of jewellery. In view of the fact that the use of non-diamond gemstones represents only an insignificant portion of our raw materials and that our principal raw materials consist of diamonds and gold, for the purpose of the study of fine jewellery in this section, “fine jewellery products” refers to personal accessory items made of precious metals, such as gold, silver and platinum, mounted with diamond(s). Fine jewellery products generally include (i) necklaces, (ii) bracelets, (iii) earrings, (iv) rings, and (v) other personal accessories such as brooches, hair pins, money clips and cufflinks etc.

INDUSTRY OVERVIEW

Fine jewellery products, with or without gemstones mounted, can be split into three market segments with reference to global retail jewellery market, (i) the mass to middle segment (with retail prices less than HK\$12,000 per piece); (ii) the high-end segment (with retail prices ranging from HK\$12,000 to HK\$80,000 per piece) and (iii) luxury segment (with retail prices over HK\$80,000 per piece). According to the IPSOS Report, whilst the general mark-up price from wholesale to retail is usually around 150%–300%, the actual mark-up range varies and can be much higher depending on the buyer, retailer, and the final retail market of the products.

Supply chain of the fine jewellery industry

Global fine jewellery industry supply chain consists of five key roles as outlined below:



Source: IPSOS Report

Note:

- (1) Raw material suppliers: include miners and wholesalers of diamonds, as well as of precious metals such as platinum, gold and silver.
- (2) Fine jewellery manufacturers: mainly involve with the sourcing of raw materials, design, and manufacturing of fine jewellery products.
- (3) Fine jewellery wholesalers: sourcing of fine jewellery products and distributing to jewellery retailers.
- (4) Fine jewellery retailers: sellers of fine jewellery to the end users.
- (5) End users or buyers: consumers of fine jewellery products, or for purchasing on behalf of the end user.

Major factors affecting the demand for fine jewellery products

Generally, major factors affecting the demand for fine jewellery products include increasing affluence, changing consumers' preference and global price trends and supply of raw materials.

Increasing affluence and disposable income: The expanding middle class, particularly in Asia Pacific and Southeast Asia, has been driving the fine jewellery industry worldwide. Given that wearing fine jewellery is a way to show wealth and new social status, demand for fine jewellery has been increasing. Meanwhile, in mature markets like the U.S., the improving economy has changed the consumers' preference from lower-end jewellery towards mid-tier branded jewellery. Strong customer loyalty has been successfully established through aggressive marketing and brand-specific designs.

Changing consumers' preference for fine jewellery: In the past, the most common diamond jewellery product was ring, which was usually purchased for engagement or marriage. However, the trend has changed as more women enter the workforce and have the purchasing power to buy diamond jewellery for themselves. These female customers usually embrace fashionable designs. As a result, a wider variety of diamond jewellery products with creative and sophisticated designs have become available in the market.

INDUSTRY OVERVIEW

Global price trends and supply of diamonds and precious metals such as gold: Diamonds and golds, being key raw materials for creating fine jewellery, are sourced, produced and traded at an international level for the manufacturing of fine jewellery. Global price fluctuations and changes in supply for these raw materials have a great impact on the fine jewellery industry, affecting the retail prices as well as the sales volume and profit margins of the industry distributors and retailers in the market. Any adverse conditions to these raw material markets, such as shortage of supply, insufficient new supply, or economic uncertainty, will drive up the prices, and affect the sales and revenue of the fine jewellery industry.

Retail sales value of fine jewellery products in the global market from 2010 to 2019

Global retail sales value of fine jewellery products from 2010 to 2019

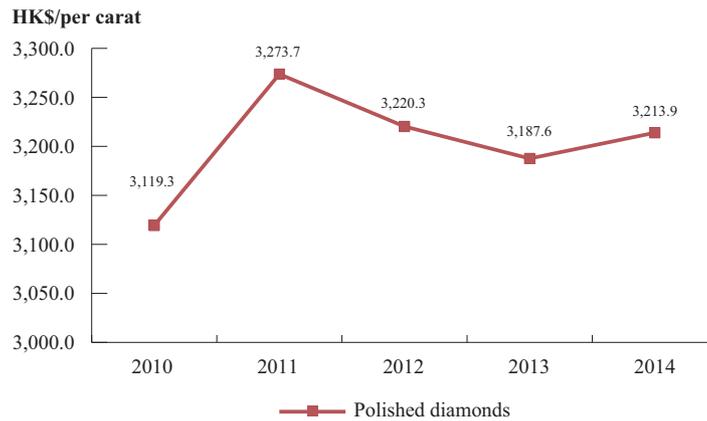


Source: IPSOS Report and analysis

Total global retail sales value of fine jewellery products increased from approximately HK\$466.2 billion to approximately HK\$630.9 billion from 2010 and 2014, at a CAGR of approximately 7.9%. The growing global retail sales value of fine jewellery products is attributed to the improving global economy after the 2008 global financial crisis, as people have more disposable income to purchase fine jewellery products as accessories and/or investments. The value is expected to grow steadily from approximately HK\$730.8 billion to approximately HK\$789.6 billion, at a CAGR of approximately 2.0% from 2015 to 2019, as the Asian and Middle East markets continue to grow. Global retail sales value of fine jewellery products has been driven by the increasing demand from some developing countries like China, India and the UAE. Meanwhile, the increasing disposable income worldwide and growing recognition of the investment value of diamond jewellery products, have also contributed to the growth.

INDUSTRY OVERVIEW

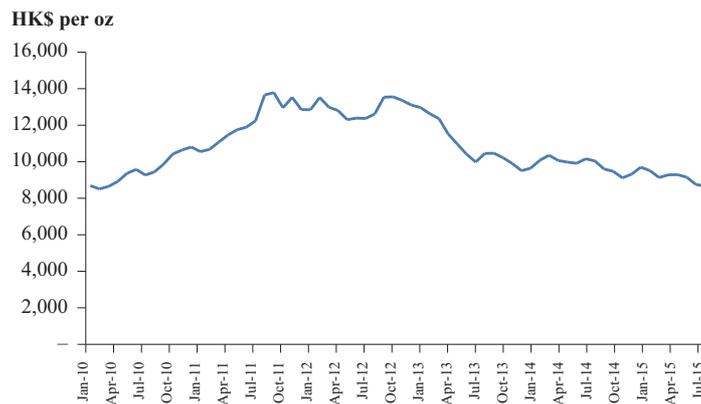
Yearly average historical price of polished diamonds in the global market from 2010 to 2014



Source: Rapaport Diamond Report, IPSOS Report and analysis

The yearly average price of polished diamonds in the global market in respect of polished diamonds in the range of 0.01-0.39 carat with a colour range from D-N, and a range of clarity from I1-I3, increased from approximately HK\$3,119.3 per carat in 2010 to approximately HK\$3,213.9 per carat in 2014 at a CAGR of approximately 0.8%. The diamond market saw a post-recession recovery from approximately HK\$3,119.3 per carat to over HK\$3,273.7 per carat between 2010 and 2011 driven by strong demand in India and China where retailers expanded stores within the country and included more diamond jewellery products in a traditionally gold-dominant fine jewellery industry to hedge against volatile gold prices. Diamond prices per carat began to slowly decline after a period of stabilisation in 2012 as a result of the bleak economic outlook of the European economy and weak demand for diamonds due to excessive inventory, particularly in the Chinese market.

Monthly average historical price of gold in the global market from January 2010 to July 2015



Source: World Gold Council; IPSOS Report and analysis

The monthly average price of gold in global market increased from approximately HK\$8,686.5 per oz in January 2010 to approximately HK\$9,317.7 per oz in December 2014 at a CAGR of approximately 0.8%. There was continuous growth in the demand for gold used for jewellery making and investment purposes between 2010 and 2012 as the global economy went through a period of recovery and the gold market was boosted by delayed demand from the 2008 financial crisis. After a period of stabilisation in 2012, the global price for gold continued on a downward trend starting from

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2013 as the swell in demand returned to normal levels, and declined further as a result of lower inflation rates where the U.S. and Europe dropped to approximately 1.7% and 0.4% in 2014 respectively, deterring consumers from investing in gold in a recovering economy and thus lowering the demand for gold for inflation hedging purposes. Average gold prices increased to a price of approximately HK\$9,701.8 per oz in January 2015 as the uncertainty over the European Central Bank's quantitative easing, Greek economy and European debt situation also led to a growth in gold investment. Subsequently, a decline in gold prices stabilising at around HK\$9,000 per oz between the second and third quarter of 2015 was a result of weak gold demand from India and China, low global inflationary pressure, and the speculative strengthening of the U.S. dollar following the tightening of financial stimulus measures by the Federal Reserve, ending the appeal of gold for investment by funds and institutions.

Future trends and development of fine jewellery in the global market

U.S. demand for fine jewellery

The global fine jewellery industry has been greatly impacted by the demand of fine jewellery industry in the U.S., which remains as the world's largest consumer of diamond jewellery, with total annual sales revenue of fine jewellery in the U.S. reached approximately HK\$269.9 billion in 2014, accounting for 40% of total global demand. The trend is expected to remain and is forecasted to rise from approximately HK\$279,710.0 million in 2015 to approximately HK\$344,466.5 million in 2019, at a CAGR of approximately 5.3%, with diamond jewellery sales consistently account for around 45% to 50% of total U.S. jewellery sales.

Increasing consumer appetite for diamonds in Asia Pacific countries

Fine jewellery retailers in Asia Pacific, in particular in the developing markets in China and India, have enjoyed relatively high profit margins because of their growing middle class population and increasing consumer appetite for diamonds. Although economic slowdown in some developing markets have started to put pressure on the fine jewellery industry, the demand for fine jewellery is expected to remain high in Asia Pacific because of the investment value of these jewellery products.

Growth of online jewellery sales

Online sales value of fine jewellery products has been growing as it becomes more convenient for consumers to shop with their mobile devices. The development of these online platforms is also facilitated by the discounts they offered as the costs of diamonds are reduced by online marketing and selling. Costs are saved in areas including labour, inventory, marketing, promotion, and distribution, therefore allowing online retailers to offer discounts to consumers. As a result, more customers, especially in the young and working populations, prefer buying fine jewellery products online.

AN OVERVIEW OF THE MIDDLE EAST JEWELLERY MARKETS

Economic conditions of the Middle East

GDP of the Middle East increased significantly from approximately HK\$18,962.3 billion in 2010 to approximately HK\$29,048.9 billion in 2014, at a CAGR of approximately 11.3%. However, the Middle East experienced a deceleration in GDP growth between 2011 and 2014 because of the decreasing oil prices and armed conflicts in the region. GDP growth in the Middle East is expected to

INDUSTRY OVERVIEW

increase from 2015 to 2019, from approximately HK\$30,312.2 billion to approximately HK\$45,662.1 billion, at a CAGR of approximately 10.8%.

Overview of the fine jewellery industry in the Middle East

The Middle East has become a global trading hub for gold and diamond jewellery products. Aside from the active jewellery trade in the region, the Middle East's prosperous jewellery market is also driven by the increasing retail sales of gold and diamond jewellery by affluent customers particularly in the Turkish and UAE markets. Diamond jewellery has become an increasingly popular fine jewellery product in the Middle East due to the growing preference for manufacturers and retailers to use diamonds due to lower price fluctuations and higher profit margins in comparison to gold jewellery products. Rising regional affluence, exposure to western jewellery designs and high tourism growth have also contributed to the growth of fine and luxury jewellery products amongst the Middle East consumers.

The total import value of fine jewellery products in the Middle East increased from approximately HK\$387,132.0 million, to approximately HK\$631,006.7 million between 2010 and 2014, representing a CAGR of approximately 13.0% during this period. As a growing gold and jewellery hub for traders, consumers and tourists, the total import value of fine jewellery products has continued on an increasing trend in 2014, particularly for jewellery manufacturing areas such as China and India to the Middle East.

Future trends and development of the Middle East fine jewellery market

The Middle East will remain a key trading hub and retailer for fine jewellery

There is a steady rise in demand for diamond jewellery in the Middle East jewellery market as the Middle East continues to establish the region as a fine jewellery trading and retail hub for the global jewellery market. In addition to the regional jewellery trade shows and tourist purchasing of fine jewellery in the Middle East, jewellery preferences in the Middle East also contribute to increasing import and sales values of fine jewellery.

The unique consumer preferences in the Middle East market are expected to drive growth in the total sales value and import value of jewellery pieces

Customers in the Middle East are also more likely to buy sets of jewellery and pieces that match, rather than one item of jewellery. The unique consumer preferences in the Middle East market are expected to drive growth in the total sales value and import value of jewellery pieces.

There exists growing competition from foreign manufacturers

To capture the growing demand for fine jewellery in the Middle East, the fine jewellery market, particularly the regional diamond jewellery market experiences greater competition from Chinese and Indian jewellery manufactures. The competitive prices and comparable workmanship will continue to drive the market for fine jewellery in the Middle East.

The UAE, in particular Dubai, which is growing as a trading hub of fine jewellery products in the Middle East, is well-positioned to take advantage of the increased trading demand of this rapidly growing diamond jewellery segment and further capitalise on the growing tourism market.

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The UAE and Dubai

Economic conditions of the UAE and Dubai

GDP of the UAE decreased since 2013 due to the decrease in oil prices and oil revenues. Annual GDP growth rate in UAE is expected to experience the greatest drop of approximately 9.4% in 2015 due to the continual drop in oil prices. However, GDP growth of the UAE is expected to grow stably at rates ranging between approximately 5.9% and approximately 7.8% from 2016 to 2019, as Dubai succeeds in reducing its debts through various initiatives and the economic diversification put forth by the government including but not limited to the promotion of high-class tourism and international trade.

Among the seven emirates of the UAE, Abu Dhabi and Dubai take up the lion's share of the country's GDP. Dubai is the second largest economy in the UAE and is known for its commercial and financial services, tourism, logistics and trading.

Between 2010 and 2014, GDP of Dubai increased from approximately HK\$613.7 billion to approximately HK\$713.9 billion, at a CAGR of approximately 3.9%. Despite the decrease of GDP of the UAE in general as mentioned above, this growth is attributed to Dubai's success in diversification of its economy, where it is less dependent on oil during the years.

Major factors affecting the demand for fine jewellery products in the UAE market, in particular, the Dubai market

Fine jewellery in the UAE, with Dubai being the gold and diamond jewellery hub for the Middle East, experienced the strongest value growth at approximately 9.4% since 2010 for the year 2013 to 2014. Total retail sales value of fine jewellery products in UAE grew from approximately HK\$6,898.2 million to approximately HK\$9,719.8 million between 2010 and 2014, representing a CAGR of approximately 8.9% during this period. UAE is witnessing a rise in diamond jewellery sales, accounting for 47% of fine jewellery sold in 2013. It is expected that the total retail sales value of fine jewellery products in UAE is expected to continue growing from approximately HK\$10,625.5 million in 2015, to approximately HK\$15,005.9 million in 2019 at a CAGR of approximately 9.0%. During the Track Record Period, Dubai was our Group's largest sales market where our customers are based in. Approximately 90% of jewellery in Dubai are imported and the fine jewellery retail market in Dubai, particularly in the gold souk area, is highly competitive.

The major factors affecting the demand for fine jewellery products in the UAE market, in particular, the Dubai market, include favourable tax policies, increasing affluence and fashion trends, competitive prices, local consumption and tourism level and consumer preference.

Favourable tax policies: The Tax Free (Duty Free) policy and transfer pricing legislation have enhanced the attractiveness and boosted up the demand of the fine jewellery industry in Dubai. It is recently suggested that Dubai has become one of the fastest growing diamond centres due to its 50 % growth of total diamond trade volumes to around 286.7 million carats with value of up to around USD35.1 billion in 2014.

Increasing affluence and fashion trends: As a key tourist, business and trading hub of the Middle East, local consumers in Dubai have witnessed increasing affluence and disposable incomes over the years. Consumers in Dubai are also increasingly exposed to Western fashion and jewellery trends which often feature appealing fine jewellery. In line with local preferences for visible and larger jewellery pieces, fine jewellery offered in Dubai often features large fine jewellery pieces set with many small stones in a unique design which makes the refraction and jewellery stand out on the wearer.

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Competitive prices: Prices of diamond jewellery in Dubai could cost as low as 50% to 60% of prices found in the European and U.S. markets. The competitive prices of fine jewellery, particularly fine jewellery in Dubai, attracts visitor consumers from across the UAE, India, Europe and the United States, Russia and China to purchase fine jewellery during their visit to Dubai.

Local consumption and tourism level: The UAE has the highest per capita jewellery consumption in the world, sales of fine jewellery are driven by local consumption and tourism demand for gold and diamond jewellery with 80% tourists visiting the country buying jewellery during their stay.

Consumer preference: The UAE diamond fine jewellery products have been increasing in popularity by both manufacturers and consumers. A shift in consumer preference for diamond jewellery, and marketing campaigns by diamond companies pushed the demand for diamond jewellery. Jewellers have a preference to sell more diamonds as diamond jewellery products offer a higher profit margin for retailers, and experience less price volatility compared to gold.

Future trends and development of the UAE and Dubai fine jewellery markets

Dubai growing as a trading hub for fine jewellery products

Whilst the UAE fine jewellery market is witnessing a growing demand for fine jewellery, Dubai is particularly well-positioned to take advantage of the increased trading demands of the rapidly growing diamond jewellery segment and further capitalise on the growing tourism market. As cultural and economic hubs of the UAE, Dubai is able to attract a constant flow of visitors from within UAE and from other countries, providing the most potential for diamond jewellery retailing.

Retail sales of fine jewellery in Dubai is expected to benefit from the growing number of tourists to the UAE and Dubai

The visitors bring another major source of revenue for the local fine jewellery industry. The tourism industry in the UAE is expected to boost fine jewellery sales, due to the upcoming Dubai Expo 2020. Attracted by the image and reputation of Dubai, tourists wish to have a premium service with luxury experiences. Therefore, many visitors with high financial status hope to seek for luxury high-end branded jewellery products.

Dubai is one of the fastest growing diamond centres in the world

According to the Dubai Diamond Exchange, a subsidiary of the Dubai Multi Commodities Centre Authority, Dubai's diamond trade doubled its value in 2010. Due to favorable tax policies, the total diamond trade volumes reached approximately 269 million carats in 2010, up by 50% from approximately 178 million carats in 2009, while the value of the total diamond trade volumes doubled from approximately HK\$139 billion in 2010 to approximately HK\$304 billion in 2011. As such, Dubai is becoming one of fastest growing diamond centres in the world.

Increasing personal disposable income will drive the demand for fine jewellery products in the UAE and Dubai

The growth of the UAE jewellery is influenced by the increasing personal disposable incomes in the country and rising regional affluence. Higher purchasing power, rapid urbanisation and changing

INDUSTRY OVERVIEW

consumer preferences in the UAE have made fine jewellery and luxury goods more affordable and appealing, leading to a higher demand for branded, designed and customised fine jewellery. In particular, as a reflection of local traditional culture, the local residents of Dubai prefer visible jewellery such as bracelets and rings as they are not covered by daily wear. Besides the high demand of engagement and wedding rings, neckwear with extravagant designs, either with diamond and/or gold, is also worn for special occasions.

OVERVIEW OF OUR OTHER MAJOR EXPORT MARKETS

USA

Following USA's recovery from the 2008 financial crisis due to the Quantitative Easing programmes implemented by the Federal Reserve of USA, GDP of USA has increased at rates ranging between 3.7% and 4.0% from 2010 to 2014. The GDP growth is expected to continue to increase stably, with the GDP growth expecting to grow at rates ranging between 4.7% and 4.9% from 2016 to 2019, due to the increasing private investment and increasing spending on housing.

The fine jewellery market of USA has witnessed continuous growth in recent years. For total retail sales value of fine jewellery products in USA, please refer to the paragraph "Future trends and development of fine jewellery in the global market — U.S. demand for fine jewellery". The retail sales value of fine jewellery in the U.S. is mostly impacted by the macro-economic environment, and in particular by whether the U.S. will increase its interest rate, which will lead consumers to cut their spending on fine jewellery products. Retail sales of fine jewellery in the US are also boosted by holiday sales that are popular in the country.

In short, the holiday effect and rising individual purchasing power in the US continue to support the growth of fine jewellery retail sales.

The Philippines

The economy of the Philippines continued to grow at rates ranging between 8.4% and 9.5% from 2012 to 2014. The growth of the GDP in the Philippines is expected to continue from 2015 to 2019, at rates ranging between 9.2 % to 10.0% from 2016 to 2019 due to the poverty reduction programmes and increasing efforts of the government to facilitate long-term economic growth so to encourage more private investments in their Private-Public-Partnership programmes in the Philippines in recent years.

The fine jewellery market of the Philippines has been growing consistently and such growth is expected to pursue in the years ahead. Total retail sales value of fine jewellery products in the Philippines increased from approximately HK\$3,114.0 million to approximately HK\$4,931.5 million between 2010 and 2014, and is forecasted to rise from approximately HK\$5,333.2 million to approximately HK\$7,957.9 million between 2015 and 2019, at a CAGR of approximately 10.5%.

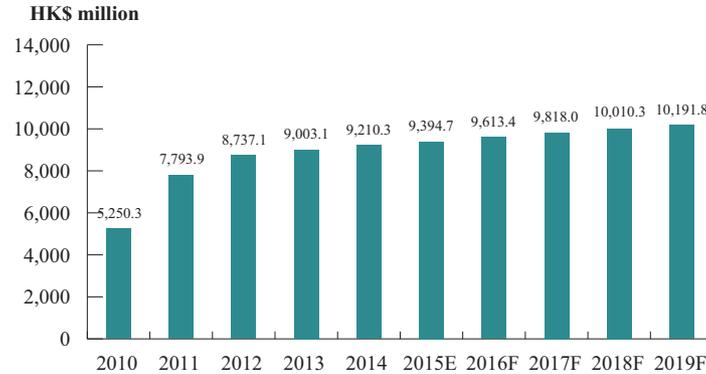
The jewellery industry has been identified as an emerging profitable business in the Philippines. The industry's strength in utilizing its traditional designs, artistry and craftsmanship of Filipino jewellers, together with the availability of indigenous raw materials, has allowed the jewellery industry to achieve sustainable growth. Therefore, it is expected that the retail sales of fine jewellery in the Philippines will continue to increase in the coming years.

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THE FINE JEWELLERY MANUFACTURING AND WHOLESALE (EXPORT) INDUSTRY IN HONG KONG

As of the end of 2014, there were approximately 136 fine jewellery manufacturers and wholesalers (exporters) (primarily mounted with diamonds) in Hong Kong. The chart below shows the total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong.

Revenue of fine jewellery export manufacturing and wholesale (export) industry in Hong Kong from 2010 to 2019



Source: Hong Kong Trade Development Council, IPSOS Report and analysis

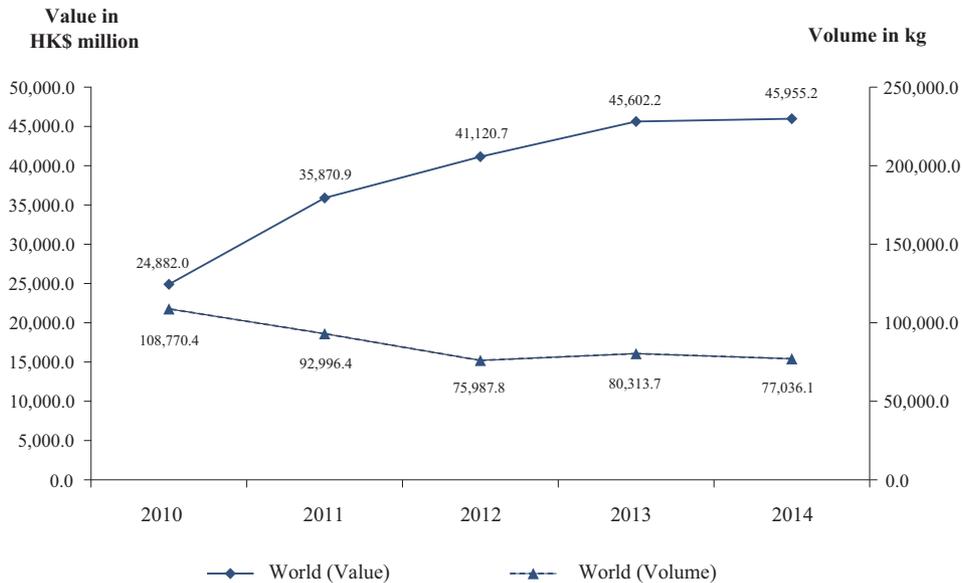
Total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong increased from approximately HK\$5,250.3 million in 2010, to approximately HK\$9,210.3 million in 2014 at a CAGR of approximately 15.1%. The total revenue of Hong Kong's fine jewellery manufacturing and wholesale (export) industry experienced a sharp increase from 2010 to 2012, which was propelled by the disposable income increase from global economic recovery during this period.

Total revenue of fine jewellery manufacturing and wholesale (export) industry in Hong Kong is expected to continue growing from approximately HK\$9,394.7 million to approximately HK\$10,191.8 million at a CAGR of approximately 2.1% from 2015 to 2019. The rising trend in total revenue for manufacturing and wholesale of fine jewellery in Hong Kong is expected to continue due to the increasing price of fine jewellery raw materials such as diamonds and gold, as well as the expansion of the mass to mid-end and high-end fine jewellery market segments.

Hong Kong's fine jewellery manufacturing and wholesale (export) industry is expanding rapidly. Global export value of fine jewellery from Hong Kong increased by approximately HK\$21,073.2 million from 2010 to 2014, prompting a trend in diamond jewellery manufacturers and wholesale exporters to consolidate or increase key business capabilities to increase competitiveness and revenues in Hong Kong's growing fine jewellery export market.

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Total export volume and value of fine jewellery from Hong Kong to the rest of the world from 2010 to 2014



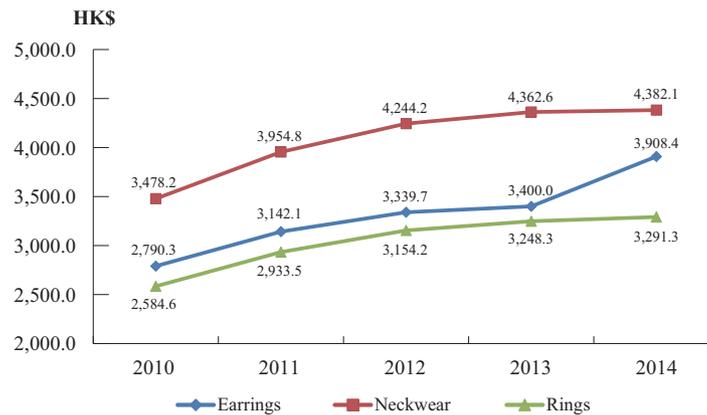
Source: IPSOS Report and analysis

The total export value of fine jewellery from Hong Kong to rest of the world increased from approximately HK\$24,882.0 million in 2010 to approximately HK\$45,955.2 million in 2014, at a CAGR of approximately 16.6%. The increase is heavily influenced by the post-2008 economic recovery, increase in disposable income in mature markets, and rising affluence in developing markets, particularly in Southeast Asia and the Middle East. Gold jewellery mounted with diamonds was the largest contributor to the export value of fine jewellery export to the world from Hong Kong, accounting for approximately HK\$38,822.6 million in 2014.

Meanwhile, the total export volume of fine jewellery from Hong Kong to rest of the world declined from approximately 108,770.4 kg in 2010 to approximately 77,036.1 kg in 2014, at a CAGR of approximately -8.3%. The largest contributor to the decline in Hong Kong's total export volume of fine jewellery was from the silver diamond jewellery category, decreasing from approximately 62,437.2 kg in 2010 to approximately 35,293.2 kg in 2014. Although there has been a decline in total export volume of fine jewellery from Hong Kong, there has been an increase in total export value. Price for fine jewellery per piece exported from Hong Kong has increased as a result of the rise in price for polished diamonds, and diamond jewellery pieces, labour cost for gem setting, and the increasing demand for designed and innovative jewellery craftsmanship from Hong Kong's fine jewellery manufacturing and wholesale (export) market. Furthermore, fine jewellery productions are shifting to mainland China, leading to the decline in total volume exported from Hong Kong, while Hong Kong retains high value-added craftsmanship and value added processes for jewellery manufacturing, increasing the total export value of fine jewellery from Hong Kong to global markets.

INDUSTRY OVERVIEW

Average wholesale prices of key fine jewellery products from Hong Kong from 2010 to 2014



Source: IPSOS Report and analysis

The average wholesale price of fine jewellery rings, earrings and necklaces from Hong Kong continuously increased between 2010 and 2014. During this period, the average wholesale price of fine jewellery rings grew from approximately HK\$2,584.6 per piece to approximately HK\$3,291.3 per piece at a CAGR of approximately 6.2%; average wholesale price of earrings increased from approximately HK\$2,790.3 per pair to approximately HK\$3,908.4 at a CAGR of approximately 8.8%, and the average wholesale price of fine jewellery necklaces grew from approximately HK\$3,478.2 per piece to approximately HK\$4,382.1 per piece at a CAGR of approximately 6.0%. The increase in the average wholesale prices of the fine jewellery was driven by the increment of the raw material prices such as platinum, diamond and silver. For instance, the average import price of polished diamond increased at a CAGR of approximately 16.7%, while the average import price of gold increased at a CAGR of approximately 12.4% between 2010 and 2014, contributing to the growth of the average wholesale prices of the fine jewellery.

COMPETITIVE LANDSCAPE OF THE FINE JEWELLERY MANUFACTURING AND WHOLESALE (EXPORT) INDUSTRY IN HONG KONG

Despite the fine jewellery industry in Hong Kong being rather consolidated with the top ten players by revenue accounting for approximately 68.0% of the total market in 2014, eight of them accounted for the lower segment in terms of the wholesale average unit price. There were approximately 136 fine jewellery manufacturer-wholesalers (export) in 2014 in Hong Kong with 126 of them being fragmented medium to small sized companies in Hong Kong, with a revenue of HK\$300 million or below.

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We consider that our major direct and comparable competitors are Hong Kong-based fine jewellery manufacturers and exporters for the following reasons:

- Headquartered in Hong Kong, the regularly held jewellery exhibitions in Hong Kong where we typically get in touch with our new and recurring customers from all over the world, including the Middle East, have been our main revenue source and have long been significant to us. Majority of the booth participants in these jewellery exhibitions in Hong Kong are Hong Kong-based fine jewellery manufacturers and exporters which have long been competing with us; and
- Similar to us, those Hong Kong-based competitors adopt comparable production, sales and marketing strategies across different periods by taking into account, amongst others, changes in the market condition/sales in a particular region and comparative purchasing power of customers in different regions.

As the UAE is a major jewellery trading hub in the Middle East which imports jewellery from manufacturers worldwide, jewellery manufacturers, wholesalers and exporters around the globe targeting the Middle East market are generally at their liberty to enter the market after taking into account the demand in and market conditions of the Middle East market. Notwithstanding there are potential competitions with jewellery manufacturers worldwide, those competitions are less direct and intense as compared with the competitions with the Hong Kong-based fine jewellery manufacturers and exporters.

According to the research on jewellery industry in Hong Kong released by Hong Kong Trade Development Council in August 2015 (the “**TDC Research**”), the total export value of precious jewellery in Hong Kong in 2014 was approximately HK\$61,476.0 million, and approximately 10.9% of which, or HK\$6,700.9 million was exported to the UAE. Based on the aforesaid data, our Directors estimate that our Group enjoys approximately 3.9% of the total market share in terms of export value from Hong Kong to the UAE in 2014.

Further, according to the IPSOS Report, the import value of fine jewellery products in the UAE in 2014 was approximately HK\$631,006.7 million. Coupled with the TDC Research, it is computed that jewellery exporters in Hong Kong as a whole and our Group took up approximately 1.06% and 0.04% of the total import value of fine jewellery products in the UAE in 2014 respectively.

The following tables sets forth the major fine jewellery manufacturing and wholesale (export) manufacturers and wholesalers in Hong Kong. Among the major fine jewellery manufacturer-wholesalers (export) in Hong Kong, Competitor A, Competitor C, Competitor D, Competitor E and Competitor H have also been targeting either the Middle East or the UAE as one of their export markets, which our Directors consider as the major direct and comparable competitors of us as to the Middle East or the UAE markets.

INDUSTRY OVERVIEW

Top 10 Fine Jewellery Manufacturing and Wholesale (Export) Manufacturers and Wholesalers in Hong Kong in 2014

Rank	Name of Company	Headquarter Location	Total Revenue in 2014 (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Wholesale Price of Products (HK\$)
1	Competitor A	Hong Kong	1,036.8	11.3	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones and semi-precious stones jewellery in silver, gold and non-previous metals.	Russia, USA, China, Canada, Italy, France, Holland, Turkey, United Arab Emirates, Indonesia, Japan and Africa.	1,200
2	Competitor B	Hong Kong	808.8	8.8	3 Factories in Hong Kong, Jiangmen and Guangzhou, China	Design, manufacturing wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones and semi-precious stones jewellery in silver, gold and platinum.	USA, Europe, Canada, Japan and Australia	3,000
3	Competitor C	Hong Kong	736.3	8.0	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, other precious stones, semi-precious stones jewellery in silver, gold, platinum and jewellery watches.	USA, Europe, Asia, Australia, South Africa, South America and the Middle East	1,200
4	Competitor D	Hong Kong	679.3	7.4	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold and platinum.	USA, Australia, Japan, Middle East, Taiwan	8,000

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Rank	Name of Company	Headquarter Location	Total Revenue in 2014 (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Wholesale Price of Products
								(HK\$)
5	Competitor E	Hong Kong	650.1	7.1	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery and, cubic zirconia in silver, gold and platinum.	Africa, Australia, China, Eastern Europe, Middle East, North America, South East Asia, Scandinavia, Western Europe	1,350
6	Competitor F	Hong Kong	640.3	7.0	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds and pearl, jewellery in gold and platinum. Wholesale (export) of loose diamonds.	Southeast Asia, Korea, Japan, North America, Hong Kong, China and Europe	2,000
7	Our Group	Hong Kong	516.2	5.6	1 Factory in Dongguan, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold.	Middle East, UAE (Dubai), North America, Southeast Asia, Europe	8,800
8	Competitor G	Hong Kong	512.2	5.6	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery in gold and platinum.	Europe, Japan, Korea, North America, Taiwan	2,300
9	Competitor H	Hong Kong	346.2	3.8	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery, gold and platinum.	Japan, Middle East, USA, Taiwan, Singapore, India	1,395

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Rank	Name of Company	Headquarter Location	Total Revenue in 2014 (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Wholesale Price of Products (HK\$)
10	Competitor I	Hong Kong	316.3	3.4	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine diamond, ruby, emerald, sapphire, pearl, other precious stones, semi-precious stones jewellery and, in gold and platinum.	USA, South East Asia, Japan	1,300
	Others		2,967.8	32.0				
	Total		9,210.3	100.0				

Note:

(1) The total revenue in 2014 refers to the revenue generated from the diamond manufacturing and wholesale (export) industry in Hong Kong in 2014 (January to December).

Source: IPSOS Report and analysis

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Top 5 Fine Jewellery Manufacturing and Wholesale (Export) Manufacturers and Wholesalers in Hong Kong in 2014 with an Average Wholesale Price of Fine Jewellery Between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200)

Rank	Name of Company	Headquarter Location	Total Revenue in 2014 ⁽¹⁾ (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Price of Products (in HK\$)
1	Competitor D	Hong Kong	679.3	7.4	1 Factory in Shenzhen, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold and platinum.	USA, Australia, Japan, Middle East, Taiwan	8,000
2	Our Group	Hong Kong	516.2	5.6	1 Factory in Dongguan, China	Design, manufacturing and wholesale (export) of fine diamond, carat diamond, fancy diamonds, jewellery in gold.	Middle East, UAE (Dubai), North America, Southeast Asia, Europe	8,800
3	Competitor J	Hong Kong	307.0	3.3	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery, gold jewellery, silver jewellery, pearl jewellery, semi-precious stone jewellery, men's jewellery.	North America, South America, Middle East, China, Southeast Asia, Western Europe	8,000
4	Competitor K	Hong Kong	303.9	3.3	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery in 18K white gold, yellow gold and platinum. With retail brand in USA and Spain.	North America, Australia, Japan, Middle East, South America, Western Europe	8,800

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Rank	Name of Company	Headquarter Location	Total Revenue in 2014 ⁽¹⁾ (HK\$ million)	Market Share (%)	Factory Number and Location	Key Products and Services	Target Export Markets	Average Price of Products (in HK\$)
5	Competitor L	Hong Kong	279.0	3.0	1 Factory in Panyu, China	Design, manufacturing and wholesale (export) of fine jewellery in 18K white gold, yellow gold.	USA, Southeast Asia	9,300
	Others		7,124.9	77.4				
	Total		9,210.3	100.0				

Note:

- (1) The average wholesale price range of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) targets the high-end retail segment of fine jewellery.
- (2) The total revenue of the companies with an average wholesale price of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) listed in the ranking table contribute to the total revenue generated from the Hong Kong diamond manufacturing and wholesale (export) industry as a whole in 2014 (January to December).
- (3) Due to data limitation, total revenue of all companies with an average wholesale price segment of fine jewellery between HK\$7,750 to HK\$9,300 (USD1,000 to USD1,200) is unavailable.

Source: IPSOS Report and analysis

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The retail price of a diamond jewellery product is usually three times the wholesale price due to the high operational costs, such as the inventory costs, security costs, rental prices and skilled labour wages. With our Group's average wholesale unit price at approximately USD1,000–USD2,000, our average wholesale unit price being approximately HK\$8,800, our Group's products target the high-end segment in the market segments.

In order to differentiate from other competitors that compete in the same wholesale average piece price segment, product variety and differentiation is one of the strategies to remain competitive in Hong Kong's highly competitive market. Unique design, jewellery making technique and target market also add to the competitiveness of a fine jewellery manufacturer and wholesale exporters. Quality craftsmanship is also an important differentiation factor as consumers are becoming more sophisticated and detailed oriented when purchasing fine jewellery, and tend to favour pieces that are innovative, unique, fashionable, and with high quality workmanship. Further, having a good and long-standing trading relationship with key raw material suppliers and customers will secure a stable demand and supply for the manufacturers' products for wholesale and export. In addition, through understanding the target market segment of the buyer or potential mark-up percentage at retail, fine jewellery manufacturer wholesale (exporters) can also compete by creating products that address specific market segments in their export markets. Through this specialisation, fine jewellery manufacturer wholesale (exporters) can develop segment expertise, capability, reputation, and a solid customer base for buyers in this segment.

Entry barriers of fine jewellery manufacturing and wholesale (export) industry in Hong Kong

There are a number of entry barriers for the fine jewellery manufacturing and wholesale (export) industry, including:

- high capital costs in the fine jewellery manufacturing and wholesale (export) industry may deter new players with less start-up funds; and
- industry reputation, such as a good track record, a stable customer base, a stable business network and the ability to provide authenticity assurance, requires time to build and new entrant may find it difficult to enter into the industry.

In particular, for fine jewellery manufacturing and wholesale (export) providers that target the high-end retail market, each piece of fine jewellery typically requires more precious metals and diamonds to create, and needs to be set by skilled craftsmen over a longer period of time compared to mass-produced jewellery for mid-end retail markets. This incurs higher overhead costs and requires the manufacturers to recruit and retain skilled gem setting and jewellery craftsmen the supply of which is highly competitive in the fine jewellery manufacturing and wholesale (export) market in Hong Kong.

Growth drivers and challenges for the fine jewellery manufacturing and wholesale (export) industry in Hong Kong

Hong Kong's fine jewellery manufacturers and wholesale exporters are well known for producing high quality jewellery products in terms of finishing and gem setting, comparable to that of world-class traditional European fine jewellery manufacturers. High quality craftsmanship allows local manufacturers to target the increasingly sophisticated middle income group in the region, driving fine jewellery exports with higher value. Increasing labour cost and an aging workforce serve as potential threats to the fine jewellery manufacturing and wholesale (export) industry.

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However, rising key raw materials costs with volatility in supply and price can significantly impact the wholesale price and profit margins of fine jewellery manufacturers and wholesale exporters. Further, fine jewellery manufacturers and wholesale exporters that target the high-end segment are affected by the economic outlook of their export markets.

Economic recovery in traditionally large diamond jewellery consuming market such as U.S. and China will drive the demand for fine jewellery production. However, emerging markets such as the UAE, where our Company has a strong market presence in, will be the growth driver of the fine jewellery manufacturing and wholesale (export) market in Hong Kong. According to the Hong Kong Trade Development Council, Hong Kong's exports of fine jewellery to the UAE surged by approximately 53% in the first half of 2015, and emerging markets with high growth potential will be the main drivers for Hong Kong's fine jewellery manufacturing and wholesale (export) market.

Growing affluence and disposable income in key jewellery export countries from Hong Kong is also drawing demand for higher quality fine jewellery with unique design and good workmanship. Particularly in emerging markets such as China and the Middle East, fine jewellery consumers are trading up to pieces with more or larger diamond set jewellery, driving the market for manufacturers and wholesalers (exporters) who provide fine jewellery with high quality materials, gems, and craftsmanship targeting the high-end jewellery customers in the export market.

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PRC LAWS AND REGULATIONS

This section summarises the principal PRC laws, rules and regulations applicable to our current business and operations.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

The establishment, operation and management of corporation entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. Pursuant to the Company Law, companies are classified into two categories: limited liability companies and limited companies by shares, and the Company Law shall also apply to foreign-invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On 30 May 1990, the State Administration for Industry & Commerce of the PRC issued the Reply to the Report concerning Administration of the Entities Operating in the Form of Three Forms of Processing/ Assembly Operations and Compensatory Trade (《對〈關於理順“三來一補”企業登記發照管理的報告〉的復函》) (the “**Qizi [1990] 79**”). Pursuant to it, an entity operating in the form of three forms of processing/assembly operations and compensatory trade (the “**TFP**”) shall be issued the business licence of the PRC if the following requirements and conditions are satisfied: (i) the equipments (including the construction of the factory buildings), the raw materials and the product samples are provided by the foreign investor, and the foreign investor is responsible for onward sales of the finished products and export to overseas customers; (ii) the PRC party provides land, factory premises and labour forces; (iii) the foreign investor and the PRC party form a new entity in the form of TFP with each party’s aforementioned un-priced investments; (iv) the foreign investor and the PRC party keep separate books and records and settle payment in the form of processing fee, and are held jointly liable for the liabilities and obligations of the entity operating in the form of three forms of processing/assembly operations and compensatory trade.

For the purposes of guiding foreign investment, the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》) were promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002 and foreign-invested industries generally fall into four categories pursuant to it: encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited categories are specifically listed in the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) (the “**Catalogue**”) and those not listed in the Catalogue would fall into the permitted category. The Catalogue was jointly promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the MOFCOM and such Catalogue will be amended and re-promulgated from time to time by these two government authorities. According to the current effective version of the Catalogue promulgated on 10 March 2015 and became effective on 10 April 2015, the Fine Jewellery Manufacturing industry should fall within the permitted category.

REGULATIONS RELATING TO PROCESSING TRADE

The Measures on Encouragement of Processing, Assembly and Compensatory Trade in Guangdong Province (《廣東省鼓勵開展對外加工裝配、補償貿易辦法》) (the “**Encouragement Measures**”) were promulgated and implemented on 2 March 1988 by the People’s Government of

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Guangdong Province, which are applicable to enterprises in Guangdong Province, the PRC engaging in foreign processing and assembly as well as compensation trade business. The Encouragement Measures stipulates certain measures on approval of foreign processing and assembly projects, compensation in compensation trade and tax preferences. Goods under the corresponding contracts of foreign processing, assembly and compensation trade are not subject to export licensing management systems pursuant to it.

The Regulations on Foreign Processing Business in Guangdong Province (《廣東省對外加工裝配業務條例》) were promulgated by the Standing Committee of the People's Congress of Guangdong Province on 14 May 1993 and were amended on 29 July 2004, 28 November 2008 and 26 July 2012. These regulations are applicable to the foreign processing and assembling business by the duly incorporated enterprises (excluding foreign-invested enterprises). The regulations stipulate the operations of foreign processing and assembling business in Guangdong Province and the measures to carry out such business.

The Measures of Guangdong Province on Encouraging the Development of Processing, Assembly and Compensation Trade Business (《廣東省鼓勵開展對外加工裝配、補償貿易辦法》), which were promulgated and implemented on 2 March 1988 by the People's Government of Guangdong Province, are applicable to enterprises in Guangdong Province engaging in foreign processing and assembly as well as compensation trade business.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on 29 June 2002, amended on 27 August 2009 and 31 August 2014 and became effective on 1 December 2014, is the principal law governing the supervision and administration of production safety in the PRC. Production entities engaged in production and business activities within the territory in the PRC shall abide by the relevant legal requirements such as providing its staff with education and training on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any production entities unable to provide the required safe working conditions may not engage in production activities. Any failure to comply with the aforesaid provision and rectify non-compliance within a time limit may subject the production entities to fines and penalties, the suspension of operations, ceasing of operations, or even criminal liability in severe cases.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

General Regulations

The PRC government has adopted extensive environmental laws and regulations. Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and became effective on 1 January 2015, the Ministry of Environmental Protection of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. The environmental protection bureau at the county level and above is responsible for environmental protection within its jurisdiction and setting local standards.

Prevention and Control of Pollutions

The Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was promulgated by the SCNPC and amended on 28 February 2008 and became effective

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on 1 June 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was promulgated by the SCNPC and amended on 29 April 2000 and became effective on 1 September 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), which was promulgated by the SCNPC on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was amended on 29 June 2013 and further amended on 24 April 2015 by the SCNPC, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

The Environmental Protection Regulations of Guangdong Province (《廣東省環境保護條例》), which were promulgated by the Standing Committee of the People's Congress of Guangdong on 24 September 2004, amended on 13 January 2015 and became effective on 1 July 2015, applies to prevent and treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electro-magnetic radiation as well as other hazards in Guangdong Province.

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council and became effective on 29 November 1998, industrial construction projects should adopt clean production techniques with low energy consumption, low materials consumption and low pollutants generation. Measures must be taken in reconstruction, expansion projects and technological transformation projects to treat original environmental pollution and ecological damage related to such projects.

According to the Administrative Measures on Acceptance of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) which was promulgated by the then State Environment Protection Administration of the PRC (the former name of the Ministry of Environmental Protection of the PRC) on 11 December 2001, became effective on 1 February 2002 and amended on 22 December 2010, the environmental protection administration bureau will, upon the completion of construction projects, conduct the assessment to check whether such construction projects meet the requirements of environmental protection.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》)

Products that we design and sell are subject to the laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC (the “**Product Quality Law**”), which was promulgated by the SCNPC on 22 February 1993, became effective on 1 September 1993 and amended on 8 July 2000, is the principal law governing the supervision and administration of product quality.

According to the Product Quality Law, sellers are liable for the quality of products they produce and must take reasonable actions to ensure the quality of the products they sell. Pursuant to the Product Quality Law, sellers are obliged:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;

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- not to sell defective or deteriorated products;
- to sell products with labels that comply with the relevant provisions;
- not to forge the original of a product, or to forge or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- not to add impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Violation of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business licence may be revoked. Criminal liability may be incurred in serious cases.

The seller shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

The Inspection of Import and Export Commodities

The Law of the People's Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the SCNPC on 21 February 1989, became effective on 1 August 1989 and was amended on 28 April 2002 and then further amended on 29 June 2013. Under this law, commodities included in the import and export commodities catalogue must be inspected by commodity inspection organisation(s). No permission shall be granted for the sale or use of imported commodities specified in this law until they have undergone inspection; and no permission shall be granted for the export of commodities specified in this law until they have passed the quality check by commodity inspection organisation(s).

LAWS AND REGULATIONS RELATING TO THE TAXATION

The PRC taxes that are levied on our operating subsidiaries in the PRC mainly include enterprise income tax.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated by the National People's Congress of the PRC on 16 March 2007 and became effective on 1 January 2008, and its Implementation Rules which were promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise

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income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

In order to clarify certain provisions in the EIT Law, the Implementation Regulation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) were promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008.

Customs Duty

Pursuant to the Circular of the State Council on Imported Equipments Taxation Policies (《國務院關於調整進口設備稅收政策的通知》) promulgated by the State Council on 29 December 1997, priced equipments which are provided by foreign investors and imported for the processing trade shall be exempt from customs duties and import-stage value-added tax, with the exception of goods listed in the Catalogue of Import Commodities Not Exempt from Duty and Tax for Foreign Investment Projects.

Pursuant to the Announcement on Adjustment of Certain Customs Duty Preference Policies (《關於對部分進口稅收優惠政策進行相應調整的通知》) made by the General Administration of Customs on 31 December 2008, custom duty for the equipment imported and provided by the foreign companies for the processing enterprises are exempted.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

According to the EIT Law and its Implementation Rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the enterprise income tax and dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation (the “**SAT**”) and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the

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Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》) (the “**Administrative Measures**”) which became effective on 1 October 2009 and its supplementary notice, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

SAFE Circular 37

On 4 July 2014, the State Administration of Foreign Exchange (the “**SAFE**”) promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration over the Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), which became effective on 4 July 2014. Pursuant to SAFE Circular 37, the SAFE and its branches shall enforce registration management for establishment of Special Purpose Vehicles by domestic residents (including domestic institutions and domestic resident individuals, and domestic resident individuals shall refer to Chinese citizens holding the ID cards for Chinese domestic residents, military ID certificates or ID certificates for armed police force, and overseas individuals that do not hold any domestic legitimate ID certificates but have habitual residences within the territory of the PRC due to relationships of economic interests). Prior to contributing domestic and overseas legitimate assets or interests to a Special Purpose Vehicle, a domestic resident shall apply to the SAFE for foreign exchange registration of overseas investment. Where a registered overseas Special Purpose Vehicle undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes including without limitation the increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity and merger or split, the Special Purpose Vehicle shall go through modification registration of foreign exchange for overseas investment with the SAFE. Where a non-listed Special Purpose Vehicle uses its own equity interests or options to grant equity incentives to the directors, supervisors and senior management of a domestic enterprise under its direct or indirect control, as well as other employees in employment or labour relationships with the aforesaid company, relevant domestic resident individuals may, before exercising their rights, apply to the SAFE for foreign exchange registration of the Special Purpose Vehicle.

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 1 August 2008 and became effective on 5 August 2008, and various regulations issued by the SAFE and other PRC regulatory agencies, payment of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, may be made by conversion of Renminbi into foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or

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registration with the SAFE or its local branch for conversion of Renminbi into a foreign currency, and remittance of the foreign currency outside the PRC. Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on 20 June 1996, enterprises may only buy, sell or remit foreign currencies at banks that are authorised to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of China are also subject to limitations, which include approvals by MOFCOM, SAFE and the National Development and Reform Commission or their respective competent local branches. On 21 July 2005, the PRC Government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies.

On 19 November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (“**SAFE Circular 59**”), which became effective on 17 December 2012 and were amended on 4 May 2015. Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realisation account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**SAFE Circular 19**”), which came into effect from 1 June 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises (“**FIE**”) shall be subject to the Discretionary Foreign Exchange Settlement (“**Discretionary Foreign Exchange Settlement**”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;

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2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

LAWS AND REGULATIONS RELATING TO LABOUR

Employment Contracts

The Labour Law of the PRC (《中華人民共和國勞動法》) was promulgated by the SCNPC on 5 July 1994, which became effective on 1 January 1995 and was amended on 27 August 2009. The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labour Contract Law**”) was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008, and it was amended on 28 December 2012 and took effect on 1 July 2013. The Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) were promulgated by the State Council and became effective on 3 September 2008. These laws and regulations govern the relationship between employers and employees and provide for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed by both the employers and employees. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Employee Funds

Under applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the Provisional Regulations on the Collection and Payment of Social Insurance Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council and became effective on 22 January 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labour of the PRC on 14 December 1994 and became effective on 1 January 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》) promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated by the State Council and became effective on 22 January 1999, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

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OTHER LAWS AND REGULATIONS

This section sets out summaries of the relevant laws and regulations in UAE and the United States, which are the major regions that our Group's products are imported.

The UAE Laws and Regulations

The UAE has established a number of free zones to promote foreign investment. Foreign corporate entities set up in the free zones can freely operate within the free zones and can be 100% foreign-owned, unlike entities registered in the UAE which require various degrees of local participation.

Dubai Metals and Commodities Centre (“DMCC”) is a wholly-owned Government of Dubai free zone, established by Dubai Law No. 4 of 2002 (as amended), being a development in Jumeirah Lake Towers area, Dubai. The law includes provision for the establishment of a free zone for businesses and organisations operating in all sectors.

Under the DMCC Regulations, all organisations and persons undertaking commercial and other activities within the DMCC must have a valid lease and a licence. Licences must be renewed annually and all organisations and persons registered or licensed to undertake commercial and other activities within DMCC may only conduct activities which are covered by the terms of the applicable licence. All free zone entities must conduct all or a substantial part of their business or operations within the DMCC in order to maintain a valid licence.

Under Dubai Law No. 4 of 2002 (as amended), every entity in DMCC shall be exempted from all taxes (including individual income tax) concerning any transactions inside DMCC and shall be exempted from any restrictions concerning conversion of capital, profits or wages to any currency and transfer or repatriation of the same to any entity outside DMCC. Such exemption shall be for a period of 50 years subsequent to which it may be subject to renewal pursuant to a decree issued by the Ruler of Dubai. Such exemption period shall start from the date of incorporation of the entity in DMCC.

Perfect (UAE) is a duly incorporated limited liability company in the DMCC and is governed by the DMCC Regulations and UAE law. It is duly licensed to carry on the activities of jewellery trading, pearls and precious stones trading and non-manufactured precious metal trading within the DMCC and is exempted from all taxes under Dubai Law No. 4 of 2002 (as amended).

HKP LLC, established in June 2009, is a duly incorporated company in Dubai. During the Track Record Period, HKP LLC was governed by UAE Federal Companies Law no. 8 of 1984 as amended. It is duly licensed to carry on activities of watches and clocks and spare parts trading, jewellery trading, pearls and precious stones trading, gifts trading, crystal products trading, novelties trading and non-manufactured precious metal trading in Dubai. During the Track Record Period, no revenue and expenses were recognised in the books of HKP LLC. According to our legal advisers as to UAE law, HKP LLC is not subject to any corporate or other taxes other than customs duty for the importation of the jewellery into Dubai.

REGULATIONS

The U.S. Laws and Regulations

U.S. Patriot Act

Pursuant to the authority of Section 352 of the U.S. Patriot Act of 2011 (Pub. L. No. 107-56. 115 Stat. 272 (2001)), the U.S. requires that all dealers in precious metals, precious stones and jewels develop and implement a written anti-money laundering programme to prevent the dealers from being used to facilitate money laundering and the financing of terrorist activities.

U.S. anti-dumping and countervailing duties

Goods imported into the U.S. may be subject to anti-dumping or countervailing duties.

U.S. customs requirements

Commercial imports of diamonds, jewellery, pearls and precious or semi-precious stones do not require a licence for import into the U.S. However, commercial imports valued at US\$2,500 or more require a formal entry into the U.S. and the importer is required to obtain a bond from the U.S. Customs to ensure that all duties, taxes and fees owed to the U.S. government will be paid. The importer of goods into the U.S. is responsible for all duties owed to the U.S. government.

Our Directors have confirmed that we do not act as the importer of record for imports into the U.S.

Copyright

Copyright law in the U.S. is governed exclusively by federal law, namely the Copyright Act, 17 U.S.C. §§ 101–1101, as interpreted by court decisions. Under U.S. law, copyright protects a literary, musical, dramatic, choreographic, pictorial or graphic, audiovisual, architectural work or a sound recording from being reproduced without the permission of the copyright owner. The copyright in a work vests originally in the author(s) of the work upon creation. Works may be registered with the U.S. Copyright Office. While not mandatory, registration is generally required to sue for infringement in federal court and to obtain statutory damages.

Trademarks

Trademarks law in the U.S. is governed by both state and federal law. The main federal statute is the Lanham Act, 15 U.S.C. §§ 1051, which defines a trademark as “any word, name, symbol or device or any combination thereof to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown”. Apart from trademarks, U.S. law recognises service marks, collective membership marks and certification marks, which not only include words and symbols, but can also include designs, sounds, smells and other matters that can function as an indicator of source. In the U.S., rights can be obtained by (a) first use in commerce; or (b) first to register the mark with the U.S. Patent and Trademark Office. While trademark protection depends on use in commerce, registration affords several advantages, including but not limited to (a) nation-wide trademark rights; (b) presumption of validity; (c) enhanced remedies for infringement, including the possibility of triple damages and criminal penalties for counterfeiting.

REGULATIONS

Patents

Patent law in the U.S. is governed exclusively by federal law, namely the Patent Act, 35 U.S.C. §§ 1 et seq., enacted by congress under its constitutional grant of authority to secure for limited times to inventors the exclusive right to their discoveries. Article I, Section 8, Clause 8 of the U.S. Constitution specifically lays the foundation of the establishment of the U.S. Patent and Trademark Office. Types of patents recognised under U.S. law include (a) utility patents (inventions); (b) design patents (ornamental designs); and (c) plant patents (varieties of asexually reproducing plants). To obtain protection under U.S. law, an applicant must submit a patent application to the U.S. Patent and Trademark Office, where it will be reviewed to determine if the invention is patentable. The five primary requirements for patentability are: (a) patentable subject matter; (b) utility; (c) novelty; (d) nonobviousness; and (e) enablement. U.S. law grants to patentees the right to exclude others from making, using or selling the subject matter of the patent. In the U.S., a patent is essentially a limited monopoly whereby the patent holder is granted the exclusive right to make, use and sell the patented innovation for a limited period of time. Once the term of protection has ended (20 years for a utility patent and 15 years for a design patent), the patented innovation enters the public domain.

Product safety

Product safety laws as set forth by U.S. regulations does not appear to target the adult jewellery market. However, a foreign jewellery manufacturer might be subject to regulations placing limits on levels of lead, cadmium or any other harmful material that may be found in their products.

At the federal level, the main source for “product safety” law in the U.S. is the Consumer Product Safety Commission (the “CPSC”), which implements the Consumer Product Safety Act and the Consumer Product Safety Improvement Act (the “CPSIA”). The CPSC is charged with protecting the public from unreasonable risks of injury or death associated with the use of thousands of types of consumer products under the agency’s jurisdiction.

In certain instances, the CPSC requires manufacturers to file a General Certificate of Conformity (“GCC”) to indicate compliance with applicable regulations. For products which are manufactured outside the U.S. and are subject to the CPSC scrutiny, it is the importer who must issue a GCC. A GCC is used to certify that a product complies with all applicable consumer product safety rules and similar rules, bans, standards and regulations under any law administered by the CPSC. Our Directors have confirmed that we do not act as an importer for imports of our products into the U.S. Products imported into the U.S. which fail to comply with requirements of the CPSIA are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. The CPSIA also gives enforcement powers to state attorneys general.

Product liability

Product liability laws in the U.S. are generally based in common law claims and vary from jurisdiction to jurisdiction. Product liability laws are backward-looking in that they seek to redress a harm or injury after a product accident has occurred. To this end, product liability rules define the legal responsibility of sellers and other commercial suppliers of products for damages resulting from product defects and misrepresentations about a product’s safety or performance capabilities. The four most common theories of recovery for injuries caused by an alleged defective product include (a) strict product liability; (b) negligence; (c) breach of warranty; and (d) tortious misrepresentation. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not been a party to any litigation in respect of product liability claim in the U.S.

REGULATIONS

Kimberley Process

The Kimberley Process Certification Scheme (the “**KPCS**”) for rough diamonds has been developed by the Kimberley Process, an international negotiating forum that seeks to stop trading in “conflict diamonds” from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament. The PRC has participated in the KPCS which is implemented and administered by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局). The Trade and Industry Department of Hong Kong and the Customs and Excise Department of Hong Kong are the designated importing and exporting authorities of the PRC to implement the KPCS in order to safeguard Hong Kong’s interest as a trading hub of diamonds in this region. The control schemes of the PRC and Hong Kong, however, are completely separate. The KPCS implemented in Hong Kong comprises a registration system for rough diamond traders and a certification system for import/export of rough diamonds. The KPCS is administered by the Trade and Industry Department of Hong Kong and enforced by the Customs and Excise Department of Hong Kong.

Pursuant to the U.S. Clean Diamond Trade Act of 2003 and the Executive Order 13312, the U.S. is a participant in the Kimberley Process. The U.S. implementation of the Kimberley Process prohibits all imports into and exports from the U.S. of any rough diamond unless the rough diamond has been controlled through the KPCS.

Our Directors have confirmed that we do not engage in the import or export of rough diamonds in the PRC, Hong Kong and the U.S. Therefore, our business operations are not subject to enforcement of the Kimberley Process under PRC law, Hong Kong law and U.S. law.

Sanctions Laws and Regulations

U.S.

Treasury regulations

The U.S. Department of the Treasury, Office of Foreign Assets Control (the “**OFAC**”) administers economic and trade sanctions against certain countries, entities and individuals. These sanctions are enforceable against all U.S. persons. The regulations typically define a U.S. person as “any U.S. citizen, permanent resident alien, entity organised under the laws of the U.S. or any jurisdiction within the U.S. (including foreign branches), or any person in the U.S.”.

The OFAC’s sanctions programmes can be either comprehensive or selective. The OFAC also prohibits virtually all business dealings with persons and entities listed on the agency’s Specially Designated Nationals and Blocked Persons List (the “**SDN List**”). Entities that a person on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more) are also blocked, regardless of whether that entity is separately named on the SDN List. Additionally, most sanctions programmes prohibit U.S. persons from facilitating transactions with sanctioned countries. “Facilitate” is defined broadly to include all instances where a U.S. person “assists” or “supports” a non-U.S. person in transactions, directly or indirectly, involving sanctioned countries or parties.

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Sanctions related to Lebanon

On 3 August 2007, former U.S. President Bush signed Executive Order 13441 that blocks, with certain exceptions, all property and interests in property of persons undermining the sovereignty of Lebanon or its democratic processes and institutions that are in the U.S., that come within the U.S. or that come within the possession or control of any U.S. person. The prohibitions include, but are not limited to (a) the making of any contribution or provision of funds, goods or services by, to, or for the benefit of any person whose property and interests in property are blocked pursuant to the order; and (b) the receipt of any contribution or provision of funds, goods, or services from any such person.

Sanctions related to Russia

The U.S. sanctions on Russia are focused on the financial services, energy and defence industries. The sanctions contain a variety of targeted prohibitions that have increasingly expanded the scope of the sanctions programme to include:

- (a) designating or blocking certain Russian individuals and entities, and an important change in the OFAC policy on entities owned by blocked persons;
- (b) limiting the availability of debt financing for certain Russian financial institutions;
- (c) prohibiting the provision of goods, services and technology in support of certain activities relating to the exploration or production of oil or gas in Russia, its claimed maritime area or “extending from its territory”;
- (d) restrictions on the supply of certain items (i) to the Russian military or other military end-users in Russia; and (ii) for use in oil or gas exploration or production in Russia, including Arctic offshore locations or shale formations; and
- (e) restrictive licensing policies for export activities involving Russian-made defence articles (including spacecraft) and defence articles intended for end-use in Russia.

The sanctions include both economic measures administered by the OFAC and export controls administered by the U.S. Department of Commerce, Bureau of Industry and Security (the “**BIS**”), and the U.S. Department of State, Directorate of Defence Trade Controls (the “**DDTC**”).

The current status of these controls is addressed in more detail below:

The OFAC Sanctions — On 16 July 2014 and 12 September 2014, the OFAC issued a series of “Directives” imposing targeted sanctions upon key elements of the Russian economy. Each Directive governs activities between U.S. persons (to include any person within the U.S.) and those persons listed on the Sectoral Sanctions Identifications List (the “**SSI List**”). The SSI List is organised according to the four Directives. Unlike the SDN List, which includes blocked persons and prohibits substantially all activities with so-called SDNs, the SSI List designations result in prohibitions that are limited to those activities targeted by the Directives. The OFAC also recently revised its policy on entities that are owned by the SSI List persons to extend the designations to entities owned 50% or more by one or more persons on the SSI List.

REGULATIONS

The four Directives are as follows:

Directive 1 targets the financial services sector of the Russian economy. This Directive prohibits engaging in transactions in, providing financing for or otherwise dealing in new debt with a maturity of longer than 30 days, or equity for persons operating in Russia's financial sector named under Directive 1.

Directive 2 targets Russia's energy sector of the Russian economy by prohibiting transactions in, provision of financing for and other dealings in new debt with a maturity of longer than 90 days for persons operating in Russia's energy sector named under Directive 2.

Directive 3 targets the Russian defence and related material sector by prohibiting all transactions in, provision of financing for and other dealings in new debt of longer than 30 days for persons identified on the SSI List under Directive 3.

Directive 4 expands on the sanctions targeting the Russian energy sector by prohibiting "the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deep water, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory" that involve any person identified on the SSI List under Directive 4.

Commercial and Dual-Use Controls (the Export Administration Regulations) — On 6 August 2014, the BIS amended the Export Administration Regulations (the "EAR") to include the "Russian Industry Sector Sanctions". These sanctions impose a licence requirement for the export to Russia of certain items if the exporter, re-exporter or transferor knows that the item "will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deep water (greater than 500 feet) or Arctic offshore locations or shale formations in Russia, or are unable to determine whether the item will be used in such projects". The BIS also established a policy of denial for such licence applications. The BIS further imposed a licence requirement (subject to a policy of denial) for all exports, re-exports or transfers to Russia of items subject to the EAR if intended, in whole or in part, for a military end-user or military end-user in Russia.

Military/Defence Controls (the International Traffic in Arms Regulations) — On 27 March 2014, the DDTC placed a hold on the issuance of International Traffic in Arms Regulations licences for the export of defence articles and defence services to Russia. Subsequently, on 28 April 2014, the DDTC changed its hold on licences to a policy of denial for defence articles or defence services to Russia or occupied Crimea. The DDTC also began the process of revoking existing licences for defence articles and services. The DDTC is currently reviewing defence article export licences on a case-by-case basis to determine the export's contribution to Russia's military.

U.N./E.U.

The U.N./E.U. and Australian Sanctions Law Advisers have provided the following summary of the sanctions regimes imposed by their respective jurisdictions in the Sanctioned Countries. This summary does not intend to set out the laws and regulations relating to the U.N./E.U. and Australian sanctions in their entirety and is not legal advice from the U.N./E.U. and Australian Sanctions Law Advisers.

REGULATIONS

U.N.

The only Sanctioned Country that the UN imposed country-specific sanctions against during the Track Record Period was Lebanon. The UN sanctions against Lebanon are limited to an arms embargo and asset freezes/travel bans.

Russia/Ukraine

The E.U. sanctions with respect to Russia include the following restrictions:

- (a) The freezing of funds of, prohibition on providing economic resources to, and travel bans and restrictions on, specified entities and individuals. These entities are split into two groups:
 - (i) those that relate to the collapse of the Ukrainian government in February 2014 and allegations that members of the former government were involved in the misappropriation of state funds; and
 - (ii) those that relate actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.
- (b) An arms embargo.
- (c) Restrictions on access to capital markets for specified financial, energy and defence entities.
- (d) Restrictions on the export of dual-use goods and technologies.
- (e) Restrictions on dealing with technologies listed on the “Common Military List” (i.e. a list that defines equipment covered by E.U. common rules governing the control of E.U. exports of military technology and equipment).
- (f) Restrictions on dealing with goods and services related to the oil industry and specific types of oil projects in Russia.

Further, the E.U. Russian sanctions also contain restrictions in relation to Crimea/Sevastopol, which include:

- (a) An import ban on goods originating in Crimea/Sevastopol.
- (b) A prohibition on investment in Crimea/Sevastopol — including buying real estate or entities in Crimea, financing Crimean companies or supply related services.
- (c) A prohibition on offering tourism services in Crimea/Sevastopol.
- (d) A prohibition on any E.U. vessels calling at ports in the Crimean peninsula.
- (e) A prohibition on exporting certain goods and technology to Crimean companies or for use in Crimea. The goods and technology relate to the transport, telecommunications and energy sectors, including for the prospection, exploration and production of oil, gas and mineral resources. Technical assistance, brokering, construction or engineering services related to infrastructure in these sectors is also prohibited.

REGULATIONS

Egypt

The E.U. sanctions against Egypt consist solely of the freezing of funds of, prohibition on providing economic resources to, and travel bans and restrictions on, specified entities and individuals, subject to some exceptions.

Lebanon

The E.U. sanctions against Lebanon can be broadly summarised as follows:

- (a) The freezing of funds of, prohibition on providing economic resources to, and travel bans and restrictions on, specified entities and individuals, subject to some exceptions.
- (b) Restrictions with respect to military goods.

Australia

Consolidated List

Under Australian sanctions laws, the Department of Foreign Affairs and Trade of the Commonwealth of Australia maintains a list of individuals and entities who are designated under both United Nations sanctions enforced by Australia and autonomous sanctions imposed by Australia.

Russia

The general content of Australian sanctions law contains restrictions relating to military goods including technical, financial or other assistance in relation to such military goods. Restrictions also apply in respect of certain material used for oil and gas exploration and production including hydraulic fracturing in certain geographical locations. This extends to “rock-drilling or earth-boring tools, interchangeable, with working parts of diamond or agglomerated diamond”. Our Sanctions Law Advisers have not been provided with any information that such equipment has been provided by our Company to customers, or received from suppliers, during the Track Record Period. Dealing with bonds, equity, transferable securities, money market instruments issued by specified Russian financial institutions in certain circumstances, making a loan or credit to a “designated person or entity” are restricted by Australian sanctions law.

Ukraine

Australian sanctions law imposes a wide prohibition on making an asset available to, or for the benefit of, a Ukrainian “designated person or entity” — including holding or using an asset, and allowing or facilitating the asset to be used or dealt with.

Lebanon

Australian sanctions law contains restrictions relating to military goods including technical, financial or other assistance in relation to such military goods. There are also restrictions on making an asset available to, or for the benefit of, a Lebanese “designated person”, a person or entity acting on behalf of or at the direction of a Lebanese “designated person” or an entity owned or controlled by a Lebanese “designated person”. This prohibition also extends to the holding or use of such an asset, and allowing or facilitating the asset to be used or dealt with.

HISTORY, DEVELOPMENT AND REORGANISATION

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

History and development

Our origin can be traced back to mid-1980's when Mr. Kan established HK Perfect for the purpose of engaging in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) from his personal wealth accumulated over the years before establishing our Group. At the early stage of the business operations, HK Perfect mainly served local and U.S. customers.

In 1999, HK Perfect relocated its production premises from Hong Kong to Shenzhen to cope with the growing demand of the fine jewellery manufactured by HK Perfect. Further, in 2008, HK Perfect established Perfect Factory in Dongguan with gross floor area of approximately 14,700 sq. m., which allows for a further increase in productivity and enhances its competitiveness in the fine jewellery market.

To keep abreast of the latest trend in the fine jewellery market and to expand and diversify its clientele, HK Perfect has participated in jewellery fairs in various jurisdictions such as Hong Kong, the Macau Special Administrative Region of the PRC, the UAE, Oman, the U.S., Switzerland, Turkey, Thailand and Cambodia since mid-2000's. Since then, HK Perfect has successfully extended its market coverage with customers from various countries of the world.

The management of HK Perfect is confident about the long-term development of the fine jewellery market in the Middle East. With the experience and network built up after engaging in the Jewellery Business locally and regionally, HK Perfect made its foray into the fine jewellery market in the Middle East in 2008 and established HKP LLC in Dubai in 2009. Over the years, HK Perfect has evolved from a local fine jewellery designer, manufacturer and seller to a regional fine jewellery manufacturer and seller.

During the Track Record Period and prior to the Business Transfer, other than the Jewellery Business, HK Perfect also carried on other businesses (the “**Other Businesses**”), details of which are set out below:

(a) Manufacturing and trading of pure gold products

During the Track Record Period (and only up to the year ended 31 December 2013), HK Perfect was engaged in manufacturing and trading of pure gold products through its subsidiary (the “**Trading Subsidiary**”). The Trading Subsidiary was engaged in the processing of pure gold products through a subsidiary of HK Perfect (the “**Production Subsidiary**”) in return for a processing fee from its customers. The Trading Subsidiary and the Production Subsidiary ceased their respective business operations in late 2013 and were disposed of by HK Perfect during the year ended 31 December 2013. In view of (i) the disposal of the Trading Subsidiary and the Production Subsidiary; (ii) the different products sold pursuant to such business activities; and (iii) the different intended target customer groups with the Jewellery Business pursuant to such business activities, our Directors have confirmed that such business activities do not compete, or are not likely to compete, either directly or indirectly, with our business.

HISTORY, DEVELOPMENT AND REORGANISATION

(b) *Property investment*

During the Track Record Period, HK Perfect was engaged in property leasing which recorded a rental income for the year ended 31 December 2012. Such investment properties were disposed of by HK Perfect during the year ended 31 December 2012. Our Directors have confirmed that such business activities do not compete, or are not likely to compete, either directly or indirectly, with our business.

(c) *Derivative trading*

During the Track Record Period, HK Perfect was engaged in trading of derivative contracts (mainly comprising gold derivative contracts). Our Directors have confirmed that such business activities do not compete, or are not likely to compete, either directly or indirectly, with our business.

(d) *Intra-group financing*

During the Track Record Period, there were certain intra-group loan arrangements with the entities engaged in the Other Businesses which were recognised as current account with such entities in the Other Businesses.

The continuous expansion has attracted investments by Mr. W.S. Chan, the father of Mr. Luo and Mr. Chung in HK Perfect through acquiring the shares of Perfect Group, being the holding company of HK Perfect, from Mr. Kan in 2010. In September 2014, the father of Mr. Luo would like to retire and transferred his shares of Perfect Group to Mr. Luo, Mr. W.H. Chan and other existing shareholders of Perfect Group for a total consideration of HK\$114,000,000, which was based on the net asset value of Perfect Group and settled by the aforesaid transferees in December 2014.

Since the ultimate beneficial owners of HK Perfect would like to retain their ownership in the Hong Kong Property, in view of the stamp duty which would have been chargeable if the Hong Kong Property had been transferred from HK Perfect to its ultimate beneficial owners, which is estimated to be over HK\$12 million, the ultimate beneficial owners of HK Perfect have decided to hold the Hong Kong Property under HK Perfect and to convert HK Perfect into a sole investment holding company. Therefore, as part of the Reorganisation, the Jewellery Business carried on by and certain assets and liabilities of HK Perfect were transferred to Perfect (HK) in August 2015 under the Business Transfer, while the Other Businesses, since (a) certain of the Other Businesses, i.e. manufacturing and trading of pure gold products and property investment as mentioned above, had been disposed of during the Track Record Period prior to the Reorganisation; and (b) the Other Businesses were no longer our Group's core business focus, have not been included as the subject of the Business Transfer. Nowadays, Perfect (HK) mainly engages in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds), which was part of the business previously carried on by HK Perfect.

The Sole Sponsor is of the view that, having taken into account the financial information of the Other Businesses available to our Group, even in the hypothetical scenario that the Other Businesses had formed part of our Group, our Group would have been able to satisfy the profit test requirement under Rule 8.05(1)(a) of the Listing Rules.

HISTORY, DEVELOPMENT AND REORGANISATION

The following table summarises the major milestones for our evolution into the present scale of operations:

<u>Timeline</u>	<u>Event</u>
June 1985	Mr. Kan established HK Perfect for the purpose of engaging in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds)
1999	HK Perfect relocated its production premises from Hong Kong to Shenzhen
June 2006	HK Perfect first participated in jewellery fairs in Hong Kong and has since participated in jewellery fairs in various jurisdictions
Spring 2008	HK Perfect was awarded the Silver Prize of Brooch in the Buyers' Favorite Jewelry Design Competition 2008 by HKJMA
April 2008	HK Perfect established Perfect Factory in Dongguan with gross floor area of approximately 14,700 sq. m.
May 2008	HK Perfect made its foray into the fine jewellery market in the Middle East
May 2009	Perfect Factory started employing professional 3D printer in the production of fine jewellery
June 2009	HK Perfect established HKP LLC in Dubai
November 2014	HK Perfect established Perfect (UAE) in Dubai
June 2015	Perfect (HK) was incorporated in Hong Kong
August 2015	The Jewellery Business carried on by and certain assets and liabilities of HK Perfect were transferred to Perfect (HK) under the Business Transfer

The major operating entity prior to the Business Transfer

HK Perfect

HK Perfect is a company incorporated in Hong Kong with limited liability on 14 June 1985. Such company is 100% beneficially owned by Perfect Group, and 99% and 1% legally owned by Perfect Group and Mr. Kan (who holds such 1% legal interest in HK Perfect in trust for the benefit of Perfect Group) respectively. On 5 August 2015, as part of the Reorganisation, the Jewellery Business carried on by and certain assets and liabilities of HK Perfect were transferred to Perfect (HK) under the Business Transfer.

HK Perfect commenced business in June 1985 and mainly engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) prior to the Business Transfer. Upon completion of the Business Transfer, HK Perfect became a sole investment holding company. HK Perfect is not a member of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Our subsidiaries and operating entity after the Business Transfer

Perfect (BVI)

Perfect (BVI) is a BVI business company incorporated in the BVI on 9 June 2015. Such company is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0, among which 10,000 shares are in issue and directly held by our Company upon completion of the Reorganisation.

Perfect (BVI) is an investment holding company of our Group and does not carry on any business.

Perfect (HK)

Perfect (HK) is a company incorporated in Hong Kong with limited liability on 23 June 2015. Such company is directly wholly-owned by Perfect (BVI), which holds 10,000,000 shares, being the entire issued share capital, of such company.

Perfect (HK) commenced business in August 2015 and mainly engages in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) upon completion of the Business Transfer in August 2015.

Perfect (UAE)

Perfect (UAE) is a company incorporated in Dubai with limited liability on 25 November 2014. Such company is authorised to issue a maximum of 50 shares with a par value of AED1,000.00, all of which are in issue and directly held by Perfect (HK) upon completion of the Reorganisation.

Perfect (UAE) commenced business in May 2015 and has no operation other than providing internal logistics support to and carrying on marketing activities for our Group.

Perfect Factory

Perfect Factory is an entity established in the PRC on 23 April 2008. Such entity operates in the form of “three forms of processing/assembly operations and compensatory trade” (三來一補) under the Processing Agreement.

Perfect Factory commenced business in April 2008 and mainly engages in manufacturing high-end fine jewellery (primarily mounted with diamonds).

CORPORATE STRUCTURE

Reorganisation

In preparation for the Listing, our Group underwent the Reorganisation which includes the following steps:

(a) Step 1 — Incorporation of our corporate Shareholders

- (i) Mr. Kan, Mr. W.S. Chan, the uncle of Mr. Luo, Mr. W.H. Chan and Mr. Chung has incorporated Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald in the BVI as our corporate Shareholders respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

- (ii) On 5 June 2015, Immaculate Diamonds allotted and issued 1 share, credited as fully paid at par, to Mr. Kan as the initial subscriber.
- (iii) On 5 June 2015, Classic Sapphire allotted and issued 1 share, credited as fully paid at par, to Mr. W.S. Chan as the initial subscriber.
- (iv) On 5 June 2015, Classic Amber allotted and issued 1 share, credited as fully paid at par, to the uncle of Mr. Luo as the initial subscriber, who then transferred such 1 share to Mr. Luo for a consideration of US\$1.0, which was based on the nominal value of Classic Amber, on 16 June 2015.
- (v) On 5 June 2015, Classic Ruby allotted and issued 1 share, credited as fully paid at par, to Mr. W.H. Chan as the initial subscriber.
- (vi) On 5 June 2015, Classic Emerald allotted and issued 1 share, credited as fully paid at par, to Mr. Chung as the initial subscriber.

(b) Step 2 — Incorporation of Perfect (BVI)

- (i) Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald have incorporated Perfect (BVI) in the BVI for the purpose of holding our subsidiaries.
- (ii) On 9 June 2015, Perfect (BVI) allotted and issued 7,200 shares, 1,000 shares, 1,000 shares, 500 shares and 300 shares, all credited as fully paid at par, to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald as the initial subscribers respectively.

(c) Step 3 — Incorporation of our Company

- (i) Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald have incorporated our Company in the Cayman Islands as the ultimate holding company of our Group.
- (ii) On 16 June 2015, our Company allotted and issued 1 share of nominal value of US\$1.00 each, 71 shares of nominal value of US\$1.00 each, 10 shares of nominal value of US\$1.00 each, 10 shares of nominal value of US\$1.00 each, 5 shares of nominal value of US\$1.00 each and 3 shares of nominal value of US\$1.00 each (the aforesaid 100 shares of US\$1.00 each are collectively referred to as the “**Existing Shares**”), all credited as fully paid at par, to an Independent Third Party (which then transferred such 1 share to Immaculate Diamonds on the same day), Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald as the initial subscribers respectively.

(d) Step 4 — Incorporation of Perfect (HK)

- (i) Perfect (BVI) has incorporated Perfect (HK) in Hong Kong for the purpose of engaging in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) and holding our subsidiary.

HISTORY, DEVELOPMENT AND REORGANISATION

- (ii) On 23 June 2015, Perfect (HK) allotted and issued 10,000,000 shares, credited as fully paid, to Perfect (BVI) as the initial subscriber.

(e) ***Step 5 — Transfer of the Jewellery Business carried on by and certain assets and liabilities of HK Perfect to Perfect (HK)***

- (i) On 5 August 2015 (except for the loan facilities, the Dubai Property, the Hong Kong Property⁽¹⁾, the shares of HKP LLC, the shares of Perfect (USA) and the shares of Kension), the rights, debts, obligations and liabilities attached to the Jewellery Business carried on by HK Perfect as at 26 June 2015 and the assets and liabilities owned or held as security by HK Perfect and utilised in the Jewellery Business were legally transferred from HK Perfect to Perfect (HK) for a consideration of approximately HK\$282.1 million, which was based on the carrying value of the Jewellery Business and assets and liabilities as at 31 July 2015 and will be settled by our Company prior to the Listing by way of the Loan Capitalisation Issue, in consideration of Perfect (HK) allotting and issuing 1 share to Perfect (BVI) and Perfect (BVI) allotting and issuing 1 share to our Company prior to the Listing.

Note:

- (1) The Hong Kong Property was deemed to be disposed of by us on 5 August 2015, being the date of completion of the Business Transfer, and has been leased to us from HK Perfect since then. Pursuant to Rule 5.01B(2) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus shall include the full text of valuation report for such property interest. Having considered the above requirement, a property valuation report in respect of the Hong Kong Property is included in Appendix III to this prospectus. As at 31 October 2015, the market value of the Hong Kong Property was approximately HK\$147.0 million while the property interest in the Hong Kong Property attributable to our Group was nil. For details of the valuation and property interest of the Hong Kong Property, please refer to “Appendix III — Property Valuation” to this prospectus.
- (ii) As part of the business transfer described in paragraph (e)(i) above, procedures have been carried out for HK Perfect to transfer the entire issued share capital of Perfect (UAE) to Perfect (HK). Upon completion of the aforesaid share transfer on 29 September 2015, Perfect (UAE) became the directly wholly-owned subsidiary of Perfect (HK).
- (iii) As part of the business transfer described in paragraph (e)(i) above, the investor of Perfect Factory, being a processing factory established in the PRC and substantially controlled and operated by HK Perfect, was changed from HK Perfect to Perfect (HK) on 21 July 2015 pursuant to the Processing Agreement.

(f) ***Step 6 — Dissolution of HKP LLC, Perfect (USA) and Kension***

- (i) For the purpose of gaining complete control over the business operations in the UAE, procedures have been carried out to dissolve HKP LLC (in which a minimum of 51% of its shareholding shall be held by a UAE national owned entity), which had no operations other than providing internal logistic support to and carrying on marketing activities for our Group, and the dissolution of HKP LLC is expected to

HISTORY, DEVELOPMENT AND REORGANISATION

be completed in late December 2015. As advised by our legal advisers as to UAE law, HKP LLC is not subject to any claim, litigation and liability prior to the aforesaid dissolution.

- (ii) For the purpose of streamlining the operations of our Group and saving administrative costs, procedures have been carried out to dissolve Perfect (USA), which had no operations other than providing internal logistic support to and carrying on marketing activities for our Group, and Perfect (USA) was dissolved on 25 August 2015.
- (iii) For the purpose of streamlining the operations of our Group and saving administrative costs, procedures have been carried out to dissolve Kension, which had no operations other than providing internal logistic support to and carrying on marketing activities for our Group, and Kension was dissolved on 4 September 2015.
- (iv) The loss for the respective periods indicated for each of HKP LLC, Perfect (USA) and Kension are set out below:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
HKP LLC ⁽¹⁾	—	—	—	—	—
Perfect (USA)	—	—	(376)	(175)	(317)
Kension	(185)	(151)	(116)	(95)	(3)
Total	(185)	(151)	(492)	(270)	(320)

Note:

- (1) During the Track Record Period, no revenue and expenses were recognised in the books of HKP LLC. The operating and selling expenses incurred by HKP LLC during the Track Record Period were recognised in the books of HK Perfect.

(g) Step 7 — Increase in authorised share capital of our Company

On 14 September 2015, the authorised share capital of our Company was increased by HK\$10,000,000 by the creation of additional 1,000,000,000 new Shares of nominal value of HK\$0.01 each.

(h) Step 8 — Allotment and issue of new Shares

On 14 September 2015, our Company allotted and issued 72 nil-paid Shares of nominal value of HK\$0.01 each, 10 nil-paid Shares of nominal value of HK\$0.01 each, 10 nil-paid Shares of nominal value of HK\$0.01 each, 5 nil-paid Shares of nominal value of HK\$0.01 each and 3 nil-paid Shares of nominal value of HK\$0.01 each to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively for an aggregate price of US\$100 (the “**Share Subscription Price**”).

HISTORY, DEVELOPMENT AND REORGANISATION

(i) Step 9 — Repurchase of the Existing Shares

On 14 September 2015, our Company repurchased all the Existing Shares for an aggregate price of US\$100 (the “**Repurchase Price**”), which was offset against the Share Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of our Company, and the authorised share capital of our Company became HK\$10,000,000 divided into 1,000,000,000 Shares of nominal value of HK\$0.01 each.

(j) Step 10 — Transfer of the entire issued share capital of Perfect (BVI) to our Company

On 14 December 2015, Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald transferred the entire issued share capital of Perfect (BVI) to our Company for a consideration which was satisfied by our Company by way of allotment and issue of 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively on 14 December 2015 at a premium.

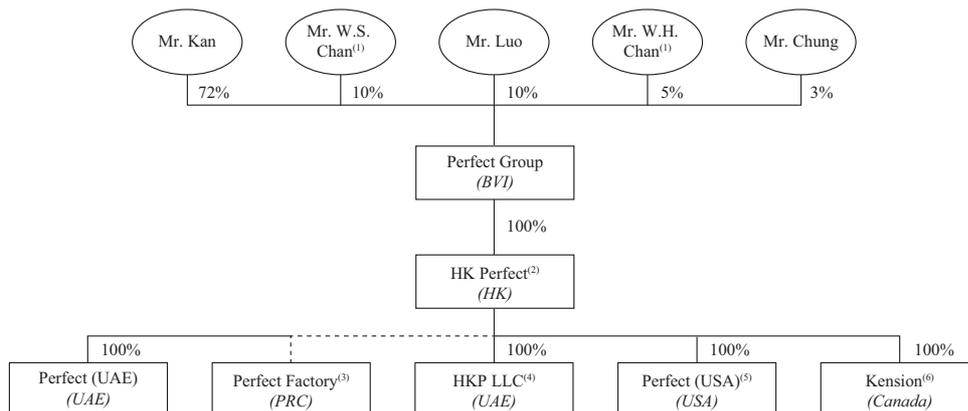
As confirmed by our legal advisers as to UAE law, the Reorganisation complies with the relevant laws, rules and regulations in the UAE.

As confirmed by our legal advisers as to U.S. law, the Reorganisation complies with the relevant laws, rules and regulations in the U.S.

As confirmed by our legal advisers as to Canadian law, the Reorganisation complies with the relevant laws, rules and regulations in Canada.

As confirmed by our PRC Legal Advisers, the Reorganisation complies with the relevant laws, rules and regulations in the PRC.

Set out below is the structure of our Group immediately prior to the Reorganisation:

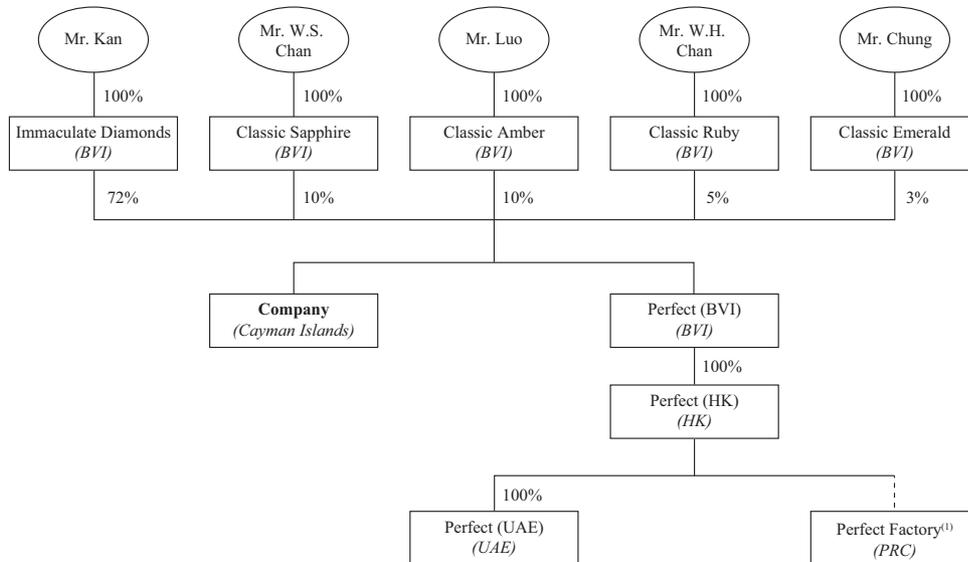


HISTORY, DEVELOPMENT AND REORGANISATION

Note:

- (1) Mr. W.S. Chan is the father of Mr. W.H. Chan.
- (2) HK Perfect is 100% beneficially owned by Perfect Group, and 99% and 1% legally owned by Perfect Group and Mr. Kan (who holds such 1% legal interest in HK Perfect in trust for the benefit of Perfect Group) respectively, so as to comply with the pre-existing regulatory requirement of Hong Kong that a company incorporated in Hong Kong shall have at least two shareholders.
- (3) Perfect Factory is an entity operating in the form of “three forms of processing/assembly operations and compensatory trade” (三來一補) under the Processing Agreement. As HK Perfect provided factory building, machinery, raw materials and other operations elements to Perfect Factory, Perfect Factory was substantially controlled by HK Perfect through the Processing Agreement.
- (4) HKP LLC was 49% and 51% legally owned by HK Perfect and a UAE national owned entity (being an Independent Third Party who held such 51% legal interest in HKP LLC for the benefit of HK Perfect) respectively, so as to comply with the regulatory requirement of the UAE that the minimum shareholding of a UAE national owned entity in a limited liability company incorporated in the UAE, i.e. a LLC, shall be 51%. The beneficial interest in the 51% of the issued share capital of HKP LLC was held pursuant to verbal and other arrangements entered into between HK Perfect and the UAE national owned entity.
- (5) Perfect (USA) was 100% beneficially owned by HK Perfect, and 50% legally owned by each of Mr. Luo and Mr. Chung (each of whom held such 50% legal interest in Perfect (USA) in trust for the benefit of HK Perfect) for administrative efficacy purpose.
- (6) Kension was 100% beneficially owned by HK Perfect, and 1% and 99% legally owned by Mr. Chung and Mrs. Kan (each of whom held their respective legal interests in Kension in trust for the benefit of HK Perfect) respectively for administrative efficacy purpose.

Set out below is the structure of our Group immediately following completion of step 9 of the Reorganisation:

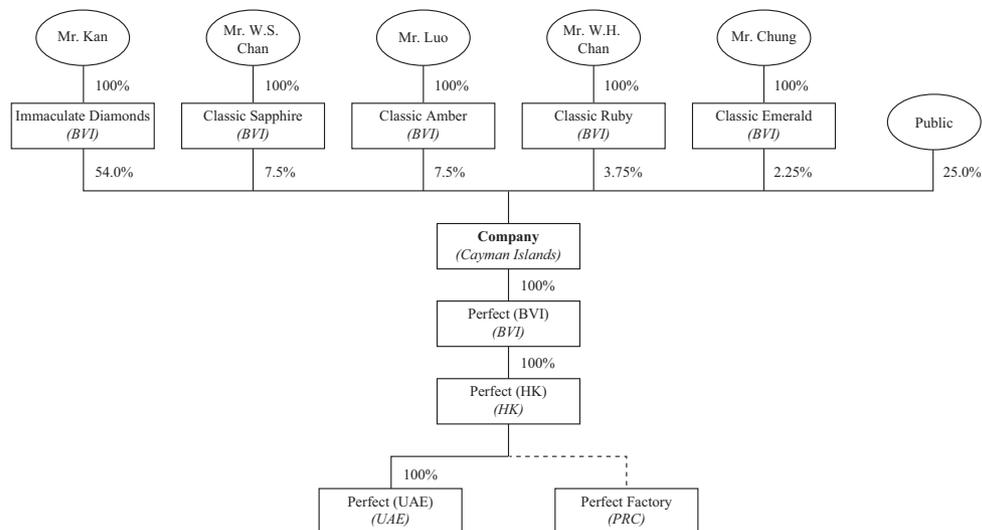


Note:

- (1) Perfect Factory is an entity operating in the form of “three forms of processing/assembly operations and compensatory trade” (三來一補) under the Processing Agreement. As Perfect (HK) provides factory building, machinery, raw materials and other operations elements to Perfect Factory, Perfect Factory is substantially controlled by Perfect (HK) through the Processing Agreement.

HISTORY, DEVELOPMENT AND REORGANISATION

Set out below is the structure of our Group immediately following completion of the Reorganisation, the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme):



PRIOR LISTING PREPARATION

In December 2013, HK Perfect appointed a sponsor with a view to preparing for a proposed listing on the Stock Exchange (the “**Prior Listing Preparation**”). However, our Group did not anticipate the heavy workloads involved in the Prior Listing Preparation and was unable to allocate sufficient human resources without affecting the operations of our core business. As such, the management of our Group voluntarily suspended the Prior Listing Preparation in March 2014 and released all the professional parties involved in the Prior Listing Preparation in order to maintain the normal operations of our core business. No listing application has been submitted to the Stock Exchange in relation to the Prior Listing Preparation. The Sole Sponsor has confirmed that there is no other matter that needs to be brought to the attention of the Stock Exchange regarding the Prior Listing Preparation.

Given the experience in the first attempt, our Group has strengthened our financial team and internal system to prepare for the Listing and the post-Listing development of our Group. A new professional team has also been assembled for the preparation of the Listing.

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OVERVIEW

We are one of the top fine jewellery manufacturers and wholesalers with approximately 30 years of history in Hong Kong. We are primarily engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). According to the IPSOS Report, we ranked second by total revenue of the fine jewellery manufacturing and export industry targeting the high-end retail segment of fine jewellery in Hong Kong in 2014, accounting for approximately 5.6% of the market share of the total revenue of the jewellery manufacturing and export industry in Hong Kong.

We position our products to target the high-end segment of the fine jewellery market by average wholesale prices. The average unit price of our fine jewellery products was approximately HK\$9,433, HK\$9,420, HK\$8,869 and HK\$8,941 in the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. According to the IPSOS Report, the rising trend in total revenue for manufacturing and wholesaling of fine jewellery in Hong Kong is expected to continue due to the increasing price of the raw materials of fine jewellery, such as diamonds and gold, as well as the expansion of the high-end fine jewellery market segment, which we have been focusing on.

We are committed to innovative, aesthetic, and sophisticated product design, which we believe is essential for our growth and success. We offer a wide range of fine jewellery products, which include rings, earrings, pendants, bangles, necklaces and bracelets. We believe that our ability to design new products in response to market trends and customers' preference in different markets contributes to the success of our products. As at the Latest Practicable Date, we offered over 100,000 different product designs. Our sales team provides customised services to our long term customers by maintaining regular communication so as to understand the trend and sales force in their respective markets. Occasionally our customers provide us with specific design ideas or themes for our further development into new jewellery products. Leveraging on information gathered by our sales team, our design team creates fine jewellery designs which are able to cater to the demands of end-customers of different demographics.

We believe that our success as a fine jewellery manufacturer and wholesaler vests in our production team's capability of transforming design ideas into actual jewellery products which are well received by our customers. High-end fine jewellery requires a combination of design and craftsmanship to produce jewellery with maximal aesthetic value and thereby utilizing diamonds of different sizes, shapes and colours. Our design and manufacturing capabilities are demonstrated by our signature product, "The Bloom", which employs various diamond setting techniques to forge its uniqueness as envisaged by our experienced design team.

We operate 2 offices, situated in Hong Kong and Dubai respectively. Our Hong Kong Office bridges our design, production and sales teams with our customers worldwide whilst our Dubai Office serves as our marketing and logistics hub in the Middle East and its vicinity. Our production operations are exclusively carried out at Perfect Factory, a processing factory in Dongguan which is controlled by us under the Processing Agreement. Under the processing arrangement, Perfect Factory deploys raw materials, accessories, machinery equipment and packaging materials owned and imported by our Group to produce fine jewellery products for our Group exclusively whilst our Group closely participates in the operation and management of Perfect Factory and effectively controls its decision making process. Despite the absence of legal ownership, owing to the facts and reasons as disclosed in the section "Business — Production facility" in this prospectus, Perfect Factory has been treated as part of our Group (i.e. a business under the control of our Group pursuant to HKFRS 10 and being consolidated pursuant to such HKFRS). For further details of Perfect Factory and the Processing Agreement, please refer to the section "Business — Production facility" in this prospectus.

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The Processing Agreement will expire in April 2018, subject to further renewal. However, there is no assurance that the Processing Agreement will be renewed upon expiry, or if renewed, will be renewed for any particular period of time. Please refer to the relevant paragraph in the section “Risk Factors — Risks relating to our business” in this prospectus for further information.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contributed to our past success and will continue to invigorate our future growth:

One of the top fine jewellery manufacturers and wholesalers in Hong Kong with well-established and strong business relationship with customers worldwide

We are one of the top fine jewellery manufacturers and wholesalers in Hong Kong within the high-end segment. According to the IPSOS Report, we ranked second by total revenue of the fine jewellery manufacturing and export industry targeting the high-end retail segment of fine jewellery in Hong Kong in 2014, accounting for approximately 5.6% of the market share of the total revenue of the jewellery manufacturing and export industry in Hong Kong.

Our operation dates back to 1985 when we focused our business initially in the United States as its fine jewellery market was relatively more developed. As our customer base grew gradually, we moved to a bigger production factory in around 2000 to facilitate the increased customer orders. In 2006, we first started participating in jewellery exhibitions and expositions since then became one of our main media to reach out to jewellery wholesalers and retailers worldwide. During the Track Record Period, our jewellery products were sold to customers worldwide. According to the IPSOS Report, whilst the markets in the United States and Southeast Asia have experienced growth in their respective jewellery import value in recent years with a CAGR of approximately 4.4% and 10.0% from 2010 to 2014 respectively, the Middle East fine jewellery import value had a CAGR of approximately 13.0% for the same period. As a country with the highest per capita jewellery consumption in the world, the UAE recorded a CAGR of import value for fine jewellery of approximately 12.9% from 2010 to 2014. To seize the business opportunities in the Middle East and its neighbouring regions, we established our office in Dubai in 2009.

As one of the top high-end fine jewellery exporters in Hong Kong with well-established operating history promotes long-term and trusting relationships with our major customers worldwide. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our 10 largest customers are recurring customers who are jewellery wholesalers and retailers worldwide which had maintained their business relationships with us for more than 5 years. Our 5 largest customers during the Track Record Period have been our customers for 7 to 16 years.

During the Track Record Period, approximately 50% of our sales lead was generated from our Dubai Office which serves as our marketing and logistics hub in the Middle East and its vicinity. According to the IPSOS Report, the total retail sales value of fine jewellery in the global market increased with a CAGR of approximately 7.9% between 2010 and 2014, and is expected to experience stable growth from 2015 to 2019. Besides, the total retail sales value of fine jewellery in the UAE increased with a CAGR of approximately 8.9% between 2010 and 2014 and is expected to continue with a growth trend from 2015 to 2019 with a CAGR of approximately 9.0%. Our Directors believe that with our well-established operating history as one of the top fine jewellery manufacturers and wholesalers in Hong Kong, our established reputation among our customers, our production capability and quality

craftsmanship and design capability, we are posed to seize the growing market opportunities of the high-end segment of the fine jewellery industry.

Strong design capability appealing to end-customers' preference

We believe that our ability to create new product designs in response to market trends and customers' preference contributes to the success of our products. We have been making continuous efforts in gathering first hand market information from our customers worldwide to enable us to continuously provide fine jewellery designs catering for various preferences of our end-customers. According to the IPSOS Report, fine jewellery with diamonds has become increasingly popular amongst the younger generation and the middle class as fashionable accessories which usually carry more intricate designs which render the jewellery look more elegant. Furthermore, the preferences of end-customers of jewellery designs vary from region to region. For example, whilst the young U.S. customers typically prefer small and delicate jewellery for mix and match in fashion, the Middle East customers generally favor jewellery with fuller design and higher quantity of diamonds and coloured gemstones. In order to cater for the latest trend and different preferences of end-customers, we not only design and produce a wide range of products at different price range and with different kind of diamonds and other non-diamond gemstones, but also take into account different preferences of end-customers in different targeted markets.

As at the Latest Practicable Date, our design team comprised a total of 16 jewellery designers who utilise both traditional hand drawing skills and computer software to generate design ideas and transform those ideas into design sketches. Our design team works closely with the sales team under the supervision of Mrs. Kan, our executive Director and the head of our sales and operation departments, such that our customers' requests and end-customers' preferences are taken into consideration to produce our delicate fine jewellery. One of our designers has won various recognitions in several jewellery design competitions. Other jewellery designers possess requisite experience in jewellery design and are capable of creating stylish jewellery designs taking into account of the ever-changing customer preferences.

Our designs are well-recognised by industry associations and sought after by our customers in different parts of the world. Over the years, we have won a number of awards. For details of design awards we have won over the years, please refer to the section "Business — Awards and accreditations" in this prospectus.

We believe that our demonstrated capability in designing products catering to specific preference and market trend is the foundation of our success and have distinguished us from our peers and competitors.

Experienced and skillful production team enabling production of fine jewellery of high quality and complexity

We believe that the contribution of our design teams cannot be fully realised unless we possess a team of experienced and skillful craftsmen which is capable of transforming our designers' ideas into masterpiece jewellery products. Our production team members at Perfect Factory has an average of 3 years of experience in the industry and over 40% of the team have been working for our Group for more than 5 years. As production for high-end fine jewellery is generally highly labour-intensive and the quality of each piece of jewellery depends on how well each step in the production process is performed, an experienced and long-term production team is one of our most valuable assets.

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In order to distinguish ourselves from our peers and competitors, our fine jewellery products are designed with more complexity. Aided by our 3D printing equipment and our skillful diamond setting team, we are able to produce larger pieces of stereoscopic jewellery products with fuller design which are particularly favoured by Middle East customers according to the IPSOS Report. More advanced and diverse production processes, such as laser welding, micro-pave and invisible setting techniques, are required to produce jewellery with such complex designs. We believe that by utilising our craftsmen's skills, the aesthetic value of our high-end fine jewellery products is well-received by our customers and we were thereby able to obtain higher profit margin.

Diverse customer base reducing risks of geographical risks and seasonality

Our Group has a diversified customer base and had over 400 end-customers from all over the world during the Track Record Period. Our customers are principally wholesalers and retailers of jewellery products worldwide.

According to the IPSOS Report, the jewellery industry exhibits characteristics of seasonality as different markets have different purchasing seasons for fine jewellery. For example, whilst the U.S. market witnesses an increase in sales between Thanksgiving and Christmas, the customers from Islamic countries generally restrain themselves from commercial activities during the month of Ramadan. Hence, by establishing a diverse customer base, we are able to avoid our reliance on customers from a particular area and maintain relatively stable revenue.

Experienced, stable and dedicated management team

All of our executive Directors have extensive experience in the fine jewellery industry. Our executive Directors have been engaged in the fine jewellery industry and continuously led our Group's operations for over 25 years. Our founder and executive Director, Mr. Kan, joined the fine jewellery industry since 1979 and is a prominent figure in the fine jewellery industry. Mr. Kan is a Honorary President Member of the Hong Kong Jade Association. In 2011, Mr. Kan was appointed as the vice President of the Hong Kong Gold and Silver Ornament Workers & Merchants General Union and he remains as a member of its executive committee. In 2015, Mr. Kan was also appointed as an honorary chairman of Hong Kong Gemstone Manufacturers' Association. Mrs. Kan is the spouse of Mr. Kan and has been serving as the director of our Group since 1990. Mr. Chung, another executive Director, has also served our Group for an extended period of 25 years. For further details about the experience of our executive Directors, please refer to the section "Directors and Senior Management" in this prospectus.

We believe that our management team's remarkable experience in the fine jewellery industry enables us to respond to the ever-changing market trends and to retain our highly skilled craftsmen team. We believe that the knowledge, skills and experience of our management team will continue to contribute to our thriving business.

OUR BUSINESS STRATEGIES

We strive to maintain our Group as one of the top fine jewellery manufacturers and wholesalers in Hong Kong by strengthening our sales and marketing efforts in expanding our customer base in Europe and fortifying our Middle East markets, enhancing our product development capability, further

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developing our brand to widen our range of target customers, and improving our CRM system by introducing RFID technology in jewellery exhibitions. We intend to implement the following strategies to capitalise on our strengths so as to enhance our business prospects and financial performance:

Expand our customer base in Europe and fortify our Middle East markets

According to the IPSOS Report, growing affluence and disposable income in key jewellery export regions from Hong Kong, including the Middle East and Western Europe, are drawing the demand for higher quality fine jewellery with unique design and good craftsmanship. In particular, the jewellery consumers in the Middle East and Western Europe are trading up to jewellery products with larger or more diamonds. According to the IPSOS Report, GDP growth in the Middle East is expected to increase from 2015 to 2019 at a CAGR of approximately 10.8% and the Middle East has become a global trading hub for gold and diamond jewellery products. As one of the top high-end diamond jewellery manufacturers and exporters in Hong Kong, we plan to capitalise on our marketing experience in developing the UAE market and invest more resources in our Dubai Office to fortify our existing customer base in the Middle East. In addition, the Dubai Office will also serve as the bridge between our Hong Kong Office and potential European customers. We will strengthen our sales teams with an aim to develop the European and Middle East markets by hiring more salesmen who ideally possess experience in handling European and Middle East jewellery wholesalers and retailers. In order to achieve organic growth, we plan to continue participating in different jewellery exhibitions in Hong Kong, the United States and the UAE whilst also tapping into renowned European based jewellery exhibitions with specific emphasis on high-end fine jewellery to reach out to more European customers.

Enhance our product development capability

We believe that our capability to come up with innovative, aesthetic and sophisticated designs continuously will be essential to our growth and success. In order to improve our design capability, our Directors intend to hire more experienced designers and craftsmen. To cope with more innovative and potentially more complicated designs, we also intend to upgrade our existing production equipment and machineries for stone setting, filing and electroplating, and particularly our 3D printing machines. Our Directors believe that since the more advanced 3D printing machines allow more precise product prototypes to be created at lower cost and at higher speed, our designers and craftsmen would have more freedom to attempt and create new designs, and the product turnaround time would be shortened and thus improve overall productivity.

Furthermore, to enable comprehensive and efficient inventory control, we plan to install the RFID inventory system at Perfect Factory. Whilst our current inventory software requires our employees to scan the inventory one by one manually, RFID technology allows tracking tags on our inventory to be automatically identified and tracked in the entire production process by transferring data, including the weight and location of an item, with the use of electromagnetic fields to a database. With automatic data collection in place, the errors potentially caused by employees' inadvertence can be avoided and we will possess more comprehensive and accurate information in our database. Manpower freed up by eliminating the manual data input process can be utilised in jewellery production and quality control. We believe that the comprehensive upgrade of our production facilities would enhance our product development capability and bring out greater efficiency and higher quality products.

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Develop our brand to widen our range of target customers

We believe that diversification of customer base would allow us to achieve steady growth in the foreseeable future. In order to continue to attract high-end customers by enhancing our brand image as a high-end fine jewellery wholesaler, we intend to upgrade our existing VIP showrooms at our Hong Kong Office and Dubai Office. In respect of customers who prefer more simplistic or minimalistic jewellery designs, we plan to initiate a different product line which caters to customers who prefer different designs without compromising on quality. We believe that by providing different products and services oriented to different group of customers, our Group could grow to capture more business opportunities.

Introduce RFID technology to enhance our CRM system

We believe that understanding our customers' preference contributes to our success. We typically rely on market information gathered by our sales team through frequent communication with our customers to analyse future trends and customers' preferences. In order to formulate insightful sales and marketing strategies, we plan to introduce the use of RFID technology in jewellery exhibitions and expositions. When using RFID technology, the jewellery products would be placed on a tray that tracks the interaction of the customer who comes into contact with the products on the tray. For example, by comparing the time a customer spent on different trays of products, we would be able to obtain information about a customer's preferred style of products. We believe that by utilizing the RFID system to record and analyse customer profiles, our sales performance would be benefitted.

As our business strategies focus on further developing our existing customer base, improving our existing brand, design and production capability, we do not expect to be involved in any potential acquisition and our Directors have confirmed that, as at the Latest Practicable Date, we have not identified any acquisition target.

OUR BUSINESS MODEL

As a fine jewellery designer, manufacturer and wholesaler, our business model covers the essential stages of the value chain of jewellery production, namely end-customers preference research, innovative designs, quality artisanship, quality control, marketing and sales and customer services.

To ensure that our fine jewellery products would be popular amongst end-customers and thus assist our customers to boost sales, our design team and sales team cooperate to gain better understanding of market trend by frequent communication with our customers in different regions of the world. For example, our sales team visits and discusses with our customers to obtain information on best sellers in the region at particular season. Leveraging on such valuable market information and utilizing the advanced design software and 3D printing technology at Perfect Factory, our design team is able to generate innovative, trendy and eye-catching jewellery designs to cater to the demands of end-customers of different demographics. As at the Latest Practicable Date, we offered over 100,000 different product designs.

At Perfect Factory, our skillful and experienced production team materialises the design ideas and produces skilfully crafted high-end fine jewellery. Each product goes through multiple rounds of quality control procedures to ensure that our products meet our customers' expectations.

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We showcase our products at large-scale international and regional exhibitions and expositions to introduce and demonstrate our design capability and craftsmanship to potential customers. We also hold meetings with our major customers from time to time to present our new product designs and exchange design ideas. Customers may order jewellery with our readily available designs or may provide original design ideas on which we expand and subsequently create the desired style of jewellery. To protect our customer's interest, we generally do not sell products the designs of which were inspired by our customers' original design ideas to third party customers. However, we may be subject to claims on intellectual property rights from other parties. Please refer to the section "Risk Factors — Risks relating to our business" in this prospectus for further details.

We share our observation on market trend, conduct discussions and interactive sessions with our key customers, and come up with ideas and proposals to improve and diversify our designs. Our sales team members periodically visit our major customers' office and their points of sales to obtain first-hand information on end-customers' response to our products. Through continuous collaboration with our customers, we are posed to produce jewellery which accommodates the end-customers' taste.

Our sales teams at our Hong Kong Office and Dubai Office work closely with our production team and procurement team to monitor production capacity and ensure needs for raw materials are met. We maintain a minimum inventory level of principal raw materials so that our customers' orders could be fulfilled in timely manner.

In order to offer wider product selections to our customers and to fulfill our customers' purchase orders, we channel production orders to Perfect Factory pursuant to the processing arrangements. Finished products were delivered by Perfect Factory to our Hong Kong Office for final quality check, onward sales and delivery. Details of Perfect Factory and Processing Agreement are set forth in the section "Business — Production Facility-Processing arrangement" below.

PRODUCTS

We offer a wide range of fine jewellery products, including rings, earrings, pendants, bangles, necklaces and bracelets. As at the Latest Practicable Date, we offered over 100,000 different product designs. Our products are priced with reference to factors such as costs of raw materials, the product types, complexity of the design and craftsmanship involved, the strategic value of the respective customers, and our expected margins. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the average unit price of our fine jewellery products was approximately HK\$9,433, HK\$9,420, HK\$8,869 and HK\$8,941 respectively.

During the Track Record Period, we witnessed a relatively stable unit price variation in rings and earrings. As we catered for our customers' needs and preferences towards less intricate design for pendants, bangles, necklaces and bracelets, we have accordingly adjusted our production and produced products with less intricate design. The average unit prices of such products was lower since less raw materials and time were required for their production. For example, when our customers prefer bracelets with less intricate design, the unit price of bracelets will be lowered if fewer raw materials are used and less time is required to be spent on the relevant production.

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The table below sets out our revenue, sales volume and average unit price by product types for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price
	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)
<i>(Unaudited)</i>			<i>(Unaudited)</i>			<i>(Unaudited)</i>			<i>(Unaudited)</i>			<i>(Unaudited)</i>			
Ring	202,567	27,182	7,452	193,408	25,533	7,575	201,142	26,122	7,700	111,993	14,877	7,528	101,840	13,255	7,683
Earrings	173,723	16,716	10,393	175,159	16,421	10,667	152,174	16,299	9,336	86,984	8,857	9,821	74,765	8,065	9,270
Pendant	72,615	10,202	7,118	71,056	11,539	6,158	61,298	9,994	6,133	34,153	5,511	6,197	29,729	5,226	5,689
Bangle	33,981	1,223	27,785	38,145	1,565	24,374	39,019	2,456	15,887	18,094	958	18,887	22,743	1,477	15,398
Necklace	41,103	1,385	29,677	39,044	1,058	36,904	31,346	1,666	18,815	16,235	986	16,465	17,073	702	24,321
Bracelet	18,842	841	22,404	19,481	815	23,902	31,175	1,660	18,780	13,932	657	21,205	19,653	1,002	19,614
Total	542,831	57,549	9,433	536,293	56,931	9,420	516,154	58,197	8,869	281,391	31,846	8,836	265,803	29,727	8,941

The following table sets forth our product mix and the products' respective revenue and gross profit margin for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin
	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)
<i>(unaudited) (unaudited) (unaudited)</i>															
Ring	202,567	37.3	22.9	193,408	36.1	29.4	201,142	39.0	28.1	111,993	39.8	28.9	101,840	38.3	27.6
Earrings	173,723	32.0	23.3	175,159	32.7	30.9	152,174	29.5	30.2	86,984	30.9	31.2	74,765	28.1	28.6
Pendant	72,615	13.4	23.1	71,056	13.2	29.4	61,298	11.9	29.3	34,153	12.1	30.2	29,729	11.2	27.8
Bangle	33,981	6.3	24.0	38,145	7.1	30.3	39,019	7.6	29.9	18,094	6.4	31.0	22,743	8.6	28.7
Necklace	41,103	7.6	22.3	39,044	7.3	29.9	31,346	6.0	29.2	16,235	5.8	29.6	17,073	6.4	27.1
Bracelet	18,842	3.4	23.0	19,481	3.6	30.4	31,175	6.0	29.1	13,932	5.0	29.9	19,653	7.4	28.7
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

The selling price of our fine jewellery products is determined based on various factors including, among others, costs of raw materials (including diamonds and gold), the product types, complexity of the design and craftsmanship involved, the strategic value of the respective customers, and our expected margins. Hence, it may vary substantially.

BUSINESS

Below are some of our signature products and the respective wholesale price range of different product types:

Signature products	Price range of product types
Ring	HK\$660–HK\$70,663
	
Ring with brown and white diamonds	Ring with diamonds employing wax setting technique
Earrings	HK\$147–HK\$99,747
	
Earrings with diamonds employing wax setting technique	Earrings with diamonds employing “3-in-1” technique
Pendant	HK\$1,025–HK\$63,306
	
Pendant with diamonds employing claw setting technique	Pendant with diamonds employing micro-pave setting technique

BUSINESS

Signature products

Price range of product types

Bangle



Bangle with diamonds employing invisible setting technique



Bangle with diamonds employing wax setting technique

HK\$2,647–HK\$103,332

Necklace



Necklace with diamonds employing wax setting technique



Necklace with diamonds employing "3-in-1" technique

HK\$2,181–HK\$294,896

Bracelet



Bracelet with diamonds employing wax setting and micro-pave setting technique



Bracelet with diamonds employing claw setting technique

HK\$2,142–HK\$104,899

BUSINESS

DESIGN

We believe that our ability to continuously create and produce appealing designs which promptly responds to market trend and customers' taste in different regions contributes to our products' success. As at the Latest Practicable Date, our design team comprised a total of 16 jewellery designers.

Leveraging on market trend information gathered by our sales team and operation team, we constantly keep track of developments and trends in the jewellery industry worldwide. Our designers conduct research on trends, formulate product theme and create designs in the form of sketches and graphics. They work closely with our sales team and operation team who provide inputs on the choices and specifications of raw materials used including types, quantity, size and colour, all the while taking into consideration the potential popularity of the products in different markets. Apart from designing jewellery products for general sales, our design team also creates jewellery product designs when our sales team receives specific design concepts or instructions from our customers. We generally own the intellectual property rights in the design that we create except for designs provided by our customers and adopted by us. For designs which are based on our recurring customers' specific raw design ideas, as an attempt to protect our recurring customers' interest, we typically restrain from producing the same jewellery product for any other customers or for our sales to general customers.

Our designers have attended various jewellery design courses and received important recognitions for their skills and techniques in fine jewellery design. In particular, our Hong Kong-based designers are equipped with over 7 years of experience in jewellery design. One of our designers was a winner of the Best of Show Award at the 6th, 7th and 10th Hong Kong Jewellery Design Competition.

According to the IPSOS Report, fine jewellery with diamonds has become increasingly popular amongst the younger generation and the middle class as fashionable accessories, which usually carry more intricate designs which render the jewellery look more elegant. Furthermore, the preferences of end-customers for jewellery designs vary from region to region. We therefore believe that in order to capture the market trends, producing jewellery products with more curvy and intricate designs and providing a wide range of product styles reflecting regional customers' preference would be crucial for our business expansion. We have been exploring twisting-style designs and products similar to our signature product "the Bloom". We have also been strengthening our production team's skills in crafting products with twisting and curvy style.

Our designs are well-recognised by industry associations and well-received by our customers in various regions around the globe. Over the years, we have won a number of design awards. For details of awards we have won over the years, please refer to the section "Business — Awards and accreditations" in this prospectus.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our design expenses amounted to approximately HK\$1.1 million, HK\$1.3 million, HK\$1.5 million and HK\$0.7 million respectively, comprising principally staff costs which were recorded in our combined income statements as part of our costs of sales and general and administrative and other expenses.

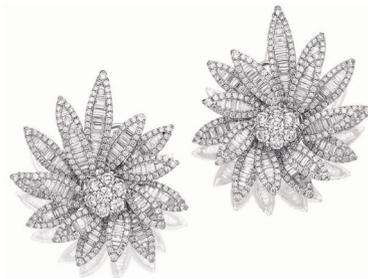
BUSINESS

CRAFTSMANSHIP

As at the Latest Practicable Date, our production team comprised a total of 193 craftsmen, of which approximately 83 diamond setting craftsmen specialise in wax setting, channel setting and invisible setting. Our stone setting team has an average of 3 years of experience at Perfect Factory and is familiar with our production process and quality requirement. We believe that our craftsmen's experience and specialisation in particular stone setting skills are the key to the quality of our fine jewellery products.

Our signature design “The Bloom”

“The Bloom” is one of our designs that we take pride in:



“The Bloom” can be dually used as a ring, and as a pendant if detached. Leveraging on our craftsmen's artisanship in cutting and setting the diamonds as well as their experience of choosing the appropriate diamonds, our designers come up with the daring designs of a stereoscopic multi-layered sunflower. In the production of “The Bloom”, wax setting technique is applied to secure the tapered baguette diamonds to create the curved pedals of the product. Multiple round diamonds are used to trim the tapered baguette diamonds, thus outlining the shape of each petal. The stigma of the sunflower is created by combining several small round diamonds so as to create the impression of a single diamond. With the use of different types and size of diamonds and applying three different diamond setting skills, “The Bloom” resembles a three-dimensional sparkling sunflower. For more information on techniques we employ to jewellery production, please see the section “Business — Production — Production process” in this prospectus.

SALES AND MARKETING

We are primarily engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) to jewellery wholesalers and retailers worldwide. We started our business in 1980's with an initial customer network mainly in the United States and made a strategic move to tap into the Dubai fine jewellery market in 2008. Since then our customer base has continued to expand and currently covers customers from around the globe.

As at the Latest Practicable Date, our sales team at our Hong Kong Office comprised 11 employees, 4 of whom are responsible for operating the Dubai Office by travelling to Dubai on a regular basis. Mr. W.H. Chan, a member of our senior management who has approximately 7 years of sales experience in Dubai, leads the logistics and marketing activities at our Dubai Office.

BUSINESS

Our sales team is responsible for managing our relationship with the recurring customers. By hosting meetings with some of our recurring customers, our sales team seizes the opportunities to understand our customers' sales performance from which information relating to jewellery trends and seasonality can be distilled. We believe that the quality of our fine jewellery products have earned our customers' confidence in our design and craftsmanship, and prompted some of our recurring customers to share their specific original design concepts with us so that we could develop their ideas into tailor-made jewellery products. The respective tailor-made design with each individual recurring customer is not shared with and produced for other customers in order to protect our customers' interest.

Our marketing activities and participations in major international and regional jewellery trade exhibitions and expositions bring about significant sales leads. Large scale jewellery trade exhibitions and expositions in which we have participated in recent years include:

<u>Year</u>	<u>Name</u>	<u>Location</u>
2006-2015	Hong Kong International Jewellery Show	Hong Kong
2006-2015	Hong Kong Jewellery & Gem Fair	Hong Kong
2008-2015	Istanbul Jewellery Show	Istanbul, Turkey
2008-2015	JCK Las Vegas Show	Las Vegas, the United States
2009-2015 (except 2014)	JA New York	New York, the United States
2009-2015	Hong Kong International Jewellery Manufacturers' Show	Hong Kong

By participating in these world-renowned high-end jewellery exhibitions, our sales team is provided with opportunities to expand our customer base, understand customers' needs and observe contemporary jewellery design trends. Information obtained thereby is then analyzed and shared with our design team, which in turn nourishes our design team's inspirations.

To maximise our reach to our potential customers, we invest to place advertisements at eye-catching locations of some of the exhibitions and on the trade exhibition brochures. Advertisements on various jewellery industry magazines were placed to promote our products.

The below picture shows our booth at the Hong Kong Jewellery & Gem Fair held in September 2015 which was one of the recent renowned exhibitions that we participated in:



BUSINESS

Our customers

Our customers are wholesalers and retailers of jewellery products worldwide. Our revenue is generated from 2 groups of customers, namely customers on a recurring basis and walk-in customers who patronise our ready-made jewellery products at jewellery exhibitions in which we participate. During the Track Record Period, most of our customers were from the Middle East, the USA and the Philippines, and the sales to customers from these regions collectively accounted for more than 80% of our revenue.

Our 5 largest customers during the Track Record Period were recurring customers engaging in wholesale and retail of jewellery who have maintained 7 to 16 years of business relationship with our Group. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, sales to our 5 largest customers amounted to approximately HK\$115.7 million, HK\$106.5 million, HK\$97.3 million and HK\$62.7 million, accounting for approximately 21.3%, 19.9%, 18.9% and 23.6% of our total revenue respectively. Sales to our largest customer amounted to approximately HK\$46.0 million, HK\$36.4 million, HK\$30.7 million and HK\$18.4 million, accounting for approximately 8.5%, 6.8%, 5.9% and 6.9% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

The table below is our revenue by location of our customers during the Track Record Period:

	Year ended 31 December						Six months ended	
	2012		2013		2014		30 June	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Region/Country								
Middle East ⁽¹⁾	309,833	57.1	299,370	55.8	285,509	55.3	133,432	50.2
USA	67,134	12.3	80,573	15.0	84,620	16.4	55,858	21.0
Philippines	71,135	13.1	79,734	14.9	78,904	15.3	44,526	16.8
Sub-total	448,102	82.5	459,677	85.7	449,033	87.0	233,816	88.0
Others ⁽²⁾⁽³⁾	94,729	17.5	76,616	14.3	67,121	13.0	31,987	12.0
Total	542,831	100.0	536,293	100.0	516,154	100.0	265,803	100.0

Note:

- (1) Sales to customers from the Middle East mainly include sales to customers from the UAE as well as sales to customers from other Middle East countries, such as Turkey, Egypt, Lebanon and Israel.
- (2) Sales to "Others" include sales to customers from more than 20 regions/countries, without limitation to Australia, Russia, Hong Kong, Malaysia, Indonesia and Canada, and sales to walk-in customers who patronised our ready-made jewellery products at jewellery exhibitions, the places of origins of whom were not identified. During the Track Record Period, sales to the aforesaid walk-in customers were minimal.
- (3) None of the sales to each of the countries identified and categorised under "Others" exceed 3% of the total revenue of our Group in the respective periods.

BUSINESS

Customers from different locations could choose to pick up their orders in our offices in Hong Kong, Dubai or the U.S. during the Track Record Period. As our Dubai Office serves as our marketing and logistics hub in the Middle East, our customers from the Middle East tend to pick up their orders in Dubai. Our customers from other regions, such as the Philippines, Australia, Russia, Hong Kong and other Southeast Asian countries, tend to pick up their orders in Hong Kong when they visit our office in Hong Kong or when they attend various regularly held jewellery exhibitions in Hong Kong. We also arrange delivery of our products to our U.S.-based customers if so requested. In general, our pricing policy is not determined by the location of delivery or the places of origins of customers.

The table below sets out our revenue and gross profit margin by region, based on the location of delivery to customers, for the respective periods indicated:

Region/Country	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin
(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	
										<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>			
Dubai	282,801	52.1	22.0	275,096	51.3	28.9	262,819	50.9	28.5	149,663	53.1	29.5	123,802	46.6	26.3
Hong Kong	226,774	41.8	25.5	220,971	41.2	33.4	206,848	40.1	32.1	105,401	37.5	33.1	112,470	42.3	31.6
USA	33,256	6.1	16.0	40,226	7.5	23.0	46,487	9.0	21.9	26,327	9.4	22.4	29,531	11.1	21.6
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

Note: The above is based on the location of delivery to customers. For example, sales taking place in exhibitions held in Hong Kong where delivery of products to customers happening at the same time would be regarded as sales conducted in Hong Kong, regardless of the places of origins of the relevant customers.

During the Track Record Period, the gross profit margin of our sales of products delivered in Dubai was relatively lower than those delivered in Hong Kong. This was mainly owing to the fact that most of our major customers who received our products in Dubai generally purchased in larger quantities and therefore we generally offered more favourable price to them.

During the Track Record Period, the gross profit margin of our sales of products delivered in the USA was relatively low. This was mainly due to the fact that we were willing to sell at a lower gross profit margin to one of our major customers in the USA with considerable strategic value who typically receives our products in the USA. For details of the aforementioned customer, please refer to the information of Customer A in the section “Business — Sales and marketing — Customers who were also our suppliers during the Track Record Period” in this prospectus.

To the best knowledge of our Directors, most of our direct customers carry onward sales of our products within their local markets for the end users’ consumption. As sales to customers from the Middle East accounted for a significant portion of our revenue during the Track Record Period, our sales performance may be adversely affected to a relatively large extent if the Middle East market situation deteriorates. For details, please refer to the section “Risk Factors — Risks relating to our Business — Our business and financial position may be materially and adversely affected if there is a global economic downturn, in particular, in the Middle East market” in this prospectus.

BUSINESS

Customers who were also our suppliers during the Track Record Period

During the Track Record Period, 2 of our customers (Customer A and Customer B) were also our suppliers. Customer A is a U.S.-based jewellery wholesaler with whom we have established over 5 years of business relationship. For the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, our sales to Customer A accounted for approximately 2.9%, 4.0%, 4.2% and 5.4% of our total revenue respectively, rendering it our third largest customer during the Track Record Period. During the same period, our purchase from Customer A accounted for approximately 1.8%, 3.0%, 3.1% and 3.6% of our total purchase of raw materials, rendering it being one of the top 5 suppliers during the Track Record Period. Gross profit for the sale of fine jewellery products to Customer A for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 was approximately HK\$1.6 million, HK\$2.4 million, HK\$2.0 million, and HK\$1.1 million respectively, and the gross profit margin was approximately 9.6%, 10.7%, 8.6% and 7.4% respectively. Gross profit margin for the sales to Customer A was lower than our average gross profit margin because Customer A has been one of our major customers in the U.S. whom we consider as a customer with considerable strategic value. Thus, we were willing to produce products at lower gross profit margin for Customer A.

For the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, our sales to Customer B accounted for approximately 1.0%, 1.2%, 1.5% and 1.2% respectively of our total revenue. During the same period, our purchase from Customer B accounted for approximately nil, nil, 1.1% and 3.4% of our total purchase of raw materials. Gross profit for the sale of fine jewellery products to Customer B for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 was approximately HK\$1.1 million, HK\$1.6 million, HK\$2.0 million, and HK\$0.8 million respectively, and the gross profit margin was approximately 20.9%, 23.9%, 24.6% and 24.4% respectively. Customer B is engaged in gold trading business and we purchased gold from and sold jewellery products to Customer B on normal commercial terms; hence the gross profit margin in respect of the sales to Customer B was comparable to our average gross profit margin.

To the best knowledge of our Directors, none of our Directors and their respective close associates or any of our Shareholders holding more than 5% of our Company's share capital, as at the Latest Practicable Date, has any interest in any of our 5 largest customers during the Track Record Period.

Business activities with customers from the Sanctioned Countries

The U.S., other jurisdictions or organisations, including the E.U., the U.N. and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

Sales to customers from the Sanctioned Countries

We have had historical and on-going sales to customers from the Sanctioned Countries, and a small number of those customers in the Track Record Period were entities whose names matched or partly matched the names of entities listed on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia. The amount of total revenue generated from sales to customers from the Sanctioned Countries for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended

BUSINESS

30 June 2015 represented approximately 3.6%, 3.6%, 6.5% and 4.8% of our total revenue respectively. The table below sets forth the respective total revenue generated from sales to our customers from the Sanctioned Countries during the Track Record Period:

Region/Country	Year ended 31 December						Six months ended	
	2012		2013		2014		30 June	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue (HK\$'000)	(%)	Revenue (HK\$'000)	(%)	Revenue (HK\$'000)	(%)	Revenue (HK\$'000)	(%)
Egypt	8,353	1.5	5,086	0.9	11,175	2.2	4,643	1.7
Lebanon	7,999	1.5	10,899	2.0	16,810	3.3	6,124	2.3
Russia	3,121	0.6	3,515	0.7	5,419	1.0	2,074	0.8
Ukraine	10	0.0	—	—	—	—	30	0.0
Total revenue from customers of the Sanctioned Countries	19,483	3.6	19,500	3.6	33,404	6.5	12,871	4.8

The Sanctions Law Advisers have reviewed the customer and supplier lists provided by us in connection with transactions made during the Track Record Period, and screened the same against the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia. Subject to the assumptions and qualifications set out in each of their legal opinions, the Sanctions Law Advisers have advised that our Group's historical sales to customers from the Sanctioned Countries during the Track Record Period present a low sanctions risk to our Group, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors for the following reasons:

- (a) our sales to customers from the Sanctioned Countries do not involve industries or sectors that are currently targets of specific sanctions by the U.S., the E.U., the U.N. or Australia in relation to the Sanctioned Countries (please refer to the section "Regulations — Other laws and regulations — Sanctions laws and regulations" in this prospectus for those industries and sectors that are targets); accordingly, the Sanctions Law Advisers are of the view that our Group's transactions with the customers from the Sanctioned Countries are not activities of a kind that are restricted under the relevant sanctions laws; and
- (b) for those customers whose names matched or partly matched the name of an entity on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia, there was evidence to suggest, although this evidence is not determinative, that the customer is not the same entity on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia, including that the location of the customer (being the location of incorporation for corporate entities, and location of residence for individuals, as provided by us) did not match the country of incorporation or residence associated with the entity on the relevant sanctions list.

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The U.S. Sanctions Law Advisers used assumptions and qualifications in their legal opinion. The following is a non-exhaustive list of the U.S. Sanctions Law Advisers' key assumptions and qualifications, which have been confined and abbreviated for the purposes of this disclosure:

- (a) where indicated in the U.S. Sanctions Law Advisers' opinion, facts and matters have applied continuously throughout 2012, 2013, 2014 and to date;
- (b) the U.S. Sanctions Law Advisers carried out screening searches based on the individuals and entities specified in the supplier and customer lists of our Group relating to the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 provided by our Group (together, the "**Contracting Party Lists**");
- (c) a level of sanctions risk has been identified through the screening process by the U.S. Sanctions Law Advisers;
- (d) the U.S. Sanctions Law Advisers have not undertaken any independent due diligence with respect to the Contracting Party Lists;
- (e) the U.S. Sanctions Law Advisers' legal opinions are given, and are correct, as at the date of those opinions;
- (f) limitations are inherent in sanctions screening and it is not practically possible to make enquiries such as would produce conclusive results;
- (g) the legal consequences of a breach of U.S. sanctions law depend on the nature of the violation and the particular law violated;
- (h) given the frequency of amendments and updates to sanctions law, and the potentially serious consequences of breaching sanctions regulation, it is advisable to remain vigilant to any change in regulation and seek legal advice for any concern or if any doubt;
- (i) sanctioned entity lists change from time to time and it is important to check regularly that counterparties are not added to the lists; and
- (j) the U.S. Sanctions Law Advisers were not engaged to provide advice with respect to U.N./E.U. and Australian sanctions or on the sanctions regimes of any other jurisdiction (other than the U.S.) that could be relevant.

The U.N./E.U. and Australian Sanctions Law Advisers used assumptions and qualifications in their legal opinions. The following is a non-exhaustive list of the U.N./E.U. and Australian Sanctions Law Advisers' key assumptions and qualifications, which have been confined and abbreviated for the purposes of this disclosure:

- (a) the U.N./E.U. and Australian Sanctions Law Advisers advised only on transactions and activities notified to them by their instructing solicitors;
- (b) the facts and matters set out under each of the headings "Background" and "Transactions" and "Instructions" in their legal opinions were accurate, complete and could be relied upon for the purposes of the U.N./E.U. and Australian Sanctions Law Advisers' opinion;

BUSINESS

- (c) where indicated in the U.N./E.U. and Australian Sanctions Law Advisers' opinions, facts and matters have applied continuously throughout 2012, 2013, 2014 and to date;
- (d) those instructing the U.N./E.U. and Australian Sanctions Law Advisers enquired and informed themselves appropriately in reference to paragraphs (b) and (c) above;
- (e) the U.N./E.U. and Australian Sanctions Law Advisers carried out screening searches based on the individuals and entities specified in the Contracting Party Lists;
- (f) a level of sanctions risk has been identified through the screening process by the U.N./E.U. and Australian Sanctions Law Advisers;
- (g) the U.N./E.U. and Australian Sanctions Law Advisers have not undertaken any independent due diligence with respect to the Contracting Party Lists;
- (h) the U.N./E.U. and Australian Sanctions Law Advisers' legal opinions are given, and are correct, as at the date of those opinions;
- (i) limitations are inherent in sanctions screening and it is not practically possible to make enquiries such as would produce conclusive results;
- (j) the legal consequences of a breach of U.N./E.U. or Australian sanctions law depend on the nature of the violation and the particular law violated;
- (k) given the frequency of amendments and updates to sanctions law, and the potentially serious consequences of breaching sanctions regulation, it is advisable to remain vigilant to any change in regulation and seek legal advice for any concern or if any doubt;
- (l) sanctioned entity lists change from time to time and it is important to check regularly that counterparties are not added to the lists; and
- (m) the U.N./E.U. and Australian Sanctions Law Advisers were not engaged to provide advice with respect to U.S. sanctions (including any potential liability for U.S. persons or in relation to U.S. secondary sanctions) or on the sanctions regimes of any other jurisdiction (other than the U.N., the E.U. and Australia) that could be relevant.

In respect of the Contracting Party Lists which were reviewed by the Sanctions Law Advisers, the Sole Sponsor has carried out, among others, the following independent due diligence work on the database on which the Contracting Party Lists were based: (i) discussing with us on the methodology of customers' data collection and the related data entry system; (ii) sampling from customer database and cross-checking the raw data (such as the sales invoice and the name cards provided by individual customers) in the said database with the randomly selected samples; and (iii) conducting independent background searches on and interviewing with top customers during the Track Record Period, and did not identify any inconsistency between the customers' location information available on the customer database and the aforesaid materials.

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We have been advised by the Sanctions Law Advisers that, if any of the customers from the Sanctioned Countries during the Track Record Period were on the sanctions lists maintained by the U.S., the E.U., the U.N. or Australia, but we could not prove that we did not know, and had no reasonable cause to suspect, that we were dealing with a sanctioned entity, then no liability would arise under the U.S., E.U./U.N. or Australian sanctions law.

The Sole Sponsor, based on the above advice from our Sanctions Law Advisers, is of the view that the risk of sanctions violations as a result of our Group's sales to customers from the Sanctioned Countries during the Track Record Period is remote.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual or entity sanctioned by the U.S., the E.U., the U.N. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions or that would be in breach of the sanctions imposed by the U.S., E.U., the U.N. or Australia. In addition we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the E.U., the U.N. or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered with customers from the Sanctioned Countries would put our Group or our Shareholders and investors at risks of being in breach of the sanctions imposed by the U.S., the E.U., the U.N. or Australia, and in our annual reports and interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business in any country subject to sanctions imposed by the U.S., the E.U., the U.N. or Australia, if any, and our business intention relating to customers from any such country. If we were in breach of such undertaking to the Stock Exchange, we would risk the possible delisting of the Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the Latest Practicable Date:

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities with suppliers or customers from any country that is subject to sanctions. According to our internal control procedures, the risk management committee of our Board needs to review and approve all relevant business transaction documentation from suppliers or customers or potential customers from any country that is subject to sanctions. In particular, the risk management committee of our Board will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee of our Board will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the E.U., the U.N. and Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in any country that is subject to sanctions or a sanctioned person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in sanctions law matters;

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- in order to ensure compliance with the undertaking to the Stock Exchange, we shall open and maintain separate bank account(s) which is/are designated for proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange and our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual or entity sanctioned by the U.S., the E.U., the U.N. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions or that would be in breach of the sanctions imposed by the U.S., E.U., the U.N. or Australia;
- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Kan, Mrs. Kan and Mr. Li Cheuk Wai and their responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least 2 meetings each year to monitor our exposure to sanctions law risks;
- the risk management committee of our Board will review on a semi-annual basis our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice; and
- our external international legal counsel will provide training programmes relating to the sanctions laws to our Directors, our senior management, our legal department and other relevant personnel on a semi-annual basis to assist them in evaluating the potential sanctions risks in our daily operations. Additional training programmes would also be provided in case there is material development in or update to the sanctions law. Our external international legal counsel will provide us with a current list of countries, persons and entities that are subject to sanctions, which will be updated by our international legal counsel as and when he/she considers appropriate and such information will in turn be disseminated to our sales and marketing team, operational team and finance team.

To monitor our exposure to sanctions risk and to ensure compliance with the undertakings to the Stock Exchange, we have adopted the internal control measures, including the measures described above. In light of the aforesaid, our Directors expect that sales to customers from the Sanctioned Countries will continue but will not increase going forward.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to sanctions laws. As such, the Sole Sponsor is of the view that the internal control measures set out above are adequate and effective for our Group to comply with our undertakings to the Stock Exchange. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws. As such, our Directors are of the view that the

BUSINESS

internal control measures set out above are adequate and effective for our Group to comply with our undertakings to the Stock Exchange.

Sales discount policy

To promote amicable business relationship with our customers, we adopt a discretionary discount policy. Sales discount is typically negotiated on normal commercial terms and the discount rate provided for each sales order varies from one to another depending on, among others, the amount of the particular transaction, our relationship with the relevant customers and the customers' potential strategic value to us. The total sales discounts offered amounted to approximately HK\$2.3 million, HK\$2.0 million, HK\$1.2 million and HK\$0.4 million for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015 respectively.

Pricing policy

We generally price our products with reference to various factors such as costs of raw materials (including diamonds and gold), the product types, complexity of the design and craftsmanship involved, the strategic value of the respective customers, and our expected margins.

Credit control policy

Owing to the high-value nature of our products, we typically require one-off customers who patron our booth at jewellery exhibitions to make immediate full payment unless the purchase orders and the amount involved are substantial. Our customers with whom we have relatively shorter business relationships are generally required to pay 30% of the sales amount upon placing orders and to settle payment before delivery of products is arranged. In the case of our long-term recurring customers, in order to maintain good business relationship, we generally grant credit terms for up to 120 days. When credit terms are granted, our finance team is responsible for tracking payments by updating the customers' credit terms and payment database and issuing overdue statements to the relevant customers in a timely manner. The payment history of our recurring customers is monitored regularly by our management team, who is responsible for determining and monitoring the credit terms granted to each customer.

We regularly monitored our credit control policy and our trade receivables. We normally do not grant credit terms to relatively new customers and would request for 30% deposit at the time of order placing and full payment of remaining balance before delivery.

We also set credit limits for customers whom we grant credit terms, which are reviewed by our sales team and finance team when they consider appropriate. Credit terms and credit limit will be granted based on (i) our business relationship with the relevant customer; (ii) the credit worthiness of the relevant customer; and (iii) the available market information. Upon receipt of an order from a customer, our finance team would monitor the credit limit utilised by the customer. Before delivery of the products, we would typically confirm internally with our finance team that the outstanding credit is within the credit limit of the relevant customer. If the outstanding balance exceeds the relevant credit limit, the ordered products generally will not be delivered to the customers until the balance falls below the credit limit.

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In order to manage potential risk of default in payment from our customers, we have taken out export credit insurance from the Hong Kong Export Credit Insurance Corporation. For further details regarding the export credit insurance from the Hong Kong Export Credit Insurance Corporation, please refer to the section “Business — Insurance” in this prospectus.

We periodically assess impairment of our trade receivables based on our analysis of collectability and aging status of the receivables. In determining whether impairment is required, we take into account the aging and recoverability of the trade receivables. As at 31 December 2012, 2013, 2014 and 30 June 2015, provisions for impaired trade receivables was nil, approximately HK\$1.1 million, nil and nil respectively. The impaired trade receivables as at 31 December 2012, 2013, 2014 and 30 June 2015 was approximately HK\$1.3 million, HK\$2.6 million, HK\$0.5 million and nil respectively and none of them related to our top 10 customers in the respective periods.

Sales recognition and return and exchange policy

We sell our products on an outright basis, and recognise our sales upon delivery of the products. Generally, products sold can only be returned if our products are defective or do not meet our customers’ specification.

In general, if our customers request for sales returns within a week upon receipt of the products, the products will be delivered back to us. Our quality control team will check on the quality of the products and confirm if the returned products are defective or fail to meet customers’ specifications. Some products may be repaired and re-delivered to our customers. If the products cannot be repaired, the value for the returned items will be credited to the customer’s accounts with our company and a credit note will be issued to the customer for their future purchase.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our costs for repairing defective products were insignificant and were considered as part of the cost of goods sold.

As part of our customer service provided to our important recurring customers, we allow discretionary product exchange, the approval for which are evaluated and determined by us on a case by case basis. When our recurring customers request for product exchange, our sales team will report the request to Mrs. Kan, our executive Director, who will then determine whether the request is legitimate based on the customer’s purchase and exchange history and the customer’s credit limit. The value of the exchanged product would be used as sales credit on account. However, our policy does not allow cash return.

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The below table sets out our total revenue and the sales amount of the returned and exchanged products during the Track Record Period:

	Year ended 31 December 2014			Six months ended 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Sales amount of returned products	139	144	155	393
Sales amount of exchanged products	<u>38,563</u>	<u>38,576</u>	<u>44,365</u>	<u>20,417</u>
Total sales amount of returned and exchanged products	<u>38,702</u>	<u>38,720</u>	<u>44,520</u>	<u>20,810</u>
Total revenue	542,831	536,293	516,154	265,803
% of returned and exchanged products	7.1%	7.2%	8.6%	7.8%

Owing to our diverse customer base, we are typically able to resell our exchanged products to customers from different regions where the jewellery style may be more well-received.

Seasonality

According to the IPSOS Report, the fourth quarter of the year is the main season for fine jewellery purchase at the global level. However, owing to our diverse customer base, seasonality for sales to different customers varies. For example, we typically receive less orders from our Middle East-based customers in the months of Ramadan and more orders from our U.S.-based customers between Thanksgiving and Christmas.

PRODUCTION

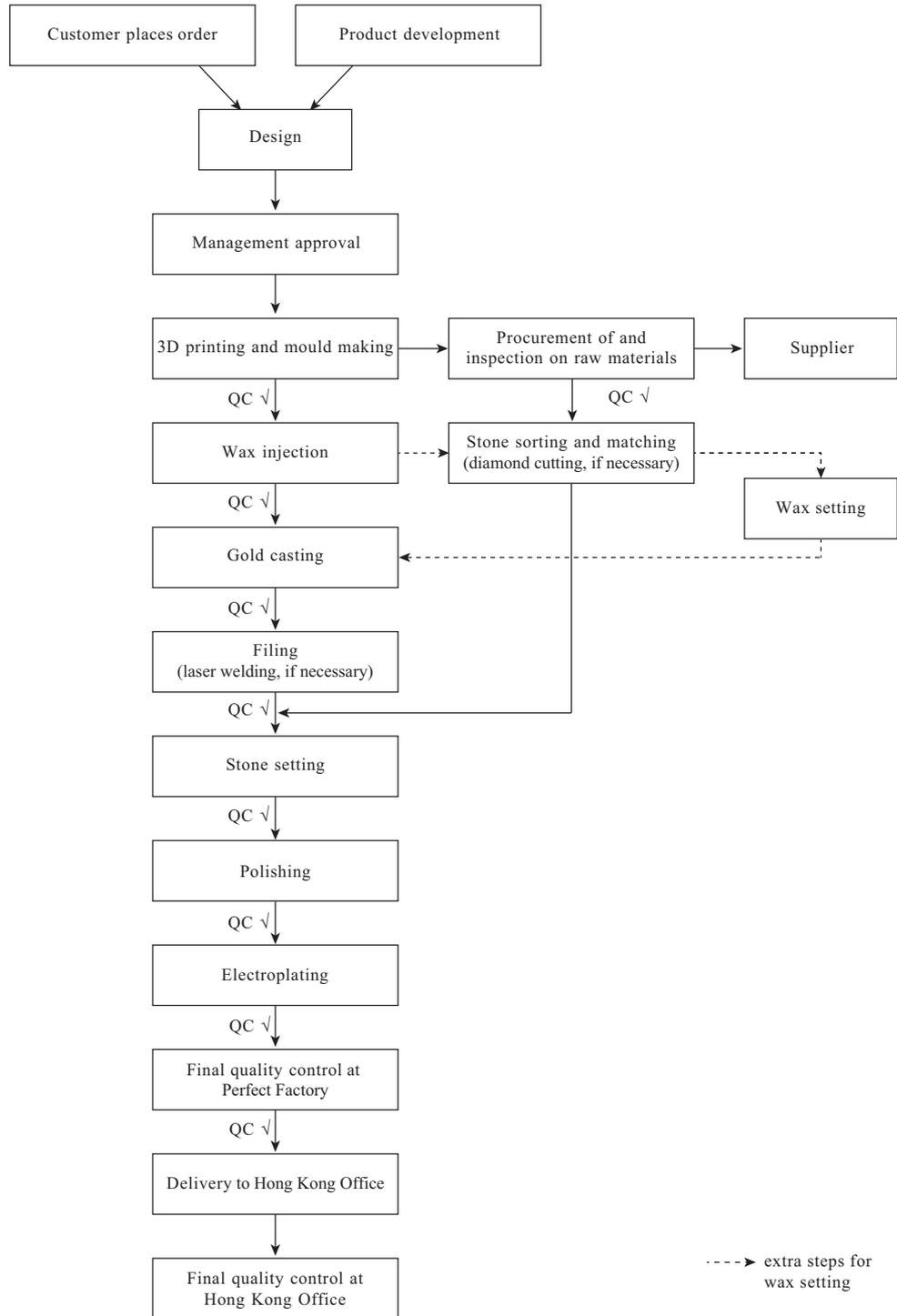
As at the Latest Practicable Date, the production of our fine jewellery products was exclusively carried out at Perfect Factory under the Processing Agreement. Details of the Processing Agreement are set forth in the section “Business — Production Facility-Processing Agreement” below. Our production facilities are strategically located in Dongguan, one of the major bases of fine jewellery manufacturing in the PRC. As such, we are capable of securing access to skilled labours and managing and communicating with Perfect Factory efficiently.

The Processing Agreement will expire in April 2018, subject to further renewal. However, there is no assurance that the Processing Agreement will be renewed upon expiry, or if renewed, will be renewed for any particular period of time. Please refer to the relevant paragraph in the section “Risk Factors — Risks relating to our Business” in this prospectus for further information.

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Production process

Generally, the production process of our fine jewellery products involves manual design, digital design, mould production, wax injection and setting, gold casting, filing, stone matching, stone setting, polishing, electroplating and quality control and packaging. The following diagram illustrates the general production process of our fine jewellery products:



Design and mould making

Designs are created either manually or using computer aided design software in the form of computer sketches which are then processed into wax masterpieces using 3D printing technology. The designs are generally approved by the customers (in the case of tailor-made orders) or the management team before the production team commences 3D printing and mould making. As a pioneer in utilizing new technology to produce jewellery with higher precision and efficiency, we have employed professional 3D printer in our production since 2009. A silver masterpiece is created by using a wax masterpiece through the mould making process, which is then refined by goldsmiths to create a refined silver masterpiece. Once a refined silver masterpiece has been created, rubber sheets are pressed against the refined silver masterpiece and melted at a high temperature to form a master rubber mould which, once cooled, is cut lengthwise into halves to retrieve the refined silver masterpiece, leaving behind a cavity which is a replica of the refined silver masterpiece. The replicas of refined silver masterpiece enable production of the same design in the future without going through the mould making process and help to improve productivity. A storage room is specifically reserved for the storage of our replicas in Perfect Factory.

Purchase of and inspection on raw materials and preliminary stone sorting and matching

We have set a minimum inventory level for production material at Perfect Factory which is checked against with the daily stock-taking performed by the management team at Perfect Factory. The minimum inventory level is sufficient to allow Perfect Factory to operate for approximately 1 to 2 months without receiving additional production material. When the inventory level approaches the minimum inventory level or when the sales team have received significant amount of orders, our purchasing team will collaborate with the production and sales team and place corresponding purchase orders for production materials. Our purchasing department inspects the raw materials that we purchase to ensure they are suitable for producing the jewellery products matching their specified design and quality standard. Raw materials that failed to meet our specification and quality standard would be returned to the suppliers. For details regarding our purchase of raw materials and our quality control over raw materials, please refer to the sections “Business — Raw materials and suppliers” and “Business — Quality control” in this prospectus respectively.

Diamonds and other gemstones (collectively referred to as stones in the production process) are manually sorted into various groups based on their characteristics such as size/weight, cutting, colour, clarity, quality, shape, etc. and are matched with and assigned to each order based on its specifications.

Wax injection and setting

We commence our production by creating wax moulds. To create a wax mould, wax is injected into a master rubber mould. After the wax cools down, the wax moulds are attached to a main wax stem on a wax tree. The wax tree is placed in a flask and liquid plaster is then poured into the flask. A vacuuming machine is used to remove air bubbles in the plaster. The flask is then placed into a furnace to melt the wax in it and leaves behind a hardened plaster mould, the cavities of which are in the shape of the masterpieces, connected together by a hollow stem.

BUSINESS

For production of our highly regarded “invisible setting” (無邊鑲) jewellery, our production team employs, among others, the “wax setting” (蠟鑲) technique. The “wax setting” technique is performed before the wax moulds are attached to the wax tree as described above. When this technique is employed, pre-matching stones are set on the wax moulds. Since the stones set on the wax moulds will then go through the heating process in the flask, the skills of selecting the appropriate stones and controlling the heat of the furnace are critical. The use of such technique achieves stronger setting since the metal cast around the stones shrinks during cooling and forms a tighter fit. As a result, less metal can be used for holding the stones and the stones consequently appear bigger and brighter, which is generally desirable for end-customers.

Gold casting

The cavities in the plaster are filled with melted gold via the hollow stem. Once casting is completed, the plaster mould is removed and the gold jewellery settings (or the gold jewellery settings embedded with diamonds in the case of invisible setting jewellery production) are removed from the gold tree.

Stone matching and diamond cutting, if necessary

Once gold casting is completed, the harvested jewellery settings are sent to our stone matching department where our experienced stone matching staff ensure stones have been correctly matched and assigned. Depending on the desired setting techniques, the stones may be sent to our diamond cutting departments to create grooves in the stones’ girdle before being processed by our stone setting team.

Filing and laser welding

Gold jewellery settings are filed to ensure smooth surface and refined shapes.

As some of our designs are more complicated and require combining several smaller parts to create the complete settings, we may also employ laser welding process during which high intensity laser beams are used to join smaller parts together.

Stone setting

There are various techniques to set stones such as diamonds and other non-diamond gemstones into gold jewellery settings. Apart from the usual prong setting technique and the wax setting technique mentioned above, we also engage the micro-pave technique (微鑲) whereby relatively smaller stones, with the assistance of microscopes, are set in multiple rows over the entire surface of a jewellery piece to achieve eye-catching appearance.

Polishing

After the stones are set into the gold jewellery pieces, the jewellery pieces are polished to ensure a smooth and shiny surface.

Electroplating

Polished stone-set jewellery products are electroplated to give a shiny appearance.

BUSINESS

Quality control

After each step of the production process is completed, the craftsmen handling the respective step delivers the work-in-progress to the supervisor of the respective team who is responsible for sending the work-in-process to a centralised “receive-and-deliver” department (收發部). The receive-and-deliver department is responsible for checking the quality of the process performed by the deliverer of the work-in-progress on hand before sending the same to the department responsible for the next production process. After receiving a work-in-progress, the receive-and-deliver department sources the production order attached to the semi-finished jewellery piece. As such, we ensure the entire production process is monitored by our computer system and that quality control has been performed at each processing stage.

Upon completion of all production processes, the product will be sent to our QC team who is responsible for examining the completed product. The QC team staff would perform examination on the product’s overall quality and check to ensure the product is made according to the specifications stated in the relevant production order. Any item which fails to meet our specifications and quality standard would be sent back to our production team to repair before it is packed for delivery to our Hong Kong Office. For details regarding our quality control, please refer to the section “Business — Quality control” in this prospectus.

Packaging and Delivery

Fine jewellery products which have passed our quality control and assurance inspection are packed with thick plastic bags which serve to protect the jewellery products in transit. Designated staff is responsible for the transportation of jewellery products to and from Perfect Factory, the Hong Kong Office, and the Dubai Office. The jewellery products in transit are covered by our relevant insurance policy which stipulates that the jewellery product must be couriered by at least 2 staff concurrently if the total value of the products carried by them is more than HK\$3 million.

We generally bear the costs of overseas delivery of products to our customers. We engage reputable delivery agents which provide delivery service specifically for jewellery or other valuables as our primary designated delivery agent. Where the insurance coverage provided by our delivery agents falls short of the value of the jewellery products, we generally purchase additional insurance on the relevant delivery order.

PRODUCTION FACILITY

We produced our products exclusively at Perfect Factory in Dongguan. Perfect Factory comprises 3 buildings including factory buildings, staff quarters and other ancillary buildings with an aggregate gross floor area of about 14,738 sq.m. We own and provide all the equipment at Perfect Factory and we lease the land and buildings used by Perfect Factory under a 3-year term lease. Details of the lease agreement in respect of Perfect Factory are set out in the paragraph “Properties-Leased Properties” below.

Pursuant to the Processing Agreement, Dongguan Tangxia Town Zhenlian Trading Company Limited* (東莞市塘廈鎮鎮聯經貿有限公司) (“**Tangxia Zhenlian Trading**”) (as the PRC party) shall provide, among others, the factory premises for production of our products. In favor of the location, facilities and the quality of the general management of the factory complex where Perfect Factory situates, as at the Latest Practicable Date, the premises used by Perfect Factory were leased to our

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Group under a long term lease. The factory premises are provided by Perfect (HK) instead of Tangxia Zhenlian Trading, but such arrangement is recognised by Tangxia Zhenlian Trading and the Bureau of Commerce of Dongguan City. Based on the face-to-face interviews with Bureau of Commerce of Dongguan City, Tangxia Zhenlian Trading and FPASC on 11 August 2015, the interviewee parties recognised that the terms of the Processing Agreement are based on the official standard template as formulated following the “Reply to the Report concerning Administration of the Entities Operating in the Form of Three Forms of Processing/Assembly Operations and Compensatory Trade”, while the de facto execution of the Processing Agreement may deviate from the wordings of the standard template. According to our PRC Legal Advisers, Bureau of Commerce of Dongguan City is the competent authority in Dongguan to govern all processing factory issues. Tangxia Zhenlian Trading and FPASC have also confirmed that as the standard template of the Processing Agreement is standardised and cannot be adjusted or modified, the substance of the Processing Agreement is over the form and that the de facto execution of the Processing Agreement is in line with the local practice and does not constitute a breach and will not invalidate the Processing Agreement. Our PRC Legal Advisers are therefore of the view that the aforesaid arrangement does not constitute a breach of the Processing Agreement and the aforesaid arrangement will not constitute a violation of the relevant PRC laws and regulations and will not invalidate the Processing Agreement.

In relation to Perfect Factory, as advised by our PRC Legal Advisers, under the PRC law, it is not an independent legal entity (企業法人) and as the foreign investor of Perfect Factory, we will be deemed to be jointly liable for the civil liabilities owing by Perfect Factory to any third party; Perfect Factory shall be primarily liable for such civil liabilities, and the foreign party thereunder will be jointly liable if and to the extent that such liabilities cannot be met by the assets of Perfect Factory.

However, as advised by our PRC Legal Advisers, our Group is not entitled to be reimbursed for any such liabilities of Perfect Factory assumed by our Group, nor can our Group set off any assumed liabilities against processing fees incurred by Perfect Factory under the Processing Agreement. During the Track Record Period and up to the Latest Practicable Date, our Group had not assumed any liabilities of Perfect Factory notwithstanding the above.

Perfect Factory has been treated as part of our Group (i.e. a business under the control of our Group pursuant to HKFRS 10 and being consolidated pursuant to such HKFRS) despite the absence of legal ownership, owing to the following facts and reasons:

- (1) under the relevant PRC laws and regulations, Perfect (HK) is a foreign investor of Perfect Factory registered with Dongguan City Administration Bureau for Industry and Commerce and is a contractual party of the Processing Agreement;
- (2) our Group is held jointly liable for all the liabilities and obligations of Perfect Factory and upon the dissolution or liquidation of Perfect Factory, our Group will be liable to pay off all debts owing by Perfect Factory to any third party;
- (3) all income and expenses items incurred by Perfect Factory are taken up by our Group that our Group is exposed to, or has the right to variable returns from its involvement in Perfect Factory;
- (4) all the economic resources of Perfect Factory, including but not limited to raw materials, accessories, machinery, equipment and packaging materials deployed or to be deployed by Perfect Factory are owned and provided by our Group;

BUSINESS

- (5) our Group closely participates in the operation and management of Perfect Factory and effectively controls its decision making process; and
- (6) our Group is responsible for onward sales of all the finished products produced by Perfect Factory and the delivery to overseas customers.

As at 30 June 2015 and the Latest Practicable Date, Perfect Factory had 271 and 257 employees respectively.

We were advised by our PRC Legal Advisers that, as at the Latest Practicable Date, Perfect Factory had obtained all necessary licences, certificates, approvals and permits for the manufacturing of jewellery products.

Production capacity of our production facility

Generally speaking, the production of fine jewellery products is labour intensive and the quality of the production depends on the craftsman's skills and experience. In light of the production nature, our Directors consider that the availability of skillful craftsmen for several critical production process and the capacity of our production premises to house these skilled craftsmen are the determining factors of our production capacity. The following table sets out the estimated production capacity and utilisation rate of Perfect Factory during the Track Record Period:

	Total actual output⁽¹⁾	Estimated maximum output⁽²⁾	Utilisation rate⁽³⁾
	<i>(Pieces)</i>	<i>(Pieces)</i>	
Year ended 31 December 2012	60,033	108,900	55.1%
Year ended 31 December 2013	60,977	130,350	46.8%
Year ended 31 December 2014	69,021	128,150	53.9%
Six months ended 30 June 2015	26,742	56,238	47.6%

Note:

- (1) The total actual output refers to the total number of products that our Group actually produced in the period as stated.
- (2) The estimated maximum output is based on (i) the historical total amount of products produced on the day with the highest output in the respective year; (ii) the assumption that our production operations were carried out for approximately 12 hours per day and for 275 days per year; (iii) the number of craftsmen employed on the day of the highest output remain the same throughout the respective year; and (iv) the complexity of the products produced on such day is comparable to the complexity of the products produced throughout the respective year.
- (3) Utilisation rate equals to the total actual output divided by the estimated maximum output.

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We consider that our utilisation rate is reasonable because the estimated maximum output is based on the highest production volume on a particular day where our staff's working hours were extended. However, we typically adjust the number of staff depending on the number of products required to be produced. Whilst fine jewellery production is labour intensive, the amount of time required for producing each piece of product varies significantly with reference to the complexity of its design as well as the number of diamonds set on the product. Having considered that the third floor of our production premises was idle as at the Latest Practicable Date and could be utilised to provide sufficient space for expanding our production, we believe that we would be able to increase our production capacity by purchasing additional machineries, extending our existing staff's working hours or days and/or hiring additional staff to meet any potential increase in sales orders in the foreseeable future without compromising our pursuit of product quality.

Processing Agreement

Our production operations at Perfect Factory are currently undertaken under the Processing Agreement. Perfect Factory provides exclusive processing service to our Group.

The details of the Processing Agreement are summarised below:

Current contracting parties:	(a) Tangxia Zhenlian Trading (as the PRC Party)
	(b) Perfect (HK) (after substituting HK Perfect) as the foreign party to the Processing Agreement pursuant to a supplemental agreement dated 23 June 2015
	(c) Perfect Factory (as the processing agent)
	(d) FPASC (as the business agent)
Date:	3 April 2008 (23 June 2015 in the case of the supplemental processing agreement and various dates for the ancillary agreements as renewed from time to time)
Duration:	7 April 2008 to 7 April 2018
Responsibilities:	(a) Tangxia Zhenlian Trading shall provide the factory premises.
	(b) Perfect (HK) shall (i) provide machinery and equipment (for use by Perfect Factory whilst the ownership of the machinery and equipment remains with our Group); (ii) provide production materials, ancillary materials and packaging materials; (iii) pay all processing fees payable from time to time; (iv) make periodic payments of "export and import agency fee" (進出口商務代理費) payable to FPASC at a rate of 0.4% of the processing fee from time to time; and (v) make periodic payments of service fee at a rate of 23% of the processing fee to Tangxia Zhenlian Trading.

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- (c) The business agent, FPASC, shall, (i) assist in completing foreign exchange clearance of the processing fees payable by the foreign party to Perfect Factory; (ii) assist Perfect (HK) in import and export clearance, and (iii) pass all processed goods to Perfect (HK) for export to Hong Kong or other countries.

Approving authorities:	Bureau of Foreign Trade and Economic Cooperation of Dongguan City* (東莞市對外貿易經濟合作局), now known as Bureau of Commerce of Dongguan City* (東莞市商務局)
Renewal and termination:	For renewal or termination of the Processing Agreement, either party shall negotiate and confirm with each other six months prior to the proposed renewal or termination.
Processing fee:	Total processing fees are based on production orders received, calculated with reference to the product type, specifications and design. Processing fees incurred by Perfect Factory shall be paid on regular basis.

During the Track Record Period, the processing fee incurred by Perfect Factory amounted to approximately HK\$3.5 million, HK\$3.8 million, HK\$4.6 million and HK\$2.6 million respectively.

Our Directors understand that as PRC processing factories were commonly established in the 1990s in the form of a non-independent legal entity without the enterprise legal entity business licence (企業法人營業執照), Perfect Factory was chosen to be established in such a form.

The Processing Agreement will expire in April 2018, subject to further renewal. As advised by our PRC Legal Advisers, subject to any changes to the laws and regulations, there is no mandatory obligation under the prevailing laws and regulations in the PRC for the transformation of all of contract processing enterprises into foreign invested enterprises within a prescribed time, and there is no prohibition under the prevailing PRC laws and regulations against the renewal of the processing agreements by these contract processing enterprises upon expiry. However, there is no assurance that the Processing Agreement will be renewed upon expiry, or if renewed, will be renewed for any particular period of time. Please refer to the relevant paragraph in the section “Risk Factors — Risks relating to our Business” in this prospectus for further information.

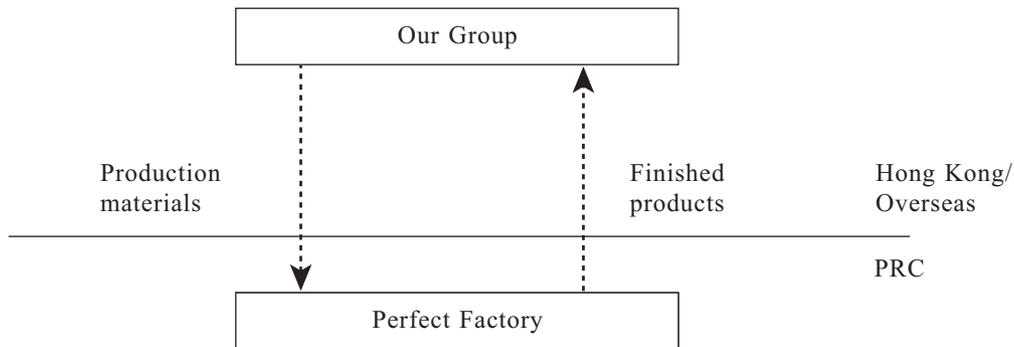
During the Track Record Period and up to the Latest Practicable Date, there had not been any material breach of the Processing Agreement by our Group and, so far as we are aware of, by the relevant counterparties to the Processing Agreement.

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Processing arrangements

Our Group's production operations are carried out by Perfect Factory under the Processing Agreement, pursuant to which Perfect Factory receives the production materials from our Group and produces finished goods. After production, Perfect Factory transports the finished products to our Group for onward sales. There is no transfer of ownership of inventory from our Group to Perfect Factory under the Processing Agreement. The following flowcharts illustrate our Group's processing arrangement with Perfect Factory in terms of the flow of materials and transfer of finished products:

Processing arrangement with Perfect Factory



Note: As Perfect Factory only provides processing services, no sales or purchase of the inventory of production materials, work-in-progress and finished products by our Group and Perfect Factory has been involved. The dotted line represents that there is no transfer of ownership of inventory.

The practical processing arrangement is inconsistent with the terms of the aforesaid Processing Agreement. As advised by our PRC Legal Advisers, the terms of the Processing Agreement were based on a standard template provided by the relevant authorities. The actual execution of the processing agreement may deviate from the wordings of the standard template. However, as advised by our PRC Legal Advisers, and as confirmed by Bureau of Commerce of Dongguan City, Tangxia Zhenlian Trading and FPASC in the face-to-face interviews on 11 August 2015, the manner in which the Processing Agreement has been carried out is recognised; therefore, the legality and enforceability of the Processing Agreement would not be affected.

QUALITY CONTROL

We place strong emphasis on quality control. As such, we have implemented stringent quality control procedures which are carried out by our quality control team in various aspects of our operation.

Quality control team

As at the Latest Practicable Date, our quality control team at Perfect Factory comprised 12 staff whilst final quality check at Hong Kong Office is typically carried out by our operation team. They are responsible for (i) inspecting raw materials and components before such materials and components are accepted for use; (ii) performing sample tests at various stages of the production process to ensure that the quality of our products are of high standard; and (iii) inspecting finished products to ensure that our products meet the specifications of the orders and the quality requirements.

Quality control over raw materials, production process and finished products

The principal raw materials involved in our production are diamonds and gold.

To ensure that the diamonds we purchase are from legitimate source, our management team assesses and selects diamond suppliers based on, among other things, the suppliers' reputation and their operating history in the jewellery industry, and performs periodic assessments on the selected suppliers. We only purchase from diamond suppliers which have been approved by Mrs. Kan, our executive Director and head of our sales and operation departments, who has over 25 years of experience in the fine jewellery industry. Our stone purchasing staff, who on average has more than 4 years of experience in the fine jewellery industry, is responsible for overseeing our diamonds and other non-diamond gemstone purchases.

To ensure the legitimacy of the gold that we purchase, we purchase the majority of our gold from a reputable supplier which is a Hong Kong-based company with an established history of approximately 30 years and with whom we have been engaging for purchase of gold since late 1980's. The gold supplier sources gold from an accredited refiner of the Chinese Gold & Silver Exchange Society that has been certified by the London Bullion Market Association (an international organisation that sets gold and silver bullion quality standards for its members) as a refiner of conflict-free gold products.

Our quality control team works closely with our procurement team and stone matching team for the procurement of raw materials such as diamonds and other non-diamond gemstones. All incoming raw materials are subject to inspection by our quality control team. To ensure diamonds and other non-diamond gemstones procured match our Group and our customers' requirements and specifications, we confirm orders with our suppliers only after the diamonds and other non-diamond gemstones have been inspected. In addition, our quality control team verifies the gold refiner's trademark engraved on the gold bars that we purchase and manually inspects diamonds and other non-diamond gemstones that we purchase with magnifiers to verify their size/weight, colour, cut, shape, etc.

Once the stones passed the initial quality control verification, details of each batch of raw materials, such as the date of receipt, quality and quantity and its corresponding sales or production order (if any) would be recorded in our computerised inventory management system and assigned a batch number which corresponds with the sales or production order the batch is intended for (if applicable). At each production process stage, the batch number is scanned and information such as the weight of the work-in-progress and the production team in possession of the raw material is put on record. With the assistance of the inventory management system, we are able to track the production stage for each particular batch of raw materials.

Our "receive-and-deliver" team is responsible for assigning each batch of raw materials and work-in-progress products to different production teams for processing. When a production process is completed, the supervisor of each team must send the product to the "receive-and-deliver" team which would scan the batch number of the work-in-progress product and inspect the quality of the production process previously undergone. As such, our products are inspected at various stages of the production process. If the work-in-progress product is found unsatisfactory, the "receive-and-deliver" team would send the product to the responsible team of craftsmen for refinement before the product is delivered to the team responsible for the next production process. Upon completion of all necessary production process, the end-products will be sent to our quality control team for a final inspection to ensure that the end-products fulfill the quality specification of the corresponding sales or production order. After the products are cleared by the QC team at Perfect Factory, the products will be sent to our Hong Kong

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Office. The operation team will inspect the overall quality of the delivered products, paying special attention to defects incurred during the transit from Perfect Factory to our Hong Kong Office. Having passed the inspection of our operation team in Hong Kong, the products will further be sent to the respective sales team to ensure that the customers' specifications are thoroughly fulfilled. For further details of our quality control in the production process, please refer to the section "Business — Production — Production process" in this prospectus.

We have enacted an internal quality standard, which specifies the standards for our products and provides guidance for our quality control team for carrying out their works.

INVENTORY CONTROL

Our inventory comprises raw materials, work-in-progress and finished products. Our inventory system is computerised and is also utilised for quality control purpose. The system enables us to track the production material, and particularly, the diamonds and other non-diamond gemstones. For further details of how our inventory system operates, please refer to the section "Business — Quality control — Quality control over raw materials, production process and finished products" in this prospectus.

As our inventory is highly valuable, we implement various measures to safeguard our inventory. At Perfect Factory, we have installed vaults which can only be accessed with a key and a password which are kept by different senior management staff concurrently. At the end of each day, all inventory is counted and then stored in the vaults. To ensure that gold is not misappropriated, all staff and registered visitors must go through metal detectors when entering and leaving the production premises. To safeguard our inventory, all staff must wear uniform without any pocket and leave all of their belongings in a storage room before entering the production floor. Closed circuit television surveillance is installed to provide additional security.

Other inventory control procedures at Perfect Factory generally involve the following:

- at the beginning of each working day, the receive-and-deliver department (收發部) distributes raw materials and work-in-progress to the supervisors of the production workshops and records all distributions;
- the supervisors of the production workshops then record and distribute raw materials and work-in-progress to the workers in his/her department or production workshop;
- whenever an inventory is passed on from one department to another via the receive-and-deliver department, the transfer must be recorded into the computerised system simultaneously by the supervisor of each relevant department by making use of their unique login ID and password;
- at the end of the working day, the staff must return all inventories, whether work-in-progress or finished products, to the supervisors of his/her production workshop, who will check against his/her record to ensure the inventories returned matches the particulars stated in the record;

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- the supervisors of the production workshops then return the inventories to the receive-and-deliver department who performs inventory check on the returned inventories against its record and performs inventory counts at the end of the working day to ensure the inventories and the records are proper and in order; and
- security guards are placed at the entrances of Perfect Factory to detect any suspicious staff movements and prevent trespassing.

As for inventory in our Hong Kong Office and Dubai Office, vaults and closed circuit television surveillance systems are installed for security. Clock alarms are set for the vaults so that access to the vaults at unusual hours can be detected.

Our inventory system is fully computerised for finished products. Through this system, each of our inventory item could be tracked and monitored. We perform inventory counts on a daily basis.

Our Directors have confirmed that, during the Track Record Period, our Group did not experience any loss of inventory. In light of our inventory control procedures as mentioned above, our Directors and the Sole Sponsor believe that the inventory control measures implemented by our Group are effective and adequate.

Our management team monitors our Group's inventory level of raw materials and coordinates the transfer of raw materials and finished products between the warehouses in our Hong Kong Office, Dubai Office and Perfect Factory.

Our fine jewellery products are manufactured based on (i) confirmed purchase orders placed by our customers and (ii) estimated sales volume. Equipped with their experience, our sales team and our senior management team analyse available market information to determine the number of products required for the jewellery exhibitions and expositions. Our management team closely monitors the inventory level of production materials, work-in-progress products and finished products by reviewing the computerised inventory records daily. Given that our raw materials and products are not perishable in nature, we generally do not have a significant amount of obsolete stock.

We have in place a pre-set minimum inventory level for diamonds, which is typically maintained at aggregate dollar value of approximately HK\$50 million and is equivalent to the dollar worth of approximately 1 to 2 months' worth of production consumption. Since we are in good relationship with our diamonds and gold suppliers, we can place orders and receive the required amount of diamonds and gold with short notice. As such, we may order diamonds and gold when our inventory level approaches the pre-set minimum inventory level.

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RAW MATERIALS AND SUPPLIERS

Cost of raw materials is the largest component of our cost of goods sold, representing approximately 93.4%, 91.8%, 91.5%, 93.4% and 93.2% of our total cost of goods sold for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015. During the Track Record Period, the principal raw materials used were diamonds and gold. The table below sets out our cost of goods sold with further breakdowns of our cost of raw materials used and other cost of goods sold for the respective periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
							(unaudited)	(unaudited)		
Cost of raw materials used										
Diamonds and other										
non-diamond gemstones ⁽¹⁾	242,723	58.1	238,164	63.5	245,251	67.1	132,536	67.3	132,011	69.0
Gold	146,641	35.2	105,352	28.1	87,001	23.8	49,947	25.4	46,142	24.1
Other raw materials	626	0.1	1,060	0.2	2,186	0.6	1,449	0.7	169	0.1
Sub-total	389,990	93.4	344,576	91.8	334,438	91.5	183,932	93.4	178,322	93.2
Other cost of goods sold	27,561	6.6	30,759	8.2	31,211	8.5	13,032	6.6	12,963	6.8
Total	417,551	100.0	375,335	100.0	365,649	100.0	196,964	100.0	191,285	100.0

Note:

- (1) Other non-diamond gemstones represent only an insignificant proportion of our raw material used.

Fluctuation of the cost of raw materials and the ability to pass on the increased cost of raw materials to our customers will affect our gross profit margin. Please refer to the section “Financial Information — Key factors affecting our results of operations — Fluctuations of prices in raw materials” in this prospectus for further details. The impact of fluctuation of the price of gold on our gross profit margin is relatively mild when compared with the impact of the fluctuation of the price of diamonds as the cost of gold used is a lesser component of our cost of raw materials used. In addition, as hedging of the price of gold could involve considerable costs and risks, our Directors reached the commercial decision not to enter into any hedging arrangement in relation to the risks associated with price fluctuation of gold. To manage the risk of fluctuation of the price of gold, our Company adopts pricing policy according to which we have consciously monitored and taken into account of, amongst other things, cost of raw materials including gold so as to pass on the increase in the prices of raw materials to the customers and maintain the level of profit margin to be in line with the management’s expectation. For further details on our pricing policy, please refer to the section “Business — Sales and marketing — Pricing policy” in this prospectus.

Purchase of gold

We purchase gold from reputable and well-established companies in the precious metals trading business in Hong Kong as and when required for production. Our major gold suppliers in Hong Kong is a company based in Hong Kong which has engaged in the gold business since late 1980’s. We do not enter into long-term agreements with our gold suppliers and we generally place orders with our gold

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suppliers when our inventory level for gold approaches the pre-set minimum inventory level. Our average cost of gold was approximately HK\$11,878.4 per ounce, HK\$9,766.4 per ounce, HK\$8,760.0 per ounce and HK\$10,353.0 per ounce for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

The monthly average price of gold in the global market increased from about HK\$8,685.5 per ounce in January 2010 to about HK\$9,317.7 per ounce in December 2014 at a CAGR of about 0.8%. There was continuous growth in demand for gold used for jewellery and investment purpose. Average gold prices further decreased to a price of approximately HK\$9,000 per ounce between the second and third quarter of 2015.

Purchase of diamonds

All diamonds that we purchase for the production of our products are polished diamonds. The prices of diamonds vary depending on their specifications such as size, colour, clarity and cut. Approximately 60% of the diamonds that we purchased during the Track Record Period were below 0.1 carat, with the majority lies in the range of 0.002 to 0.004 carat in terms of weight and in the range of S-1 to S-3 in terms of clarity. Our average cost of diamonds was approximately HK\$2,882 per carat, HK\$2,730 per carat, HK\$2,759 per carat and HK\$2,979 per carat for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

According to the IPSOS Report, the average price of polished diamonds in 2012, 2013 and 2014 was about HK\$3,220.3, HK\$3,187.6 and HK\$3,213.9 per carat respectively. These average prices were in respect of polished diamonds in the range of 0.01 to 0.39 carat with a colour range from D to N, and clarity in the range of I-1 to I-3, which are the commonly used polished diamonds in the fine jewellery manufacturing industry. Although the polished diamonds we purchased during the Track Record Period lied in the higher range in terms of clarity, our average cost of diamonds has reflected the discount offered by the suppliers of diamonds, therefore, the trend of such average price may not be comparable to the trend of the average cost for the diamonds that we purchased during the Track Record Period.

In order to ensure that the diamonds we purchase are legitimate and come from suppliers who are in compliance with the Kimberley Process, our administrative department carries out periodic reviews of diamond purchase invoices on which the suppliers undertake the legitimacy of the supplied diamonds.

We are able to purchase diamonds flexibly as we do not enter into long-term agreements with our diamonds suppliers. We place individual orders by specifying the quantity and specifications required. Our suppliers then deliver the required diamonds to our Hong Kong Office at which point the weight and quality of diamonds delivered to us is confirmed. Within 1 to 2 weeks after delivery of the diamonds to our Hong Kong Office, we transport the diamonds to Perfect Factory for inspection and selection after which we confirm the purchase with our suppliers for the diamonds we selected, and return those that we rejected. Our suppliers then issue invoices to us only for those we retained, and generally do not accept further subsequent returns.

Our procurement of diamonds largely depends on our existing level of diamonds inventory and confirmed orders from our customers. We generally maintain our diamond inventory level which approximates to 1 to 2 months' worth of consumption in production process. Our Directors have confirmed that we were able to obtain stable supplies of diamonds during the Track Record Period.

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Suppliers

Our major suppliers are suppliers of raw materials, in particular, diamonds and gold. During the Track Record Period, our 5 largest suppliers mainly include wholesalers and trade dealers of diamonds and gold in Hong Kong.

Our largest supplier during the Track Record Period was a diamond supplier, and we usually pay for our purchases within 0 to 120 days after our suppliers issue the invoice. The length of the credit period mainly depends on the quantity and quality of the diamonds purchased. In respect of diamond purchases, we select suppliers based on price, quality, variety of diamonds, and the suppliers' operating history and reputation.

Our primary gold supplier in Hong Kong has been engaged in the fine jewellery business for more than 20 years and we typically settle payment upon placing orders or upon delivery. For purchases of gold from our other major suppliers, we typically settle the payment on delivery. We generally settle our purchases fees by telegraphic transfer.

During the Track Record Period, purchases from our 5 largest suppliers amounted to approximately HK\$371.6 million, HK\$353.5 million, HK\$348.3 million and HK\$135.6 million, which accounted for approximately 94.7%, 96.1%, 96.1% and 94.2% of our total purchases during the relevant periods respectively. Purchases from our largest supplier amounted to approximately HK\$218.5 million, HK\$230.3 million, HK\$239.0 million and HK\$96.0 million for the Track Record Period, which accounted for approximately 55.7%, 62.6%, 66.0% and 66.7% of our total purchases and during the relevant periods respectively.

We have well-established relationships with our key suppliers. Our 5 largest suppliers during the Track Record Period had maintained an average of approximately 5 years of business relationship with us. During the Track Record Period, 2 of our suppliers were also our customers. Details of the transactions with the 2 suppliers (and customers) are set out in the section "Business — Sales and marketing — Our customers — Customers who were also our suppliers during the Track Record Period" in this prospectus.

Our Directors have confirmed that we were able to obtain stable supplies of our key raw materials during the Track Record Period. Further, these raw materials are widely available in the marketplace. Our Directors believe that we could continue to have access to a wide range of raw materials suppliers in the future to sustain our production.

To the best knowledge of our Directors, none of our Directors and their respective associates or any of our Shareholders holding more 5% of our Company's share capital as at the Latest Practicable Date have any interest in any of the 5 largest suppliers during the Track Record Period.

INTELLECTUAL PROPERTY RIGHTS

Our trade name, trademarks, design and domain name are important to our business and profitability in distinguishing our products from those of our competitors and boosting our ability to compete in our target markets. We recognise the importance of protecting and enforcing our intellectual property rights, in particular our trade name "保發珠寶" (Perfect Jewellery) and the trademarks for our corporate logos "" and "".

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To protect our intellectual property rights, our designers are required to sign an agreement to acknowledge that the designs produced by them during their employment are the intellectual properties of our Group. Our Directors consider that our intellectual property rights are sufficiently protected.

As at the Latest Practicable Date, we had registered 4 trademarks in Hong Kong (which comprise our corporate logos) and we were in the process of applying for the registration of 2 additional trademarks (which comprise our trade name “保發珠寶” (Perfect Jewellery)) in Hong Kong. Details of our intellectual property rights, which are material to our business and operations, are more particularly set out in “Appendix V — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” to this prospectus. The intellectual property rights appertaining to our corporate logos have been protected by the registration of our four trademarks in Hong Kong. Our Directors consider that our intellectual property rights (including those appertaining to our trade name) can be protected to the furthest extent upon completion of the registration of our 2 additional trademarks in Hong Kong.

As at the Latest Practicable Date, we had not been subject to any material intellectual property claims against us. We had not experienced any dispute in relation to the infringement on our intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND ACCREDITATIONS

Our achievements over the years have been recognised by numerous awards and accreditations, including the following:

<u>Year</u>	<u>Awards/Accreditation</u>	<u>Issuer</u>
2008	The Buyers’ Most Favourable Jewelry Design Competition — Silver Prize of Brooch	HKJMA
2014	Best SME Award	Hong Kong General Chamber of Small and Medium Business

COMPETITION

According to the IPSOS Report, the fine jewellery manufacturing wholesale export industry in Hong Kong is mature and the industry witnesses high competition amongst experienced industry players to maintain market share, few new entrants, market consolidation, as well as plateauing growth in overall sales volume in Hong Kong. According to the IPSOS Report, Hong Kong’s jewellery manufacturing and wholesale export industry has seen an increasing emphasis on quality and craftsmanship by customers and international buyers. Intricate and sophisticated jewellery designs and craftsmanship are most sought after in the Hong Kong fine diamond jewellery manufacturing industry. Our Directors believe that the global market will grow and retail growth in the fine jewellery will tend to be higher in emerging markets such as the Middle East and Southeast Asia, where the expanding middle-classes bring about higher demand for fine jewellery.

Our Directors believe that a number of entry barriers prevail in the fine jewellery industry. The fine jewellery industry relies on business networks and trust. As such, industry reputation on good and long standing track record of providing authentic and high quality products is critical. Since

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considerable time is required to build up industry reputation, it may be challenging for industry newcomers to attract customers and to procure raw materials from gold and diamond suppliers on favourable terms. Further, the production of fine jewellery involves high start-up funds owing to high inventory costs and high labour costs for experienced craftsmen.

According to the IPSOS Report, the majority of fine jewellery manufacturers in Hong Kong focus on export businesses. As of 2014, there are approximately 136 players in the fine jewellery manufacturing and wholesale (export) market in Hong Kong. The industry is quite consolidated with the top 10 players by revenue accounted for approximately 68.0% of the total market in 2014. Most of these fine jewellery manufacturers produced their products in the PRC. Our Directors consider that jewellery manufacturers and exporters in Hong Kong typically compete on the basis of reputation in the jewellery industry, design and craftsmanship, manufacturing capability, quality consistency and pricing. We believe that we are among a limited number of jewellery manufacturers, wholesalers and exporters who possess in-house expertise in both designing and manufacturing products which caters for the high-end jewellery markets. In addition, our long-standing relationship with our major suppliers and customers are difficult to be replicated by our competitors.

Going forward in the near term, we expect competition for the emerging market will more likely be based on product diversification and brand awareness. To capture wider customer base, we aim to offer a variety of jewellery products covering broader price range and more diversified designs. To this end, we plan to upgrade our existing production equipment and machineries, inventory system and enhance our CRM performance. As an effort to improve brand awareness, we plan to upgrade our VIP rooms in our Hong Kong Office and Dubai Office and participate in more international renowned jewellery expositions, particularly the ones held in Europe. We are confident that with our established reputation and our production capability with consistent, quality craftsmanship and design capability, we are well equipped to compete and continue to excel as one of the top fine jewellery manufacturers and wholesalers in Hong Kong serving customers around the globe.

INSURANCE

Our Directors consider that the insurance policies maintained by us are sufficient to cover the potential losses and damages of our inventory (including inventory in transit). We currently adopt appropriate security measures in accordance with the terms of the relevant insurance policies including the use of alarm and surveillance systems at Perfect Factory, Hong Kong Office and Dubai Office.

In respect of the risks of default by customers when credit terms are granted to customers with whom we have shorter business relationship, we generally maintain the export credit insurance policies with the Hong Kong Export Credit Insurance Corporation for all of the remaining invoice value for the respective purchase order.

Our Directors believe that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. However, significant damage to our operations or any of our properties, whether as a result of fire and/or other causes, may still have a material adverse impact on the results of our operations or financial condition. Please refer to the section “Risk Factors — Risks relating to our business” in this prospectus for further information.

ENVIRONMENTAL PROTECTION

Perfect Factory is subject to certain PRC environmental laws and regulations. For details, please refer to the section “Regulations — Laws and regulations relating to environmental protection” in this prospectus.

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The primary wastes generated from our production processes is waste water, which are treated in compliance with the applicable PRC environmental laws and regulations. To ensure the operation of Perfect Factory is in compliance with the applicable environmental law, we have entered into a waste water treatment agreement with a qualified water treatment company which is responsible for collecting the wastewater produced in Perfect Factory's production process.

Our Directors have confirmed that, during the Track Record Period, we have complied with all relevant PRC environmental related laws and regulations in all material respects.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, we paid approximately nil, HK\$7,000, HK\$7,000 and HK\$3,500 respectively as costs of compliance with the applicable PRC environmental rules and regulations. We expect our cost of compliance with applicable environmental rules and regulations for the year ending 31 December 2015 to remain at a relatively comparable level as that for the year ended 31 December 2014.

HEALTH AND WORK SAFETY CONTROL

We have implemented internal policies and rules to maintain effective health and safety control, including safe production work requirements, safe production fire control and management rules, electricity safety management rules, dangerous chemicals management rules, work safety and health management rules, emergency management rules, and accidents reporting rules.

EMPLOYEES

As at Latest Practicable Date, our Group had a total of 300 employees, of which 43 and 257 were in Hong Kong and the PRC respectively. The following table sets forth a breakdown of the number of our employees by function as at 30 June 2015 and the Latest Practicable Date:

	As at 30 June 2015			As at the Latest Practicable Date		
	Hong Kong	PRC	Total	Hong Kong	PRC	Total
Senior management	7	3	10	8	3	11
Sales and marketing	11	8	19	11	8	19
Design	2	13	15	2	14	16
Procurement and logistics	2	0	2	2	0	2
Operation control	6	0	6	5	0	5
Production	0	213	213	1	192	193
Quality control	0	9	9	0	13	13
Finance	6	5	11	7	5	12
Human resource and administration	6	20	26	7	22	29
Total	40	271	311	43	257	300

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During the Track Record Period, we did not fully comply with the relevant PRC laws, rules and regulations in relation to housing provident fund and social insurance contributions. For further details, please refer to the section “Business — Litigation and non-compliance matters” in this prospectus.

Labour disputes

During the Track Record Period, we were not involved in any material labour disputes with our employees which had a material adverse effect on our operation or financial condition.

Staff training

We believe that our employees are the most valuable resources to achieve our success. In particular, certain key production processes of our products, such as stone matching, stone setting, filing and quality control are highly technical and require high precision, hence experiences and enhanced skills. Quality control and inspection on raw materials such as diamonds and stone matching, which involves selecting suitable diamonds in terms of size, colour, clarity and cut for specific design and product, can only be performed by experienced labour who have built up considerable knowledge and experience, as these processes are highly manual and skill-orientated. To maintain the quality of our production, we provide continuous hands-on training to our production staff in various areas including stone matching, stone setting, quality control and raw material inspection.

Furthermore, we believe that a sales team with more comprehensive understanding of the jewellery industry can improve sales performance. Hence, we require some of our key sales team members to receive training at Perfect Factory to acquire knowledge on the production processes of our products.

For newly recruited staff, we offer compulsory training mainly focusing on hard skills like company introduction and working procedure which enable the staff to adapt to the new working environment. We typically pair up experienced staff with new staff to provide guidance so as to assist our new staff to get used to the working environment. We believe that our training programmes help to increase productivity.

Recruitment and bonus system

We consider our staff as our most valuable asset and strive to retain skilled labour and competent and experienced personnels, and inject new talents to our Group. To retain morale and loyalty, we have reviewed and increased the salary of our skilled labour and senior management personnel for 3 consecutive years. In order to maintain our competitiveness in the fine jewellery industry, we also attract new talents and retain existing staff with proven performance by rewarding them with discretionary bonus.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties in Hong Kong, the PRC and Dubai.

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Leased properties

Our Hong Kong Office, Dubai Office and Perfect Factory are leased properties. Details of these lease arrangements are set forth below:

Hong Kong Office

Lessor:	HK Perfect
Lessee:	Perfect (HK)
Location:	26th Floor and Flat Roof appurtenant thereto and Car Parking Space Nos. 2, 3, 4 and 15 on 2nd Floor, YHC Tower, No. 1 Sheung Yuet Road, Kowloon, Hong Kong
Duration:	5 August 2015 – 4 August 2018
Rent:	HK\$290,000 per month
Size:	Gross floor area: 11,145 sq. ft. Saleable area: 8,559 sq. ft.
Deposit:	nil
Renewal & Termination:	nil
Usage:	Office

As disclosed in the section “History, Development and Reorganisation — Establishment and development of our Group — History and development” in this prospectus, the Hong Kong Property has been retained by the ultimate beneficial owners of HK Perfect subsequent to the Business Transfer which was completed in August 2015.

Pursuant to Rule 5.01B(2) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus shall include the full text of valuation report for such property interest. As the carrying amount of the Hong Kong Property exceeds 15% of our total assets as at 30 June 2015, being the latest date of the most recent audited combined statements of financial position of our Group, in order to comply with Rule 5.01B(2) of the Listing Rules, a property valuation report in respect of the Hong Kong Property is included in Appendix III to this prospectus. The Hong Kong Property was deemed to be disposed of by us on 5 August 2015, being the date of completion of the Business Transfer, and has been leased to us from HK Perfect since then. As at 31 October 2015, the market valuation of the Hong Kong Property was approximately HK\$147.0 million while the property interest in the Hong Kong Property attributable to our Group was nil. For details of the valuation of the Hong Kong Property, please refer to “Appendix III — Property Valuation” to this prospectus.

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Dubai Office

Lessor:	HKP Jewellery Trading Limited
Lessee:	Perfect (UAE)
Location:	Unit No.B3-19-11, and Parking Space Nos. 3081 and 3082 on L3, 3 Gold Tower, Jumeirah Lakes Towers, Dubai, U.A.E.
Duration:	16 December 2015 to 31 December 2017
Annual rent:	AED100,000
Office area:	923.01 sq. m.
Deposit:	nil
Renewal & Termination:	Renewal is at the discretion of the landlord; termination by the tenant subject to 2 months notice
Usage:	Office

As HKP Jewellery Trading Limited is a wholly-owned subsidiary of HK Perfect, being a connected person of our Company upon the Listing pursuant to Rule 14.07(4) of the Listing Rules, the transactions contemplated under the Dubai Tenancy Agreement constitute continuing connected transactions of our Company under the Listing Rules. For details of the Dubai Tenancy Agreement, please refer to the section “Connected Transactions — Exempt continuing connected transactions — The Dubai Tenancy Agreement” in this prospectus.

Perfect Factory

Lessor:	Dongguan Arising Sun Enterprise Development Company Limited* (東莞市新太陽企業開發有限公司)
Lessee:	Perfect (HK)
Location:	Arising Sun Industrial City, No. 22, Xinhong Road and No. 6 Xinsong Road, Lin Village, Tangxia Town, Dongguan City, Guangdong Province, the PRC 中國廣東東莞塘廈林村新鴻路22號新太陽工業城第118座廠房及新松路6號
Duration:	1 July 2015 to 31 May 2018

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Monthly rent:	HK\$147,380.00
Monthly management fee:	HK\$88,428.00
Size:	14,738 sq. m.
Deposit:	HK\$707,424.00
Termination:	If the lessee wishes to terminate before the end of the term of the lease agreement, the Lessee must give a 3 month advanced written notification and the deposit will be fully confiscated.
Usage:	Industrial, warehouse, employee residence and office

As advised by our legal advisers as to UAE laws and our PRC Legal Advisers, the leases in respect of our leased properties have been registered with the competent housing management authority in accordance with the relevant laws and we have the legal rights to use these leased properties.

LICENCES AND PERMITS

As at the Latest Practicable Date, our Group has obtained all material requisite licences, permits and approvals for our operation. The table below sets out the details of the material licences, permits and approvals obtained by our Group:

<u>Licences/permits/approvals</u>	<u>Issuing body</u>	<u>Issued on</u>	<u>Valid until</u>
Operation Licence (營業執照)	Dongguan City Administration Bureau for Industry and Commerce (東莞市工商行政管理局)	21 July 2015	7 April 2018
Guangdong Province Processing Arrangement Special Licence (廣東省對 外來料加工特准營業證)	Dongguan City Administration Bureau for Industry and Commerce (東莞市工商行政管理局)	23 April 2008	7 April 2018

LITIGATION AND NON-COMPLIANCE MATTERS

As at the Latest Practicable Date, we were not engaged in any material litigation, arbitration or claim which had a material adverse effect on our operation or financial condition, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that could have a material adverse effect on our operation or financial condition.

BUSINESS

Sets out below are the non-compliances relating to our Group during the Track Record Period:

Nature of non-compliance	Reason for non-compliance	Legal consequence and penalty (actual or maximum)	Rectification action taken
(a) Perfect Factory failed to make social insurance contributions for the benefit of certain of our PRC employees during the Track Record Period as required under the applicable PRC laws, rules and regulations.	Primarily because certain employees were unwilling to co-contribute to their parts of social insurance as required and our administrative staff at Perfect Factory inadvertently failed to seek adequate advice from legal advisers in respect of the PRC social security insurance laws, rules and regulations.	Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), our Group may be ordered to make the outstanding contributions within a specified time period and be subject to a daily fine amounting to 0.05% of the outstanding contributions from the date on which payment is overdue. If the outstanding contributions are not made within the specified time period, our Group may be imposed a fine ranging from one to three times of the amount of the outstanding contributions.	<p>Our Group had made a provision on the potential claim of unpaid social insurance contributions of approximately HK\$11.3 million as at 30 June 2015.</p> <p>As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by relevant PRC government authorities with respect to this non-compliance. Since August 2015, Perfect Factory has made social insurance contributions for the benefit of all of our eligible PRC employees.</p> <p>For the past non-compliance, as advised by our PRC Legal Advisers, the likelihood of our Group being penalised in the future is very low and Perfect Factory has obtained a written confirmation from the Dongguan Social Security Department (東莞市社會保障局), which is the competent governmental authority, that Perfect Factory has not been penalised due to any non-compliance with any social security insurance law, rules and regulations.</p> <p>Perfect Factory has executed an undertaking letter to undertake that it shall make social insurance contributions for the benefit of all of our PRC employees in accordance with the applicable PRC social security insurance laws, rules and regulations.</p> <p>Mr. Kan, our Controlling Shareholder, has executed an undertaking letter to undertake that he shall (a) ensure that Perfect Factory will make social insurance contributions for the benefit of all of our PRC employees in accordance with the applicable PRC social security insurance laws, rules and regulations; and (b) bear all liabilities and risks if any administrative penalty is imposed on Perfect Factory.</p>

BUSINESS

Nature of non-compliance	Reason for non-compliance	Legal consequence and penalty (actual or maximum)	Rectification action taken
(b) Perfect Factory failed to set up a housing provident fund account for our PRC employees within the specified time period as stipulated under the applicable PRC laws, rules and regulations and failed to make contributions to any of our PRC employees' housing provident fund accounts during the Track Record Period as required under the applicable PRC law, rules and regulations.	Primarily because certain employees were unwilling to co-contribute to their parts of housing provident funds and our administrative staff at Perfect Factory inadvertently failed to seek adequate advice from legal advisers in respect of the PRC housing provident fund laws, rules and regulations.	<p>Pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), for our failure to complete the registration of housing provident funds and set up the housing provident fund accounts for our PRC employees, our Group may be ordered to complete the registration and set up the relevant accounts within a specified period of time. If our Group fails to do so within such specified time period, our Group may be subject to a fine ranging from RMB10,000 to RMB50,000.</p> <p>For our failure to make contributions to the housing providing fund accounts, our Group may be ordered to make contributions to the outstanding housing provident funds within a specified time period, and if our Group fails to do so within the specified time period, the relevant authorities may apply to PRC courts for compulsory enforcement of such payments.</p>	<p>Our Group had made a provision for the potential claim of unpaid housing provident fund contributions of approximately HK\$4.5 million as at 30 June 2015.</p> <p>On 23 July 2015, the housing provident fund account of Perfect Factory was set up. As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance.</p> <p>For the past non-compliance, as advised by our PRC Legal Advisers, the likelihood of our Group being penalised in the future is very low and Perfect Factory has obtained a written confirmation from the Dongguan Housing Provident Fund Management Centre (東莞市住房公積金管理中心), which is the competent governmental authority, that Perfect Factory has been arranging for payment of housing provident fund contributions to our PRC employees' housing provident fund accounts since August 2015 and Perfect Factory has not been penalised due to any non-compliance with any housing provident fund law, rules and regulations.</p> <p>Perfect Factory has executed an undertaking letter to undertake that it shall make contributions to our PRC employees' housing provident fund accounts from September 2015.</p> <p>Mr. Kan, our Controlling Shareholder, has executed an undertaking letter to undertake that he shall (a) ensure that Perfect Factory will make contributions to our PRC employees' housing provident fund accounts in accordance with the applicable PRC housing provident fund laws, rules and regulations from September 2015; and (b) bear all liabilities and risks if any administrative penalty is imposed on Perfect Factory.</p> <p>Since 1 September 2015, Perfect Factory has made full payment of housing provident fund contributions for all of our PRC employees to the Dongguan Housing Provident Fund Management Centre in accordance with the PRC housing provident fund laws, rules and regulations and the requirements of the local governmental authority.</p>

BUSINESS

Based on the advice of our PRC Legal Advisers, our Directors consider that none of the above non-compliance incidents will have any material operational or financial impact on our business. In addition, our Directors consider that the above non-compliance incidents are not of a serious nature and each of them is an isolated event, primarily due to inadequate legal knowledge and/or inadvertent oversight of the relevant laws, rules and regulations by our management teams in the PRC and Hong Kong. Accordingly, our Directors do not consider the above non-compliance incidents to have constituted material or systematic non-compliances.

Having considered the facts and circumstances leading to the above non-compliance incidents and the preventive internal control measures mentioned below, our Directors are of the view that we have adequate and effective internal control procedures in place under the Listing Rules. After taking into account the nature and reason for the above non-compliance incidents and the rectification actions taken by our Group, our Directors are of the view that as the above non-compliance incidents did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence and therefore do not affect (a) our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; and (b) our Company's suitability for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor, after considering the above, concurs with our Directors' view that our internal control measures are adequate and effective and our Directors have the character, experience, and integrity and the level of competence required of a director under Rules 3.08 and 3.09 of the Listing Rules and our Company and business are suitable for listing under Rule 8.04 of the Listing Rule.

INTERNAL CONTROL MEASURES TO PREVENT REOCCURRENCE OF NON-COMPLIANCE INCIDENTS

Our Directors are of the view that we have taken all reasonable steps to establish internal control system as recommended by an independent internal control consultant to prevent reoccurrence of the above non-compliance incidents. We have implemented the following internal control measures to reduce our exposure to risk of penalties from the relevant regulatory authorities in respect of our operations:

- (a) we will retain qualified PRC legal advisers after the Listing to advise our Group and provide training to our Directors and senior management personnel from time to time on the legal and regulatory requirements applicable to our operations in the PRC;
- (b) we have prepared and maintained a list of major PRC laws, rules and regulations that need to be complied with, and such list will be reviewed and updated by our post-Listing PRC legal advisers from time to time after the Listing;
- (c) we will establish the audit committee of our Board prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting, financial and tax matters to ensure compliance with the Listing Rules and all applicable laws, rules and regulations;
- (d) we will appoint a qualified independent professional firm to carry out internal audit functions to assist our Board to ensure due compliance of laws, rules and regulations applicable to our Group;

BUSINESS

- (e) our senior management personnel have been briefed by our executive Directors on the importance of regulatory matters and will continue to monitor our compliance with the applicable laws, rules and regulations and will work closely with our staff to implement any action required to ensure our ongoing compliance;
- (f) our Group has improved our existing internal control framework by adopting a set of internal control manual and policies in August 2015, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit, and the implementation of such internal control manual and policies will be overseen by the qualified independent professional firm as referred to in paragraph (d) above;
- (g) we have appointed the Sole Sponsor as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance, and Mr. Tam Pei Qiang, our financial controller and company secretary, will discuss with our compliance adviser on compliance matters in accordance with the Listing Rules on a regular basis such that any potential non-compliance incident identified will be reported to our Board on a timely basis and corresponding remedial action will be taken to address the potential issues; and
- (h) our Directors and senior management personnel attended a training session in September 2015 conducted by our legal advisers as to Hong Kong law regarding director's duties and continuing obligations of listed companies under the Listing Rules and the applicable laws, rules and regulations in Hong Kong.

In respect of anti-money laundering, we:

- put in place procedures to monitor and analyse cash flows to detect unusual cash flow and these include matching each bank receipts to sales invoice by our finance team, monitoring of trade receivables by our financial manager and sales manager and reporting to our Directors and chief financial officer any un-matched or unknown receipts;
- conduct due diligence on our customers by performing "Know-your-client" procedures for potential customers, and for existing customers periodically;
- provide training and awareness programmes to keep staff apprised of and updated on indicators of suspicious activity from time to time; and
- establish procedures to report suspicious transactions.

CONNECTED TRANSACTIONS

It is expected that the transactions disclosed in this section will continue following the Listing, thereby constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSON OF OUR COMPANY

The relationship between our Group and the counterparty to the transactions disclosed in this section is as follows:

HK Perfect

HK Perfect is 100% beneficially owned by Perfect Group, and 99% and 1% legally owned by Perfect Group and Mr. Kan (who holds such 1% legal interest in HK Perfect in trust for the benefit of Perfect Group) respectively. Perfect Group is owned as to 72% by Mr. Kan, being our executive Director and Controlling Shareholder, 10% by Mr. W.S. Chan, 10% by Mr. Luo, 5% by Mr. W.H. Chan and 3% by Mr. Chung. As such, HK Perfect (together with its wholly-owned subsidiaries) will become connected persons of our Company upon the Listing pursuant to Rule 14A.07(4) of the Listing Rules.

HKP Jewellery Trading Limited

Given that HK Perfect will become a connected person of our Company upon the Listing pursuant to Rule 14A.07(4) of the Listing Rules, HKP Jewellery Trading Limited, being a wholly-owned subsidiary of HK Perfect, will also become a connected person of our Company upon the Listing pursuant to Rule 14A.07(4) of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Dubai Tenancy Agreement

On 14 December 2015, HKP Jewellery Trading Limited entered into the Dubai Tenancy Agreement with Perfect (UAE) upon the completion of the transfer of the Dubai Property from Mr. W.H. Chan to HKP Jewellery Trading Limited in December 2015. Pursuant to the Dubai Tenancy Agreement, Perfect (UAE) has agreed to lease the Dubai Property with gross floor area of approximately 920 sq. ft. from HKP Jewellery Trading Limited for a term commencing on 16 December 2015 and expiring on 31 December 2017 as offices. The yearly rent payable by Perfect (UAE) under the Dubai Tenancy Agreement will be AED100,000 (equivalent to approximately HK\$210,000).

With respect to the connected transactions contemplated under the Dubai Tenancy Agreement, the historical figures during the Track Record Period and the proposed annual caps for the three years subsequent to the Track Record Period are listed below:

Historical figures for				Proposed annual caps for		
the year ended 31 December			the six months ended 30 June	the year ending 31 December		
2012	2013	2014	2015	2015	2016	2017
Not applicable as the term of the Dubai Tenancy Agreement was not commenced yet				HK\$9,600 (equivalent to approximately AED4,570)	HK\$231,000 (equivalent to approximately AED110,000)	HK\$231,000 (equivalent to approximately AED110,000)

The above proposed annual caps are based on the monthly rental under the Dubai Tenancy Agreement, which were determined based the prevailing market rates of comparable premises, and the currency fluctuation. Our Directors have confirmed that the transactions contemplated under the Dubai Tenancy Agreement have been and will be conducted on normal commercial terms.

CONNECTED TRANSACTIONS

As all the percentage ratios (other than the profits ratio) under the Listing Rules in respect of the above annual caps for the Dubai Tenancy Agreement are less than 0.1%, the transactions contemplated under the Dubai Tenancy Agreement will be exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules upon the Listing.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS

The Hong Kong Tenancy Agreement

Upon completion of the transfer of the Jewellery Business carried on by and certain assets and liabilities of HK Perfect to Perfect (HK), on 5 August 2015 Perfect (HK) entered into the Hong Kong Tenancy Agreement with HK Perfect, pursuant to which Perfect (HK) has agreed to lease the Hong Kong Property from HK Perfect for a term of three years commencing on 5 August 2015 as offices. The monthly rent payable by Perfect (HK) under the Hong Kong Tenancy Agreement is HK\$290,000.

With respect to the connected transactions contemplated under the Hong Kong Tenancy Agreement, the historical figures during the Track Record Period and the proposed annual caps for the three years subsequent to the Track Record Period are listed below:

Historical figures for				Proposed annual caps for		
the year ended 31 December			the six months ended 30 June	the year ending 31 December		
2012	2013	2014	2015	2015	2016	2017
Not applicable as the term of the Hong Kong Tenancy Agreement was not commenced yet				HK\$1,450,000	HK\$3,480,000	HK\$3,480,000

The above proposed annual caps are based on the monthly rental under the Hong Kong Tenancy Agreement, which were determined based the prevailing market rates of comparable premises. We have engaged an independent property valuer which, in view of the prevailing market conditions and the rental level of similar properties at the vicinity, is of the opinion that the Hong Kong Tenancy Agreement is fair and reasonable and the terms of the Hong Kong Tenancy Agreement are on normal commercial terms. Such independent property valuer has reviewed the rents and terms pursuant to the Hong Kong Tenancy Agreement and have confirmed that the terms of the Hong Kong Tenancy Agreement reflect the prevailing market condition in Hong Kong and that the rents payable by Perfect (HK) to HK Perfect reflect the prevailing market rates of comparable properties in the locality and are fair and reasonable. Our Directors have confirmed that the transactions contemplated under the Hong Kong Tenancy Agreement have been and will be conducted on normal commercial terms.

As all the percentage ratios (other than the profits ratio) under the Listing Rules in respect of the above annual caps for the Hong Kong Tenancy Agreement are more than 0.1% but less than 25% and the total annual consideration is more than HK\$3,000,000 but less than HK\$10,000,000, the transactions contemplated under the Hong Kong Tenancy Agreement will, in the absence of a waiver, be subject to reporting and announcement requirements but exempt from circular and shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

CONNECTED TRANSACTIONS

APPLICATION FOR WAIVER

Pursuant to Rule 14A.105 of the Listing Rules, the Sole Sponsor has applied on behalf of our Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the announcement requirement under Chapter 14A of the Listing Rules for the non-exempt continuing connected transactions contemplated under the Hong Kong Tenancy Agreement. Our Directors have confirmed that apart from the announcement requirement of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules upon the Listing.

CONFIRMATIONS

Directors' confirmation

Our Directors (including our independent non-executive Directors) have confirmed that:

- (a) the non-exempt continuing connected transactions contemplated under the Hong Kong Tenancy Agreement have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms which are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and
- (b) the proposed annual caps for the non-exempt continuing connected transactions contemplated under the Hong Kong Tenancy Agreement are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Sole Sponsor's confirmation

The Sole Sponsor has confirmed that:

- (a) the non-exempt continuing connected transactions contemplated under the Hong Kong Tenancy Agreement have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms which are fair and reasonable and in the interests of our Group and our Shareholders as a whole;
- (b) the amounts of rental payable under the Hong Kong Tenancy Agreement reflect prevailing market rates and are on terms no less favourable to our Group than terms available from Independent Third Parties; and
- (c) the proposed annual caps for the non-exempt continuing connected transactions contemplated under the Hong Kong Tenancy Agreement are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), Immaculate Diamonds will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Immaculate Diamonds is directly wholly-owned by Mr. Kan. As such, Mr. Kan and Immaculate Diamonds are our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our day-to-day operations.

During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on shareholder's equity, cash generated from operations and bank borrowings to finance our business. Upon completion of the Global Offering, our Directors expect that our future operations will be financed mainly by the net proceeds of the Global Offering, internally generated funds and borrowings from financial institutions.

The consideration of the Business Transfer in the amount of approximately HK\$282.1 million had not been settled by Perfect (HK) as at the Latest Practicable Date. In order to maintain sufficient level of capital of our Company and to eliminate the amount due to HK Perfect, being a close associate of Mr. Kan (one of our Controlling Shareholders), Perfect (HK) and HK Perfect have agreed that the consideration of the Business Transfer shall be capitalised prior to the Listing by way of the Loan Capitalisation Issue, details of which are set out in the section "Share Capital — Loan Capitalisation Issue" in this prospectus.

As such, prior to the Listing, all the amounts due to or from our Controlling Shareholders and their respective close associates (other than members of our Group) will be fully settled and there will be no outstanding loans to or from our Controlling Shareholders and their respective close associates (other than members of our Group). As at the Latest Practicable Date, the loan guarantees to or from our Controlling Shareholders and their respective close associates (other than members of our Group) had been released.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders, the amounts due to or from our Controlling Shareholders and their respective close associates (other than members of our Group) will be fully settled prior to the Listing and the loan guarantees to or from our Controlling Shareholders and their respective close associates (other than members of our Group) had been released, our Directors consider that our Group is financially independent of our Controlling Shareholders.

Operational independence

Except for the Dubai Tenancy Agreement and the Hong Kong Tenancy Agreement as disclosed in the section "Connected Transactions" in this prospectus, our Group holds all the production and operating facilities and technology necessary to our business operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of our Controlling Shareholders and their respective close associates (other than members of our Group). Our Directors consider that given we are at liberty to lease offices from Independent Third Party upon expiration of the existing tenancy agreements, the impact of our tenancy arrangements with HK Perfect and HKP Jewellery Trading Limited, being its wholly-owned subsidiary, on our operational independence is not material.

Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Other than being our executive Director, Mr. Kan is also the director of Immaculate Diamonds. Immaculate Diamonds is one of our Controlling Shareholders and an investment holding company without operations other than holding the Shares for Mr. Kan. Save as disclosed above, none of our Directors serves any executive or managerial role in Immaculate Diamonds.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the best interest of our Group and not to allow any conflict between his/her duties as a Director and his/her personal interest. Our independent non-executive Directors are all well-educated with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different background provides a balance of views and opinions. Please refer to the section “Directors and Senior Management — Directors” in this prospectus for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case Mr. Kan is required to abstain from voting at the Board meeting due to potential conflict of interest, other executive Directors, our non-executive Director and our independent non-executive Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

In addition, our Group has a senior management team independent of our Controlling Shareholders and the background of our senior management personnel is set out in the section “Directors and Senior Management — Senior management personnel” in this prospectus. None of our senior management personnel serves any executive or managerial role in Immaculate Diamonds.

In view of the aforesaid, our Directors are of the view that our management independence is upheld despite Mr. Kan also serving as a director of Immaculate Diamonds.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Directors has confirmed that none of our Controlling Shareholders and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further, each of our Directors has confirmed that he/she is not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has undertaken to our Company that they shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business of designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) and any other new business which our Group may undertake from time to time after the Listing (the “**Restricted Business**”).

The Deed of Non-competition does not apply to the relevant Controlling Shareholder in the circumstances where he/it has:

- (a) any interest in the shares of any member of our Group; or
- (b) interest in the shares of a company other than our Group provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 5% of that company’s consolidated sales or consolidated assets, as shown in that company’s latest audited accounts; and
 - (ii) the total number of shares held by our Controlling Shareholders and their respective close associates (other than members of our Group) in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholders and their respective close associates (other than members of our Group) are not entitled to appoint a majority of the directors of that company.

The “**Restricted Period**” stated in the Deed of Non-competition refers to the period during which:

- (a) the Shares remain listed on the Stock Exchange; and
- (b) our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (c) our Controlling Shareholders or their respective close associates remains as a director of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to our Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) shall be first referred to our Group in the following manner:

- (a) our Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to, promptly refer, or procure the referral of, the New Opportunity to our Group, and shall promptly give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with our business and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our business; or (ii) the Offeror has not received the notice from our Company within ten business days from our Company’s receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of our independent non-executive Directors as to whether (a) such New Opportunity would constitute competition with our business; (b) it is in the interest of our Company and our Shareholders as a whole to take up the New Opportunity; and (c) to take up or decline the New Opportunity.

With a view to avoiding competition of businesses between our Group and our Controlling Shareholders, our independent non-executive Directors will, at least on an annual basis, review the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders and the results of such review will be included in our annual report.

Each of our Controlling Shareholders has further undertaken to promptly:

- (a) provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;
- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives, our auditors and (if necessary) our compliance adviser to have access to their business, financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether our Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;
- (c) make an annual declaration in our annual report on compliance with and enforcement of the Deed of Non-competition in accordance with the Listing Rules; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time.

Our Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have also acknowledged that we may be required by the relevant laws, rules and regulations of the stock exchange(s) on which the Shares may be listed and the regulatory bodies in effect from time to time to:

- (a) disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and our Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement; and
- (b) comply with such further legal or regulatory requirements in connection with the Deed of Non-competition and our Controlling Shareholders have agreed to do all such acts to facilitate our Company to comply with the same.

Our Controlling Shareholders further jointly and severally undertake that they will not, and will procure their respective close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or higher) of any member of our Group. Our Controlling Shareholders further jointly and severally undertake that they will not, and will procure their close associates not to, exploit their knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Business.

CORPORATE GOVERNANCE

The Deed of Non-competition provides that our Controlling Shareholders and their respective close associates (other than members of our Group) shall not compete with our Group. Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

- (a) our Company has adopted the Articles of Association which provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- (b) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and enforcement of the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to take up the New Opportunity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) our Controlling Shareholders will, as stipulated under the Deed of Non-competition, provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;
- (d) our Company will disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline;
- (e) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Background of our independent non-executive Directors are set out in the section “Directors and Senior Management — Directors” in this prospectus; and
- (f) we have appointed the Sole Sponsor as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors’ duties and corporate governance.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the chief executive of our Company, immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), the following persons (other than a Director or the chief executive of our Company)/entities will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Entity	Company concerned	Nature of interests	As at the Latest Practicable Date		Immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)	
			Class and number of securities held ⁽¹⁾	Percentage of interests in the company concerned	Class and number of securities held ⁽¹⁾	Percentage of interests in the company concerned
Immaculate Diamonds	Our Company	Beneficial owner	144 ordinary Shares (L)	72	243,000,000 ordinary Shares (L) ⁽²⁾	54.0
Classic Sapphire	Our Company	Beneficial owner	20 ordinary Shares (L)	10	33,750,000 ordinary Shares (L)	7.5
Mr. W.S. Chan	Our Company	Interest in controlled corporation	20 ordinary Shares (L)	10	33,750,000 ordinary Shares (L) ⁽³⁾	7.5
Classic Amber	Our Company	Beneficial owner	20 ordinary Shares (L)	10	33,750,000 ordinary Shares (L)	7.5
Mr. Luo	Our Company	Interest in controlled corporation	20 ordinary Shares (L)	10	33,750,000 ordinary Shares (L) ⁽⁴⁾	7.5

Note:

- (1) The letter “L” denotes the entity’s long position in the Shares.
- (2) Of these 243,000,000 Shares, 16,875,000 Shares may be subject to the stock borrowing arrangement to be effected pursuant to the Stock Borrowing Agreement.
- (3) These 33,750,000 Shares are held by Classic Sapphire, which in turn is directly wholly-owned by Mr. W.S. Chan. As such, Mr. W.S. Chan is deemed under the SFO to be interested in these 33,750,000 Shares upon the Listing.
- (4) These 33,750,000 Shares are held by Classic Amber, which in turn is directly wholly-owned by Mr. Luo. As such, Mr. Luo is deemed under the SFO to be interested in these 33,750,000 Shares upon the Listing.

SUBSTANTIAL SHAREHOLDERS

Our substantial shareholders, being persons and entities which are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), include Mr. Kan and Immaculate Diamonds. Immaculate Diamonds is directly wholly-owned by Mr. Kan.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Date of joining HK Perfect/our Group</u>	<u>Present Position</u>	<u>Date of appointment as Director</u>	<u>Key role and responsibility</u>
Mr. Kan Kin Kwong (簡健光先生) (<i>chairman of our Board and chief executive officer</i>) ⁽¹⁾⁽²⁾	56	28 October 1986 (as a director of HK Perfect)	Executive Director	16 June 2015	Managing the overall operations of our Group and planning our business development and strategies
Ms. Shek Mei Chun (石美珍女士) ⁽²⁾	50	29 March 1990 (as a director of HK Perfect)	Executive Director	19 August 2015	Managing the sales operations of our Group
Mr. Chung Chi Keung (鍾志強先生)	54	1 March 1990 (as an accountant of HK Perfect)	Executive Director	19 August 2015	Responsible for financial planning and management of our Group
Mr. Chu Kin Wang Peleus (朱健宏先生)	51	19 August 2015	Non-executive Director	19 August 2015	Providing advice and participating in meetings of our Board in connection with matters requiring Directors' consideration and/or approval
Mr. Fan Chor Ho (范佐浩先生)	73	14 December 2015	Independent non-executive Director	14 December 2015	Serving on the nomination committee of our Board
Mr. Li Cheuk Wai (李卓威先生)	44	14 December 2015	Independent non-executive Director	14 December 2015	Serving on the audit committee, the remuneration committee and the nomination committee of our Board
Mr. Wong Wai Keung Frederick (黃煒強先生)	59	14 December 2015	Independent non-executive Director	14 December 2015	Serving on the audit committee and the remuneration committee of our Board

Note:

- (1) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company does not currently separate the roles of the chairman of our Board and our chief executive officer. Mr. Kan is the chairman of our Board and our chief executive officer. Mr. Kan has extensive experience in the fine jewellery industry and is responsible for managing the overall operations of our Group and planning our business development and strategies. Our Directors consider that vesting the roles of the chairman of our Board and our chief executive officer in the same individual is beneficial to the management and business development of our Group. The balance of power and authority is ensured by the operations of our Board and our senior management

DIRECTORS AND SENIOR MANAGEMENT

personnel, which comprise experienced and high calibre individuals. Our Board will continue to review and consider splitting the roles of the chairman of our Board and our chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

- (2) Ms. Shek Mei Chun is the spouse of Mr. Kan.

Executive Directors

Mr. Kan Kin Kwong (簡健光先生), aged 56, was appointed as our Director in June 2015 and was appointed as the chairman of our Board and our chief executive officer, and designated as our executive Director in August 2015. Mr. Kan is the founder of our Group and was appointed as a director of HK Perfect in October 1986. Mr. Kan is also the director of Perfect (BVI) and Perfect (HK), our wholly-owned subsidiaries. Mr. Kan is mainly responsible for managing the overall operations of our Group and planning our business development and strategies, in particular, overseeing the business activities of our Group, supervising the operations and resources allocation of our Group and driving our Group to attain performance targets.

Mr. Kan has over 30 years of experience in the fine jewellery industry. Currently, Mr. Kan is the first honorary president of the Hong Kong Gemstone Manufacturers' Association, the 18th honorary president of the Hong Kong Jade Association, the vice president of the Hong Kong Gold and Silver Ornament Workers & Merchants General Union.

Mr. Kan has not been a director of any listed companies in the last three years.

Ms. Shek Mei Chun (石美珍女士), aged 50, was appointed as our executive Director in August 2015. Mrs. Kan was appointed as a director of HK Perfect in March 1990. Mrs. Kan is mainly responsible for managing the sales operations of our Group, in particular, overseeing the sales activities of our Group, leading our sales team to attain sales targets and devising sales plans based on the varying demands and customer behaviour in different markets.

Mrs. Kan completed form five at Mu Kuang English School in July 1982.

Mrs. Kan has over 25 years of experience in the fine jewellery industry. Prior to joining our Group, Mrs. Kan worked for Golden Sun Jewellery Mfg. Company, an entity engaging in jewellery manufacturing, as a clerk from October 1983 to April 1985.

Mrs. Kan has not been a director of any listed companies in the last three years.

Mr. Chung Chi Keung (鍾志強先生), aged 54, was appointed as our executive Director in August 2015. Mr. Chung joined HK Perfect as an accountant in March 1990. Mr. Chung was appointed as a director of HK Perfect in November 2006. In September 2008, Mr. Chung was promoted to the chief financial officer of our Group mainly responsible for financial planning and management of our Group.

Mr. Chung was awarded a higher stage certificate for proficiency in accounting and a certificate of proficiency in cost accounting, both issued by the London Chamber of Commerce and Industry in 1982 and 1985 respectively. Mr. Chung also passed the intermediate examination of the Association of Accounting Technicians in December 1991.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung has over 30 years of experience in the accounting industry. Prior to joining our Group, Mr. Chung worked for Dyechem Trading Co., (H.K.) Ltd., a company engaging in trading of pharmaceutical products, first as an accounts clerk from January 1982 to March 1986 and thereafter as a senior accounts clerk from April 1986 to September 1988. From August 1988 to February 1990, Mr. Chung worked for Rex Watch Case Manufacturing Co., Ltd., a company engaging in watch case manufacturing, as an assistant accountant.

Mr. Chung has not been a director of any listed companies in the last three years.

Non-executive Director

Mr. Chu Kin Wang Peleus (朱健宏先生), aged 51, was appointed as our non-executive Director in August 2015. Mr. Chu is mainly responsible for providing advice and participating in meetings of our Board in connection with matters requiring Directors' consideration and/or approval.

Mr. Chu received a master's degree in business administration from the University of Hong Kong in December 1998. Mr. Chu has been an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since April 1996, an associate of the Institute of Chartered Secretaries and Administrators since April 1996, a fellow of the Association of Chartered Certified Accountants since May 1997 and a fellow of the Hong Kong Institute of Certified Public Accountants since March 2000.

Mr. Chu has over 20 years of experience in corporate finance, auditing, accounting and taxation. Mr. Chu was or has been an executive director or a senior management personnel of the following companies listed on the Main Board of the Stock Exchange:

- (a) Mastermind Capital Limited (formerly known as Haywood Investment Limited) (stock code: 905): executive director from September 2005 to March 2007;
- (b) Chinese People Holdings Company Limited (stock code: 681): executive director since December 2008 and deputy chairman since March 2015; and
- (c) Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (stock code: 1383): company secretary from February 2007 to September 2010.

Further, Mr. Chu was or has been an independent non-executive director of the following companies listed on the Main Board or the Growth Enterprise Market of the Stock Exchange:

- (a) Sustainable Forest Holdings Limited (stock code: 723) from January 2008 to August 2010;
- (b) EYANG Holdings (Group) Co. Limited (stock code: 117) since April 2007;
- (c) Huayu Expressway Group Limited (stock code: 1823) since May 2009;
- (d) Flyke International Holdings Ltd. (stock code: 1998) since February 2010;
- (e) China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since October 2011;

DIRECTORS AND SENIOR MANAGEMENT

- (f) EDS Wellness Holdings Limited (stock code: 8176) since March 2012;
- (g) Telecom Service One Holdings Limited (stock code: 8145) since April 2013;
- (h) National Agricultural Holdings Limited (stock code: 1236) from June 2015 to September 2015; and
- (i) Madison Wine Holdings Limited (stock code: 8057) since October 2015.

Save as disclosed above, Mr. Chu has not been a director of any listed companies in the last three years.

Independent non-executive Directors

Mr. Fan Chor Ho (范佐浩先生), aged 73, was appointed as our independent non-executive Director in December 2015.

Mr. Fan graduated from King's College in Hong Kong in 1960.

Mr. Fan began his securities brokerage business in 1970 and founded Paul Fan Securities Limited, a company engaging in securities brokerage, in 1987. Mr. Fan was the chairman of Paul Fan Securities Limited until 2012. Mr. Fan served the Stock Exchange as a member of the compensation committee from 1988 to 1992 and as a council member from 1990 to 1993. From 1993 to 1997 and from 2001 to 2007, Mr. Fan was a member of the advisory committee to the SFC. From April 2000 to April 2003, Mr. Fan was a non-executive director of Hong Kong Exchanges and Clearing Limited. Mr. Fan held various positions on government boards and committees, including the chairman of the Chinese Medicine Council of Hong Kong from September 2005 to September 2011. Mr. Fan has been an independent non-executive director of Tysan Holdings Limited, a company listed on the Stock Exchange (stock code: 687), since August 1993 and is currently the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of such company. Mr. Fan was awarded the Badge of Honour in 1991, made a Justice of the Peace in 1993, awarded the Bronze Bauhinia Star in 2005 and awarded the Silver Bauhinia Star in 2011.

Save as disclosed above, Mr. Fan has not been a director of any listed companies in the last three years.

Mr. Li Cheuk Wai (李卓威先生), aged 44, was appointed as our independent non-executive Director in December 2015.

Mr. Li received a bachelor's degree in social science from the Chinese University of Hong Kong in May 1995 and a bachelor's degree in laws from the University of London in August 2000. Mr. Li obtained the postgraduate certificate in laws issued by the University of Hong Kong in June 2001. Mr. Li was admitted a solicitor of the High Court of Hong Kong in September 2003.

From June 2014 to November 2014, Mr. Li was an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Stock Exchange (stock code: 2312). Currently, Mr. Li is the senior partner of Li & Lai, a firm of solicitors in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, Mr. Li has not been a director of any listed companies in the last three years.

Mr. Wong Wai Keung Frederick (黃煒強先生), aged 59, was appointed as our independent non-executive Director in December 2015.

Mr. Wong received a master's degree in electronic commerce from Edith Cowan University in Australia in February 2002. Mr. Wong has been a fellow of the Hong Kong Institute of Certified Public Accountants since June 1991 and a fellow of the Institute of Chartered Accountants in England and Wales since December 1993.

Mr. Wong has over 30 years of experience in accounting, finance, audit, tax and corporate finance with an international certified public accountant firm and listed companies in the United Kingdom, New Zealand, Hong Kong and Thailand. From April 1996 to March 1999, Mr. Wong was an executive director of Hwa Kay Thai Holdings Limited (currently known as China Solar Energy Holdings Limited), a company listed on the Stock Exchange (stock code: 155). From January 2001 to January 2011, Mr. Wong was the chief financial officer and company secretary of CIG Yangtze Ports PLC, a company listed on the Stock Exchange (stock code: 8233), and has been an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of such company since April 2014 and the chairman of the nomination committee of such company since October 2015. Mr. Wong has been the chief financial officer of APAC Resources Limited, a company listed on the Stock Exchange (stock code: 1104), since January 2011, and was the company secretary of such company from April 2011 to December 2011 before he was reappointed the same position in February 2013.

Save as disclosed above, Mr. Wong has not been a director of any listed companies in the last three years.

SENIOR MANAGEMENT PERSONNEL

Other than our Directors, our senior management team consists of five members, who, together with our executive Directors, are responsible for the day-to-day management of our Group. The following table sets forth certain information in respect of our senior management personnel:

<u>Name</u>	<u>Age</u>	<u>Date of joining HK Perfect/our Group</u>	<u>Present Position</u>	<u>Date of appointment as senior management personnel</u>	<u>Key role and responsibility</u>
Ms. Chan Hoi Man (陳凱文女士)	38	1 April 2004 (as a buyer of HK Perfect)	Sales director	2 February 2009	Supervising sales team and marketing activities
Mr. Chan Wai Hung (陳偉雄先生)	32	4 May 2006 (as a sales executive of HK Perfect)	Business development director	4 January 2010	Responsible for business development and operations in Dubai and its vicinity

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Date of joining HK Perfect/our Group</u>	<u>Present Position</u>	<u>Date of appointment as senior management personnel</u>	<u>Key role and responsibility</u>
Ms. Kong Pui Fun Pansy (江佩芬女士)	48	8 October 2007 (as a human resources and administrative manager of HK Perfect)	Human resources and administrative director	1 July 2011	Responsible for human resources and administrative matters
Mr. Luo Jacky (羅惠源先生)	44	3 January 2011 (as a general manager of HK Perfect)	Chief operating officer	2 January 2012	Responsible for overall operational matters
Mr. Tam Pei Qiang (譚沛強先生)	41	13 October 2015	Financial controller and company secretary	13 October 2015	Responsible for financial reporting and compliance

Ms. Chan Hoi Man (陳凱文女士), aged 38, was appointed as the sales director of our Group in February 2009. Ms. Chan joined HK Perfect as a buyer in April 2004. Ms. Chan is mainly responsible for supervising sales team and marketing activities.

Ms. Chan was awarded a certificate of diamond & diamond grading and a diploma of graduate diamonds by the Gemological Institute of America in February 2005.

Prior to joining our Group, Ms. Chan worked for Royal Trading Co., a company engaging in trading of diamond jewellery, as a purchasing officer from May 1994 to May 1999. From May 1999 to July 2000, Ms. Chan worked for Luk Fook Holdings Co., Ltd., a wholly-owned subsidiary of Luk Fook Holdings (International) Limited (a company listed on the Stock Exchange (stock code: 590)) engaging in wholesale distribution of gold and jewellery products, as a purchasing clerk. From October 2001 to March 2004, Ms. Chan worked for Diamart Limited, a company engaging in trading of diamonds, as a diamonds assessor.

Ms. Chan has not been a director of any listed companies in the last three years.

Mr. Chan Wai Hung (陳偉雄先生), aged 32, was appointed as the business development director of our Group in January 2010. Mr. W.H. Chan joined HK Perfect as a sales executive in May 2006. Mr. W.H. Chan is mainly responsible for business development and operations in Dubai and its vicinity, in particular, overseeing the operations of HKP LLC (prior to its dissolution) and Perfect (UAE), devising sales plans for the Dubai market for approval by our Directors, maintaining and enhancing business relationships with our customers from Dubai and its vicinity, and exploring new business opportunity in Dubai and its vicinity for the purpose of strengthening our market share in such regions. Mr. W.H. Chan is the son of Mr. W.S. Chan, the sole shareholder of Classic Sapphire which will hold 7.5% of the issued share capital of our Company upon the Listing (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

DIRECTORS AND SENIOR MANAGEMENT

Mr. W.H. Chan completed form five at the Hong Kong Sze Yap Commercial & Industrial Association Wong Tai Shan Memorial College in July 2002.

Mr. W.H. Chan has not been a director of any listed companies in the last three years.

Ms. Kong Pui Fun Pansy (江佩芬女士), aged 48, was appointed as the human resources and administrative director of our Group in July 2011. Ms. Kong joined HK Perfect as a human resources and administrative manager in October 2007. Ms. Kong is mainly responsible for human resources and administrative matters.

Ms. Kong was awarded a diploma in business administration by the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) in July 1991, and received a bachelor's degree in business administration from the Open University of Hong Kong in December 2002.

Prior to joining our Group, Ms. Kong worked for Sun Hung Kai Real Estate Agency Ltd., a real estate agency company, as a personnel clerk in the internal affairs department from October 1990 to June 1991. From June 1991 to October 1993, Ms. Kong worked for Southyank Limited, a company engaging in manufacturing sports shoes, as a personnel and administration assistant. From December 1993 to December 1999, Ms. Kong worked for Kar Yau Trading Company Limited, a company engaging in jade manufacturing and wholesaling, as the office manager. From December 1999 to October 2005, Ms. Kong worked for Integrated Display Technology Limited, a company engaging in manufacturing electronic products, as a secretary to the group research and development department. From May 2006 to September 2007, Ms. Kong worked for Intex Syndicate Limited, a company engaging in manufacturing toys, as the secretary to the managing director.

Ms. Kong has not been a director of any listed companies in the last three years.

Mr. Luo Jacky (羅惠源先生), aged 44, was appointed as the chief operating officer of our Group in January 2012. Mr. Luo joined HK Perfect as a general manager in January 2011. Mr. Luo is mainly responsible for overall operational matters, in particular, ensuring the smooth operations of the various departments within our Group, liaising with Perfect Factory and the various departments within our Group to ensure that their operations could accommodate to each other, and ensuring our products are manufactured and delivered in accordance with customers' specifications.

Mr. Luo completed a three-year high school technical course in computer at Shenzhen City Electronic Technology School (深圳市電子技術學校) in June 1990.

Prior to joining our Group, Mr. Luo worked for Zhaoqing Nan Yun Toys Co., Ltd. (肇慶南潤玩具製品有限公司), a company engaging in manufacturing and trading of toys, as a manager from March 1995 to June 2000. From November 2000 to October 2010, Mr. Luo worked for Golden Dragon Jewelry Corp., a company engaging in manufacturing and trading of jewellery, as a manager.

Mr. Luo has not been a director of any listed companies in the last three years.

Mr. Tam Pei Qiang (譚沛強先生), aged 41, was appointed as the financial controller of our Group and our company secretary in October 2015. Mr. Tam is mainly responsible for financial reporting and compliance.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in December 1999. Mr. Tam has been a member of the Association of Chartered Certified Accountants since June 2003 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2005.

Prior to joining our Group, Mr. Tam worked for Hoosang, Lyn, Li & Co. Ltd., a firm of certified public accountants, from August 1999 to April 2003 and last held the position of audit senior. From May 2003 to March 2004, Mr. Tam worked for Cosmic Digital Technology Co., Limited, a company engaging in manufacturing and trading of VCD and DVD players then, as an accountant. From April 2004 to February 2005, Mr. Tam worked for Da Ning Pharmaceutical Factory Limited, a company engaging in manufacturing and trading of Chinese medicine, as a deputy manager responsible for managing the account department. From May 2005 to August 2014, Mr. Tam worked for Green Energy Group Limited, a company listed on the Stock Exchange (stock code: 979), first as financial controller, company secretary and authorised representative and last held the positions of company secretary and authorised representative.

Mr. Tam has not been a director of any listed companies in the last three years.

COMPANY SECRETARY

Mr. Tam Pei Qiang (譚沛強先生), aged 41, was appointed as our company secretary in October 2015. Please refer to the paragraph "Senior management personnel" in this section for details of his qualification and experience.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 14 December 2015 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. The primary roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; (c) reviewing our financial controls, internal control and risk management systems. Our audit committee consists of three members, namely, Mr. Wong Wai Keung Frederick (黃煒強先生), Mr. Chu Kin Wang Peleus (朱健宏先生) and Mr. Li Cheuk Wai (李卓威先生). Mr. Wong Wai Keung Frederick is the chairman of our audit committee. Please refer to the paragraph "Directors" in this section for the background of the members of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 14 December 2015 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the CG Code has been adopted. The primary roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent

DIRECTORS AND SENIOR MANAGEMENT

procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives; and (c) making recommendations to our Board on the remuneration of non-executive Directors. Our remuneration committee consists of three members, namely, Mr. Li Cheuk Wai (李卓威先生), Mr. Chung Chi Keung (鍾志強先生) and Mr. Wong Wai Keung Frederick (黃煒強先生). Mr. Li Cheuk Wai is the chairman of our remuneration committee. Please refer to the paragraph "Directors" in this section for the background of the members of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 14 December 2015 in compliance with paragraph A.5.1 of the CG Code. Written terms of reference in compliance with paragraph A.5.2 of the CG Code has been adopted. The primary roles of our nomination committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors. Our nomination committee consists of three members, namely, Mr. Kan, Mr. Fan Chor Ho (范佐浩先生) and Mr. Li Cheuk Wai (李卓威先生). Mr. Kan is the chairman of our nomination committee. Please refer to the paragraph "Directors" in this section for the background of the members of our nomination committee.

REMUNERATION OF MANAGEMENT PERSONNEL

Our Directors and senior management personnel receive emoluments in the form of director's fees (only applicable to our Directors), salaries and other benefits, performance-based bonuses and retirement benefits scheme contributions. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management personnel based on the qualification, position and seniority of each Director and senior management personnel. The aggregate amount of emoluments (including director's fees, salaries and other benefits, performance-based bonuses and retirement benefits scheme contributions) paid to our executive Directors for the three years ended 31 December 2014 and the six months ended 30 June 2015 amounted to approximately HK\$2,429,000, HK\$2,579,000, HK\$2,591,000 and HK\$867,000 respectively. Details of the remuneration paid to our executive Directors during the Track Record Period are set out in note 13 to the Accountants' Report.

The aggregate amount of emoluments (including salaries and other benefits, performance-based bonuses and retirement benefits scheme contributions) paid to the five highest paid individuals (excluding our Directors) of our Group for the three years ended 31 December 2014 and the six months ended 30 June 2015 amounted to approximately HK\$1,671,000, HK\$1,704,000, HK\$2,711,000 and HK\$1,078,000 respectively.

The aggregate remuneration payable to, and benefits in kind receivable by, our Directors and our senior management personnel by any member of our Group in respect of the year ending 31 December 2015 under the arrangements in force at the date of this prospectus are estimated to be approximately HK\$3,876,000.

Our Directors (including our independent non-executive Directors) and senior management personnel are entitled to participate in the Share Option Scheme, the principal terms of which are set out in the paragraph "Share Option Scheme" in Appendix V to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Further details of the terms of the service agreements of and remuneration paid to our Directors are set out in the paragraph “Particulars of service agreements and appointment letters” in Appendix V to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed the Sole Sponsor to be our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules and under the agreement with our compliance adviser, we shall consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules concerning unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares, or any other matters.

The term of the engagement will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

SHARE CAPITAL

The authorised share capital of our Company is as follows:

Authorised share capital as at the Latest Practicable Date

		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following the Global Offering will be as follows:

Shares in issue or to be issued, full paid or credited as fully paid

		<i>HK\$</i>
200	Shares in issue as at the date of this prospectus	2
112,500,000	Shares to be issued pursuant to the Global Offering	1,125,000
	Shares to be issued pursuant to the Loan Capitalisation	
100	Issue	1
<u>337,499,700</u>	Shares to be issued pursuant to the Capitalisation Issue	<u>3,374,997</u>
<u>450,000,000</u>		<u>4,500,000</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following the Global Offering will be as follows:

Shares in issue or to be issued, full paid or credited as fully paid

		<i>HK\$</i>
200	Shares in issue as at the date of this prospectus	2
129,375,000	Shares to be issued pursuant to the Global Offering	1,293,750
	Shares to be issued pursuant to the Loan Capitalisation	
100	Issue	1
<u>337,499,700</u>	Shares to be issued pursuant to the Capitalisation Issue	<u>3,374,997</u>
<u>466,875,000</u>		<u>4,668,750</u>

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with the Shares in issue and to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date other than participation in the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the provisions of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders to (a) increase our capital; (b) consolidate and divide our capital into Shares of larger amount; (c) divide the Shares into several classes; (d) sub-divide the Shares into Shares of smaller amount; and (e) cancel any Share which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. For details, please refer to the paragraph “Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the provisions of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the paragraph “Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional upon the conditions stated in the section “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled or waived, a general unconditional mandate has been granted to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Shares) which may require the Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (a) a rights issue; (b) any scrip dividend scheme or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with the Articles of Association; (c) any specific authority granted by our Shareholders in general meeting; or (d) the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, shall not exceed 20% of the enlarged issued share capital of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue.

Such general mandate will remain in effect until the earliest of (a) the conclusion of our Company’s next annual general meeting; (b) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held; and (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting. Please refer to the paragraph “Written resolutions of our Shareholders” in Appendix V to this prospectus for further details of such general mandate.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional upon the conditions stated in the section “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled or waived, a general unconditional mandate has been granted to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the enlarged issued share capital of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue, excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. A summary of the relevant requirements of the Listing Rules on such general mandate is set forth in the paragraph “Repurchase of our own securities” in Appendix V to this prospectus.

Such general mandate will remain in effect until the earliest of (a) the conclusion of our Company’s next annual general meeting; (b) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held; and (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting. Please refer to “Appendix V — Statutory and General Information — A. Further information about our Group — Written resolutions of our Shareholders” to this prospectus for further details of such general mandate.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set forth in the paragraph “Share Option Scheme” in Appendix V to this prospectus.

LOAN CAPITALISATION ISSUE

The consideration of the Business Transfer in the amount of approximately HK\$282.1 million had not been settled by Perfect (HK) as at the Latest Practicable Date. In order to maintain sufficient level of capital of our Company and to eliminate the amount due to HK Perfect, being a close associate of Mr. Kan (one of our Controlling Shareholders), Perfect (HK) and HK Perfect have agreed that the consideration of the Business Transfer shall be capitalised prior to the Listing by way of the Loan Capitalisation Issue by allotting and issuing of 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively, by way of a deed of assignment of loan dated 14 December 2015 executed by HK Perfect, the aforesaid allottees and Perfect (HK) at an aggregate subscription price equal to the consideration of the Business Transfer.

CAPITALISATION ISSUE

Subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors have been authorised to allot and issue a total of 337,499,700 Shares, credited as fully paid at par, to our Shareholder whose name appears on the register of members of our Company at 5:00 p.m. on 15 December 2015 (or such other time as our Directors may direct) by way of capitalisation of a sum of HK\$3,374,997 standing to the credit of the share premium account of our Company, and that the Shares to be allotted and issued shall, as nearly as possible, not involve fractions and shall rank *pari passu* in all respects with the then existing issued Shares.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial statements together with the accompanying notes, set forth in the Accountants' Report. Our combined financial statements have been prepared in accordance with the HKFRS issued by HKICPA.

The following discussion and analysis contain forward-looking statements that reflect our current view based on assumptions and expectations in light of our experience and perception of historic trends, current conditions and other factors that we believe are appropriate under the circumstances. Whether the actual outcome is consistent with such assumptions and expectations depends on a number of risks and uncertainties over which we do not have control and our actual results may differ materially from those anticipated in the forward-looking statements. You should carefully consider the information provided in the sections "Forward-looking Statements" and "Risk Factors" in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are primarily engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). We offer a wide range of fine jewellery products, which include rings, earrings, pendants, bangles, necklaces and bracelets.

Our revenue was approximately HK\$542.8 million, HK\$536.3 million, HK\$516.2 million and HK\$265.8 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. We recorded a net profit of approximately HK\$81.0 million, HK\$107.0 million, HK\$90.4 million and HK\$41.9 million, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. As at 30 June 2015, we had total assets of approximately HK\$567.7 million and total liabilities of approximately HK\$145.2 million, amounting to approximately HK\$422.5 million of total equity.

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the average unit price of our fine jewellery products was approximately HK\$9,433, HK\$9,420, HK\$8,869 and HK\$8,941 respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in the section "History, Development and Reorganisation — Corporate structure — Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group on 14 December 2015. The Jewellery Business has been under the common control of our Controlling Shareholder throughout the Track Record Period and before and after the Reorganisation. As a result, our Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information has been prepared on the basis as if our Company had always been the holding company of our Group and our Group had always been operating the Jewellery Business, using the principles of merger accounting.

FINANCIAL INFORMATION

The financial information for the Track Record Period includes the results, changes in equity and cash flows of the Jewellery Business as if our Company had always been the holding company of our Group and the Jewellery Business had always been operated by our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, whichever is shorter.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

Our financial information has been prepared in accordance with the HKFRS issued by the HKICPA. In addition, our financial information includes applicable disclosures required by the Listing Rules and the Companies Ordinance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We set forth below those critical accounting policies, estimates and judgements used in the preparation of our financial statements. Such critical accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, along with other accounting policies, estimates and judgements are set forth in greater details in notes 4 and 6 to the Accountants' Report. Our estimates and underlying assumptions are reviewed by our management on an on-going basis. We have not experienced any material deviation between our management's estimates and actual results and have not changed these estimates during the Track Record Period. Our management does not expect any likely changes in these estimates in the foreseeable future.

Business combination under common control

The financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

Sales of goods are recognised when goods are delivered and title has passed.

FINANCIAL INFORMATION

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our 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.

Property, plant and equipment

Property, plant and equipment, other than land and buildings, held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the combined statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Non-current assets held for sale/distribution

Non-current assets are classified as held for sale/distribution if their carrying amount will be recovered principally through a sale transaction/distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition and our management must be committed to the sale/distribution, which should be expected to qualify for recognition as a completed sale/distribution within one year from the date of classification. Non-current assets classified as held for sale/distribution are measured at the lower of their previous carrying amount and fair value less costs of disposal.

FINANCIAL INFORMATION

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of trade receivables

For trade 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 our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables 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 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.

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/period. Taxable profit differs from "profit before taxation" as reported in the combined statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information 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 difference 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 investment in subsidiaries, except where our 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 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.

FINANCIAL INFORMATION

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 our Group expects, at the end of each 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 it relates 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in foreign currencies (i.e. currencies other than the functional currency of the entity) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the financial information, the assets and liabilities of our Group's foreign operations are translated into the presentation currency of our Group (i.e. HKD) using exchange rate prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Effects of macroeconomic condition on consumer spending

According to the IPSOS Report, the growing global retail sales value of fine jewellery products between 2010 and 2014 was attributed to the improving global economy after the 2008 global financial crisis, as people had more disposable income to purchase fine jewellery products as accessories and/or investments. The demand of our fine jewellery products, being high-end products, is highly sensitive to the macroeconomic environment.

FINANCIAL INFORMATION

The table below sets forth our revenue by region, based on location of delivery to customers, and the respective gross profit margin for the respective periods indicated:

Region/Country	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin	Revenue	Percentage of revenue	Gross profit margin
	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)	(HK\$'000)	(%)	(%)
Dubai	282,801	52.1	22.0	275,096	51.3	28.9	262,819	50.9	28.5	149,663	53.2	29.5	123,802	46.6	26.3
Hong Kong	226,774	41.8	25.5	220,971	41.2	33.4	206,848	40.1	32.1	105,401	37.4	33.1	112,470	42.3	31.6
USA	33,256	6.1	16.0	40,226	7.5	23.0	46,487	9.0	21.9	26,327	9.4	22.4	29,531	11.1	21.6
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

Note: The above is based on the location of delivery to customers. For example, sales taking place in exhibitions held in Hong Kong where delivery of products to customers happening at the same time would be regarded as sales conducted in Hong Kong, regardless of the places of origins of the relevant customers.

The table below sets forth our revenue by location of our customers during the Track Record Period:

Region/Country	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Middle East ⁽¹⁾	309,833	57.1	299,370	55.8	285,509	55.3	133,432	50.2
USA	67,134	12.3	80,573	15.0	84,620	16.4	55,858	21.0
Philippines	71,135	13.1	79,734	14.9	78,904	15.3	44,526	16.8
Sub-total	448,102	82.5	459,677	85.7	449,033	87.0	233,816	88.0
Others ⁽²⁾⁽³⁾	94,729	17.5	76,616	14.3	67,121	13.0	31,987	12.0
Total	542,831	100.0	536,293	100.0	516,154	100.0	265,803	100.0

FINANCIAL INFORMATION

Note:

- (1) Sales to customers from the Middle East mainly include sales to customers from the UAE as well as sales to customers from other Middle East countries, such as Turkey, Egypt, Lebanon and Israel.
- (2) Sales to “Others” include sales to customers from more than 20 regions/countries, without limitation to Australia, Russia, Hong Kong, Malaysia, Indonesia and Canada, and sales to walk-in customers who patronised our ready-made jewellery products at jewellery exhibitions, the places of origins of whom were not identified. During the Track Record Period, sales to the aforesaid walk-in customers were minimal.
- (3) None of the sales to each of the countries identified and categorised under “Others” exceeded 3% of the revenue of our Group in the respective periods.

During the Track Record Period, sales to customers from the Middle East accounted for approximately 57.1%, 55.8%, 55.3% and 50.2% of our total revenue respectively. As a result, our revenue is particularly dependent on the ability of customers from the Middle East to maintain their current level of purchases. If our sales to customers from the Middle East decrease due to economic downturn in the Middle East or other reason whatsoever, our revenue may be significantly affected unless we are able to increase our sales to customers from other regions/countries to compensate the reduction.

Please refer to the section “Risk Factors — Risks relating to our business — Our business and financial position may be materially and adversely affected if there is a global economic downturn, in particular, in the Middle East market” in this prospectus for further details.

Fluctuations of prices of raw materials

Cost of raw materials used was the largest component of our cost of goods sold, representing approximately 93.4%, 91.8%, 91.5%, 93.4% and 93.2% of our total cost of goods sold for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. During the Track Record Period, principal raw materials used were diamonds and gold. The table below sets forth our cost of goods sold with further breakdowns of our costs of different types of raw materials used for the respective periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	<i>(unaudited)(unaudited)</i>									
Cost of raw materials used										
Diamonds and other										
non-diamond gemstones ⁽¹⁾	242,723	58.1	238,164	63.5	245,251	67.1	132,536	67.3	132,011	69.0
Gold	146,641	35.2	105,352	28.1	87,001	23.8	49,947	25.4	46,142	24.1
Other raw materials	626	0.1	1,060	0.2	2,186	0.6	1,449	0.7	169	0.1
Sub-total	389,990	93.4	344,576	91.8	334,438	91.5	183,932	93.4	178,322	93.2
Other cost of goods sold	27,561	6.6	30,759	8.2	31,211	8.5	13,032	6.6	12,963	6.8
Total	417,551	100.0	375,335	100.0	365,649	100.0	196,964	100.0	191,285	100.0

Note:

- (1) Other non-diamond gemstones represent only an insignificant proportion of our raw material used.

FINANCIAL INFORMATION

Fluctuations of the cost of raw materials and the ability to pass on the increased cost of raw materials to our customers will affect our gross profit margin. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, cost of diamonds and other non-diamond gemstones used accounted for approximately 58.1%, 63.5%, 67.1%, 67.3% and 69.0% of our total cost of goods sold while the cost of gold used accounted for approximately 35.2%, 28.1%, 23.8%, 25.4% and 24.1% of our total cost of goods sold respectively.

Our gross profit and gross profit margin for the year ended 31 December 2013 had improved comparing with the year ended 31 December 2012 primarily due to the decreased cost of goods sold resulting from declining gold price in 2013. Save for the aforesaid, our Directors are not aware of any material impact from the declining gold price since 2013 on our operation and financial performance. The table below sets forth the hypothetical changes in our gross profit margin for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015 if the cost of diamonds and other non-diamond gemstones and gold was 5%, 10% and 20% higher or lower respectively, assuming other factors affecting our Group's profit remained the same:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	23.1	30.0	29.2	30.0	28.0

Impact on gross profit margin

Per unit cost of diamonds and other non-diamond gemstones

+/-5%	-/+2.2	-/+2.2	-/+2.4	-/+2.4	-/+2.5
+/-10%	-/+4.5	-/+4.4	-/+4.8	-/+4.7	-/+5.0
+/-20%	-/+8.9	-/+8.9	-/+9.5	-/+9.4	-/+9.9

Per unit cost of gold

+/-5%	-/+1.4	-/+1.0	-/+0.8	-/+0.9	-/+0.9
+/-10%	-/+2.7	-/+2.0	-/+1.7	-/+1.8	-/+1.7
+/-20%	-/+5.4	-/+3.9	-/+3.4	-/+3.6	-/+3.5

The impact of fluctuations of the gold price on our gross profit margin is relatively mild when compared with the impact of the fluctuations of the price of diamonds as the cost of gold used was a lesser component of our cost of raw materials used. In addition, as hedging of the gold price could involve considerable costs and risk, our Directors reached the commercial decision not to enter into any hedging arrangements during the Track Record Period to mitigate the associated risks in relation to the fluctuations of gold price. To manage the risk of fluctuations of gold price, our Company adopts pricing policy according to which we have consciously monitored and taken into account of, amongst other things, cost of raw materials including gold so as to pass on the increase in the prices of raw materials to the customers and maintain the level of profit margin to be in line with the management's expectation. For further details on our pricing policy, please refer to the section "Business — Sales and marketing — Pricing policy" in this prospectus.

FINANCIAL INFORMATION

Taxation and tax concessionary treatment

During the Track Record Period, we relied on the Processing Agreement for production of our fine jewellery products and enjoyed certain tax benefits in relation to the processing arrangements.

Under Section 14 of the Inland Revenue Ordinance, a company carrying on business in Hong Kong is subject to Hong Kong profit tax in respect of its profit arising in or derived from Hong Kong from such business. Pursuant to the DIPN 21 issued by the IRD, in relation to contract processing, where a Hong Kong company and a PRC processing enterprise enter into a processing arrangement which the Hong Kong company is responsible for the supply of raw materials and machinery without consideration and to provide technical and managerial know-how while the PRC processing enterprise is responsible for utilities and labour force, the IRD usually accepts a concessionary tax treatment of apportioning the profit on a 50:50 basis. In other words, 50% of such profit is apportioned and treated as derived outside Hong Kong and not subject to Hong Kong profit tax. Our Directors consider that the arrangement under the Processing Agreement falls within the scope of DIPN 21 described above. During the Track Record Period, our Group's Hong Kong profit tax has been assessed on the above basis, without receiving any challenge from IRD.

In the event that there is a change of policy and/or law, our Hong Kong profit tax may be assessed on all of our profit without any apportionment with respect to the arrangement under the Processing Agreement. The table below sets forth our theoretical Hong Kong profit tax and the respective theoretical profit for the respective periods indicated assuming no such concessionary tax treatment was allowed:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Profit before taxation	90,331	121,866	100,563	60,757	48,119
Hong Kong profit tax for current year/period	7,405	12,597	9,081	5,648	4,607
Profit for the year/period	80,980	107,049	90,439	54,919	41,948
Theoretical Hong Kong profit tax ⁽¹⁾	15,564	21,252	19,769	12,100	9,586
Theoretical profit for the year/period ⁽¹⁾	72,821	98,394	79,751	48,467	36,969

Note:

(1) Assuming IRD did not accept 50:50 apportionment and assessed tax on a 100% basis.

FINANCIAL INFORMATION

Seasonality

According to the IPSOS Report, the fourth quarter of the year is the main season for fine jewellery purchase at the global level. Moreover, the jewellery industry exhibits different characteristics of seasonality in different markets which have different purchasing seasons for fine jewellery. For example, whilst the U.S. market witnesses an increase in sales between Thanksgiving and Christmas, the customers from Islamic countries generally restrain themselves from commercial activities in the months of Ramadan which results in less orders received from our Middle East based customers in the months of Ramadan. Accordingly, our results of operations may be affected by such seasonality effect.

Reliance on our major customers

Our sales to our 5 largest customers amounted to approximately HK\$115.7 million, HK\$106.5 million, HK\$97.3 million and HK\$62.7 million, representing approximately 21.3%, 19.9%, 18.9% and 23.6% of our total revenue, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. In the event that any of these customers cease or significantly reduce their purchase from us for whatever reason, we may not be able to maintain the current sales volume, thereby affecting our results of operations.

Our 5 largest customers during the Track Record Period have maintained business relationships with us for 7 to 16 years, but we have not entered into any long-term contract with any of our 5 largest customers and there is no guarantee that the 5 largest customers will continue to purchase from us at the same historic level or at all.

Please refer to the section “Risk Factors — Risks relating to our business — Our profitability and financial position may be materially and adversely affected if any of our major customers ceases their business relationship with us” in this prospectus for further details.

Competition

We face keen competition in the fine jewellery industry and have to compete with our competitors on efficiency, quality, designs and price. We have to adjust ourselves to suit the need of our customers and improve our skills of craftsmanship and adopt new technology in order to provide high quality products at a competitive price. We attribute our success to product quality which is derived from skilled craftsmanship, product designs and our efforts in enhancing and ensuring the quality of our services. Our results of operations could be affected by our ability to maintain our competitiveness.

Please refer to the section “Risk Factors — Risks relating to the fine jewellery manufacturing and wholesale (export) industry — Competition in the fine jewellery manufacturing and wholesale (export) industry is highly intense and could cause us to lose market share, thereby materially and adversely affecting our business, results of operations and financial condition” in this prospectus for further details.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss and other comprehensive income from our combined financial statements during the respective periods indicated, details of which are set out in the Accountants' Report:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Revenue	542,831	536,293	516,154	281,391	265,803
Cost of goods sold	<u>(417,551)</u>	<u>(375,335)</u>	<u>(365,649)</u>	<u>(196,964)</u>	<u>(191,285)</u>
Gross profit	125,280	160,958	150,505	84,427	74,518
Other income	257	787	749	441	316
Other (losses) gains	(1,316)	(2,455)	(840)	—	1
Selling and distribution costs	(11,308)	(11,122)	(11,965)	(6,099)	(6,725)
General and administrative and other expenses	(21,546)	(25,232)	(36,033)	(17,330)	(18,690)
Finance costs	<u>(1,036)</u>	<u>(1,070)</u>	<u>(1,853)</u>	<u>(682)</u>	<u>(1,301)</u>
Profit before taxation	90,331	121,866	100,563	60,757	48,119
Taxation	<u>(9,351)</u>	<u>(14,817)</u>	<u>(10,124)</u>	<u>(5,838)</u>	<u>(6,171)</u>
Profit for the year/period	<u>80,980</u>	<u>107,049</u>	<u>90,439</u>	<u>54,919</u>	<u>41,948</u>
Other comprehensive (expense) income for the year/period:					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
— Surplus on revaluation of land and buildings	13,899	5,142	9,910	—	8,347
— Deferred tax arising from revaluation of land and buildings	(1,146)	(424)	(841)	—	—
<i>Item may be reclassified subsequently to profit or loss:</i>					
— Exchange differences arising on translating foreign operations	<u>(1)</u>	<u>10</u>	<u>27</u>	<u>26</u>	<u>25</u>
Sub-total	<u>12,752</u>	<u>4,728</u>	<u>9,096</u>	<u>26</u>	<u>8,372</u>
Total comprehensive income for the year/period	<u><u>93,732</u></u>	<u><u>111,777</u></u>	<u><u>99,535</u></u>	<u><u>54,945</u></u>	<u><u>50,320</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generated revenue principally from designing, manufacturing and sales of high-end fine jewellery products. Our revenue amounted to approximately HK\$542.8 million, HK\$536.3 million, HK\$516.2 million, HK\$281.4 million and HK\$265.8 million, for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The CAGR from the year ended 31 December 2012 to the year end 31 December 2014 was approximately -2.5%.

Average unit price

The following table sets forth our revenue, sales volume and average unit price by product types for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price	Revenue	Quantity	Average unit price
(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	(HK\$'000)	(Piece)	(HK\$)	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Ring	202,567	27,182	7,452	193,408	25,533	7,575	201,142	26,122	7,700	111,993	14,877	7,528	101,840	13,255	7,683
Earrings	173,723	16,716	10,393	175,159	16,421	10,667	152,174	16,299	9,336	86,984	8,857	9,821	74,765	8,065	9,270
Pendant	72,615	10,202	7,118	71,056	11,539	6,158	61,298	9,994	6,133	34,153	5,511	6,197	29,729	5,226	5,689
Bangle	33,981	1,223	27,785	38,145	1,565	24,374	39,019	2,456	15,887	18,094	958	18,887	22,743	1,477	15,398
Necklace	41,103	1,385	29,677	39,044	1,058	36,904	31,346	1,666	18,815	16,235	986	16,465	17,073	702	24,321
Bracelet	18,842	841	22,404	19,481	815	23,902	31,175	1,660	18,780	13,932	657	21,205	19,653	1,002	19,614
Total	542,831	57,549	9,433	536,293	56,931	9,420	516,154	58,197	8,869	281,391	31,846	8,836	265,803	29,727	8,941

The average unit price of our products was approximately HK\$9,433, HK\$9,420, HK\$8,869, HK\$8,836 and HK\$8,941 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. During the Track Record Period, we witnessed a relatively stable unit price variation in ring and earrings. As we catered for our customers' needs and preferences towards less intricate design for pendants, bangles, necklaces and bracelets, we have accordingly adjusted our production and produced products with less intricate design. The average unit prices of such products was lower since less raw materials and time were required for their production. As a result, the average unit price of our products was affected and our revenue had been dropping slightly throughout the Track Record Period notwithstanding our sales quantity remained relatively stable.

FINANCIAL INFORMATION

Revenue by product types

The following table sets forth our product mix and the products' respective revenue and gross profit margin for the respective periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Percentage of Revenue	Gross profit revenue	margin	Percentage of Revenue	Gross profit revenue	margin	Percentage of Revenue	Gross profit revenue	margin	Percentage of Revenue	Gross profit revenue	margin	Percentage of Revenue	Gross profit revenue	margin
	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)	(HK'000)	(%)	(%)
										(unaudited)	(unaudited)	(unaudited)			
Ring	202,567	37.3	22.9	193,408	36.1	29.4	201,142	39.0	28.1	111,993	39.8	28.9	101,840	38.3	27.6
Earrings	173,723	32.0	23.3	175,159	32.7	30.9	152,174	29.5	30.2	86,984	30.9	31.2	74,765	28.1	28.6
Pendant	72,615	13.4	23.1	71,056	13.2	29.4	61,298	11.9	29.3	34,153	12.1	30.2	29,729	11.2	27.8
Bangle	33,981	6.3	24.0	38,145	7.1	30.3	39,019	7.6	29.9	18,094	6.4	31.0	22,743	8.6	28.7
Necklace	41,103	7.6	22.3	39,044	7.3	29.9	31,346	6.0	29.2	16,235	5.8	29.6	17,073	6.4	27.1
Bracelet	18,842	3.4	23.0	19,481	3.6	30.4	31,175	6.0	29.1	13,932	5.0	29.9	19,653	7.4	28.7
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

Our major products were rings and earrings, which together represented approximately 69.3%, 68.7%, 68.5%, 70.7% and 66.4% of our revenue during the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015 respectively. The fluctuations of gross profit margin of each product type were in line with the fluctuations of our overall gross profit margin during the same period.

Revenue by geographical location

The table below sets forth our revenue by location of customers during the Track Record Period:

Region/Country	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Middle East ⁽¹⁾	309,833	57.1	299,370	55.8	285,509	55.3	133,432	50.2
USA	67,134	12.3	80,573	15.0	84,620	16.4	55,858	21.0
Philippines	71,135	13.1	79,734	14.9	78,904	15.3	44,526	16.8
Sub-total	448,102	82.5	459,677	85.7	449,033	87.0	233,816	88.0
Others ⁽²⁾⁽³⁾	94,729	17.5	76,616	14.3	67,121	13.0	31,987	12.0
Total	542,831	100.0	536,293	100.0	516,154	100.0	265,803	100.0

FINANCIAL INFORMATION

Note:

- (1) Sales to customers from the Middle East mainly include sales to customers from the UAE as well as sales to customers from other Middle East countries, such as Turkey, Egypt, Lebanon and Israel.
- (2) Sales to “Others” include sales to customers from more than 20 regions/countries, without limitation to Australia, Russia, Hong Kong, Malaysia, Indonesia and Canada, and sales to walk-in customers who patronised our ready-made jewellery products at jewellery exhibitions, the places of origins of whom were not identified. During the Track Record Period, sales to the aforesaid walk-in customers were minimal.
- (3) None of the sales to each of the countries identified and categorised under “Others” exceed 3% of the total revenue of our Group in the respective periods.

During the Track Record Period, most of our customers were from the Middle East, the USA and the Philippines and the sales to customers from these regions collectively accounted for more than 80% of our revenue in the respective periods.

Our sales to customers from the Middle East amounted to approximately 57.1%, 55.8%, 55.3% and 50.2% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. The percentage of our revenue generated from customers from the Middle East has recorded a moderate decrease during the Track Record Period principally due to increase in sales to customers from the USA and the Philippines and economic slowdown in the Middle East during the period.

Our sales to customers from the USA increased and had taken up a larger percentage of our total revenue while our sales to customers in the Philippines remained relatively stable during the Track Record Period. The percentage of our revenue generated from customers from the USA increased from approximately 12.3% of our total revenue for the year ended 31 December 2012 to approximately 21.0% of our total revenue for the six months ended 30 June 2015. Such increase was attributable to the gradual recovery of the USA economy.

Customers from different locations could choose to pick up their orders in our offices in Hong Kong, Dubai and the U.S. during the Track Record Period. As our Dubai Office serves as our marketing and logistics hub in the Middle East, our customers from the Middle East tend to pick up their orders in Dubai. Our customers from other regions, such as the Philippines, Australia, Russia, Hong Kong and other Southeast Asian countries, tend to pick up their orders in Hong Kong when they visit our office in Hong Kong or when they attend various regularly held jewellery exhibitions in Hong Kong. We also arrange delivery of our products to our U.S.-based customers if so requested. In general, our pricing policy is not determined by the location of delivery or the places of origins of customers.

FINANCIAL INFORMATION

The following table sets forth our revenue by region, based on location of delivery to customers, and the respective gross profit margin for the respective periods indicated:

Region/Country	Year ended 31 December									Six months ended 30 June					
	2012			2013			2014			2014			2015		
	Percentage of Revenue	Gross profit revenue	Gross profit margin	Percentage of Revenue	Gross profit revenue	Gross profit margin	Percentage of Revenue	Gross profit revenue	Gross profit margin	Percentage of Revenue	Gross profit revenue	Gross profit margin	Percentage of Revenue	Gross profit revenue	Gross profit margin
	(HKS'000)	(%)	(%)	(HKS'000)	(%)	(%)	(HKS'000)	(%)	(%)	(HKS'000)	(%)	(%)	(HKS'000)	(%)	(%)
										<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>			
Dubai	282,801	52.1	22.0	275,096	51.3	28.9	262,819	50.9	28.5	149,663	53.2	29.5	123,802	46.6	26.3
Hong Kong	226,774	41.8	25.5	220,971	41.2	33.4	206,848	40.1	32.1	105,401	37.4	33.1	112,470	42.3	31.6
USA	33,256	6.1	16.0	40,226	7.5	23.0	46,487	9.0	21.9	26,327	9.4	22.4	29,531	11.1	21.6
Total	542,831	100.0	23.1	536,293	100.0	30.0	516,154	100.0	29.2	281,391	100.0	30.0	265,803	100.0	28.0

Note: The above is based on the location of delivery to customers. For example, sales taking place in exhibitions held in Hong Kong where delivery of products to customers happening at the same time would be regarded as sales conducted in Hong Kong, regardless of the places of origins of the relevant customers.

Our sales of products delivered in Dubai took up the largest percentage of our revenue, amounting to approximately 52.1%, 51.3%, 50.9%, 53.1% and 46.6% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

During the Track Record Period, the gross profit margin of our sales of products delivered in Dubai was relatively lower than those delivered in Hong Kong. This was mainly owing to the fact that most of our major customers who received our products in Dubai had generally purchased in larger quantities and therefore we had generally offered more favourable price to them.

During the Track Record Period, the gross profit margin of our sales of products delivered in the USA was relatively lower. This was mainly due to the fact that we were willing to sell at a lower gross profit margin to one of our major customers in the USA with considerable strategic value who typically received our products in the USA. For details of the aforementioned customer, please refer to the information of Customer A in the section “Business — Our customers — Customers who were also our suppliers during the Track Record Period” in this prospectus.

FINANCIAL INFORMATION

Cost of goods sold

Cost of raw materials used, being primarily diamonds and other non-diamond gemstones and gold, was the major component of our cost of goods sold, representing approximately 93.4%, 91.8%, 91.5%, 93.4% and 93.2% of the cost of goods sold for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. The following table sets forth a breakdown of cost of goods sold with further breakdown of our cost on different types of raw materials for the respective periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	<i>(unaudited)(unaudited)</i>									
Cost of raw materials used										
Diamonds and other non-diamond gemstones	242,723	58.1	238,164	63.5	245,251	67.1	132,536	67.3	132,011	69.0
Gold	146,641	35.2	105,352	28.1	87,001	23.8	49,947	25.4	46,142	24.1
Other raw materials	626	0.1	1,060	0.2	2,186	0.6	1,449	0.7	169	0.1
Sub-total	389,990	93.4	344,576	91.8	334,438	91.5	183,932	93.4	178,322	93.2
Other cost of goods sold										
Staff costs	21,455	5.1	24,417	6.5	24,930	6.8	10,264	5.2	10,197	5.5
Factory overhead	4,817	1.2	5,490	1.5	5,615	1.5	2,495	1.3	2,503	1.2
Depreciation	1,289	0.3	852	0.2	666	0.2	273	0.1	263	0.1
Sub-total	27,561	6.6	30,759	8.2	31,211	8.5	13,032	6.6	12,963	6.8
Total	417,551	100.0	375,335	100.0	365,649	100.0	196,964	100.0	191,285	100.0

Gross profit and gross profit margin

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, our gross profit amounted to approximately HK\$125.3 million, HK\$161.0 million, HK\$150.5 million, HK\$84.4 million and HK\$74.5 million respectively, and our gross profit margin was approximately 23.1%, 30.0%, 29.2%, 30.0% and 28.0% respectively. As detailed in the section “Financial Information — Key factors affecting our results of operations” in this prospectus, fluctuations in our gross profit and gross profit margin during the Track Record Period was attributable to various factors including fluctuations of prices of raw materials.

FINANCIAL INFORMATION

Other income

The table below sets forth a breakdown of our other income for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Scrap sales	82	499	541	308	81
Bank interest income	1	241	58	55	1
Others	174	47	150	78	234
Total	257	787	749	441	316

Income from scrap sales was our major other income during the Track Record Period. We had entered into residue recycle agreements with third parties who paid us for the right to collect production residue created during our production process in Perfect Factory. The amount of scrap sales amounted to approximately HK\$0.1 million, HK\$0.5 million, HK\$0.5 million, HK\$0.3 million and HK\$0.1 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

Selling and distribution costs

The following table sets forth a breakdown of our selling and distribution costs for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Advertising and promotion	3,761	3,658	4,008	2,416	2,625
Custom and declaration	2,021	2,004	1,783	684	1,005
Overseas travelling	2,032	1,981	2,530	1,382	1,328
Transportation and delivery charges	1,986	1,887	1,603	595	782
Insurance	901	900	1,055	518	583
Entertainment	607	692	986	504	402
Total	11,308	11,122	11,965	6,099	6,725

Advertising and promotion costs was our major selling and distribution costs during the Track Record Period. Advertising and promotion costs was incurred as a result of our participation in trade exhibitions and expositions, along with other advertising and promotion expenses.

FINANCIAL INFORMATION

General and administrative and other expenses

Our general and administrative and other expenses primarily consisted of staff costs, depreciation, audit fees and listing expenses. The following table sets forth a breakdown of our general and administrative and other expenses for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(unaudited)</i>				
Staff costs	13,220	15,090	19,297	7,459	8,947
Depreciation	1,596	1,778	3,987	989	3,101
Audit fee	89	1,580	1,227	—	600
Bank charges	486	459	458	252	251
Legal and professional service fee	169	81	616	458	593
Listing expenses	—	—	5,892	5,892	3,968
Others	5,986	6,244	4,556	2,280	1,230
Total	<u>21,546</u>	<u>25,232</u>	<u>36,033</u>	<u>17,330</u>	<u>18,690</u>

Staff costs was our major component of general and administrative and other expenses, representing approximately 61.4%, 59.8%, 53.6%, 43.0% and 47.5% of our general and administrative and other expenses for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively. It mainly consisted of overhead salaries and employee benefits that cannot be allocated to the production of our products.

Other (losses) gains

Our other (losses) gains during the Track Record Period primarily consisted of (loss) gain on disposal/write-off of property, plant and equipment, bad debt written off and allowance for doubtful debts.

The table below sets forth the amount of bad debt written off and allowance for doubtful debt for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(unaudited)</i>				
Bad debt written off	(1,266)	(1,456)	(481)	—	—
Allowance for doubtful debt	—	(1,132)	—	—	—
Total	<u>(1,266)</u>	<u>(2,588)</u>	<u>(481)</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

For our credit control policy, please refer to the section “Business — Sales and marketing — Credit control policy” in this prospectus.

Finance costs

The following table sets forth a breakdown of our finance costs for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(unaudited)</i>				
Interest on bank borrowings	663	1,070	1,853	682	1,301
Interest paid to a Director	373	—	—	—	—
Total	1,036	1,070	1,853	682	1,301

Please refer to the section “Financial Information — Indebtedness” in this prospectus for details regarding the circumstances that had given rise to our finance costs.

Taxation

During the Track Record Period, taxation consisted of Hong Kong profit tax, PRC EIT and U.S. tax.

The effective tax rate of our Group was approximately 10.4%, 12.2%, 10.1%, 9.6% and 12.8% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

The table below sets forth a breakdown of our taxation for the respective periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(unaudited)</i>				
Hong Kong Profits Tax					
Current year/period	7,405	12,597	9,081	5,648	4,607
Overprovision in prior years	(22)	—	(662)	(662)	—
PRC Enterprise Income Tax (“EIT”)					
Current year/period	324	405	361	181	115
Overseas tax					
Current year/period	1,941	2,043	2,950	1,474	1,846
Deferred tax	(297)	(228)	(1,606)	(803)	(397)
Total	9,351	14,817	10,124	5,838	6,171

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Hong Kong

Our Hong Kong taxation during the Track Record Period primarily consisted of Hong Kong profits tax which had been provided at the rate of 16.5% in the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 on the estimated assessable profit.

Our Group has been benefitted from a tax concessionary treatment with the IRD in relation to the Processing Agreement for production of our fine jewellery product in Perfect Factory. As a result, 50% of our profit is apportioned and treated as derived outside Hong Kong and not subject to Hong Kong profit tax. Please refer to the section “Financial Information — Key factors affecting our results of operations — Taxation and tax concessionary treatment” in this prospectus for details.

PRC

During the Track Record Period, the production of our fine jewellery products was carried out exclusively in Perfect Factory. As advised by our PRC Legal Advisers, Perfect Factory is subject to 25% enterprise income tax on the deemed profit generated in the PRC and 0.0504% Embankment Maintenance Levy.

Cayman Islands

We are currently not subject to Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. For more details, please refer to “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Companies Law — 3. Cayman Islands company law — (j) Taxation” to this prospectus.

U.S.

U.S. corporations (corporations organised or created in the U.S. or under the law of any state), including U.S. corporations that are subsidiaries of foreign corporations, are subject to U.S. income tax generally at a 35% rate on their worldwide income (plus applicable state and local taxes). In addition to the regular corporate income tax, the alternative minimum tax (AMT) may be imposed on a corporation having certain “tax preference” items. A corporation pays tax on its taxable income, being its total income for the year (such as gross receipts, interest, rents and royalties) minus the corporation’s deductions for the year (such as compensation and salaries paid, repairs, maintenance, rents paid, interest paid, depreciation, advertising and deductible amounts paid into certain employee benefit programmes). Dividends paid on stock are not a deduction from a corporation’s income.

A U.S. corporation that anticipates a tax bill of \$500 or more must estimate its income tax liability for the current tax year and pay four quarterly estimated tax installments. Any underpayment of a required installment results in an addition to tax on the amount of the underpayment for the period of underpayment. The addition to tax is based on current interest rates. Corporations are also subject to an environmental tax of 0.12% on certain income in excess of \$2,000,000. A U.S. corporation generally may not file a consolidated return with a foreign corporation.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Revenue

Our revenue decreased by approximately 5.5% to HK\$265.8 million for the six months ended 30 June 2015 from HK\$281.4 million for the six months ended 30 June 2014. The decrease was mainly due

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to decrease in sales delivered in Dubai for the six months ended 30 June 2015 during which the month of Ramadan took place between 18 June 2015 and 17 July 2015 (c.f. between 28 June 2014 and 27 July 2014 in 2014), causing a lowered demand for the period.

Cost of goods sold

Our cost of goods sold decreased by approximately 2.9% to HK\$191.3 million for the six months ended 30 June 2015 from HK\$197.0 million for the six months ended 30 June 2014. The decrease was in line with our revenue trend.

Gross profit and gross profit margin

Our gross profit decreased by approximately 11.7% to HK\$74.5 million for the six months ended 30 June 2015 from HK\$84.4 million for the six months ended 30 June 2014. The decrease of gross profit was generally in line with our revenue trend for the same period. Our gross profit margin has maintained at a similar level of approximately 28.0% for the six months ended 30 June 2015 when compared with approximately 30.0% for the six months ended 30 June 2014.

Other income

Our other income decreased by approximately 28.3% to HK\$0.3 million for the six months ended 30 June 2015 from HK\$0.4 million for the six months ended 30 June 2014. The decrease was mainly due to a decrease in the income from scrap sales from approximately HK\$0.3 million to HK\$0.1 million.

Other (losses) gains

We did not recognise a material other (losses) gains for both the six months ended 30 June 2014 and 2015.

Selling and distribution costs

Our selling and distribution costs increased by approximately 10.3% to HK\$6.7 million for the six months ended 30 June 2015 from HK\$6.1 million for the six months ended 30 June 2014. The increase was mainly due to increase in custom and declaration expense.

General and administrative and other expenses

Our general and administrative and other expenses increased by approximately 7.8% to HK\$18.7 million for the six months ended 30 June 2015 from HK\$17.3 million for the six months ended 30 June 2014. The increase was mainly due to an increase in depreciation expenses of approximately HK\$2.1 million arising principally from the depreciation of the Hong Kong Property, which was purchased in March 2014.

Finance costs

Our finance costs increased by approximately 90.8% to HK\$1.3 million for the six months ended 30 June 2015 from HK\$0.7 million for the six months ended 30 June 2014. The increase was mainly due to increase in interest expenses principally due to the mortgage drawn for the Hong Kong Property, which was purchased in March 2014.

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Taxation expense

Our taxation expense increased by approximately 5.7% to HK\$6.2 million for the six months ended 30 June 2015 from HK\$5.8 million for the six months ended 30 June 2014. The increase was mainly due to an increase in overseas tax caused by increase in sales delivered to the USA during the period.

Profit for the period

Our profit for the period decreased by approximately 23.6% to HK\$41.9 million for the six months ended 30 June 2015 from HK\$54.9 million for the six months ended 30 June 2014. The decrease was mainly due to decrease in gross profit, coupled with increase in sales and distribution costs and general and administrative expenses during the period.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue decreased by approximately 3.8% to HK\$516.2 million for the year ended 31 December 2014 from HK\$536.3 million for the year ended 31 December 2013. The decrease in revenue was related to change of customers' need and preference towards fine jewellery products with less intricate design, resulting in less raw materials used for production and thus a lower average unit price and revenue despite an increasing sales volume. We adjust our production to cater for our customers' needs and preferences.

Cost of goods sold

Our cost of goods sold decreased by approximately 2.6% to HK\$365.6 million for the year ended 31 December 2014 from HK\$375.3 million for the year ended 31 December 2013. The decrease aligns with the decrease in our revenue and falling gold price, notwithstanding that there was an increase in labour cost.

Gross profit and gross profit margin

Our gross profit decreased by approximately 6.5% to HK\$150.5 million for the year ended 31 December 2014 from HK\$161.0 million for the year ended 31 December 2013 primarily due to reduced sales in the same period. Our gross profit margin had maintained at a similar level of 29.2% for the year ended 31 December 2014 when compared with 30.0% for the year ended 31 December 2013.

Other income

Our other income, which mainly consisted of scrap sales, remained at approximately the same level for the year ended 31 December 2014 and the year ended 31 December 2013, being approximately HK\$0.7 million and HK\$0.8 million respectively.

Other losses

Our other losses decreased to approximately HK\$0.8 million for the year ended 31 December 2014 from HK\$2.5 million for the year ended 31 December 2013. The change was mainly due to a decrease in the amount of bad debt written off and allowance for doubtful debts.

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Selling and distribution costs

Our selling and distribution costs increased by approximately 7.6% to HK\$12.0 million for the year ended 31 December 2014 from HK\$11.1 million for the year ended 31 December 2013. The increase was mainly due to increased advertising and promotion cost and overseas travelling cost.

General and administrative and other expenses

Our general and administrative and other expenses increased by approximately 42.8% to HK\$36.0 million for the year ended 31 December 2014 from HK\$25.2 million for the year ended 31 December 2013. The increase was mainly due to (i) increase in staff cost; (ii) increase in amount of depreciation expenses arising from the depreciation of the Hong Kong Property which was purchased in March 2014; and (iii) increase in listing expenses.

Finance costs

Our finance costs increased by approximately 72.7% to HK\$1.9 million for the year ended 31 December 2014 from HK\$1.1 million for the year ended 31 December 2013. The increase was mainly due to increase in long term bank borrowing principally due to the mortgage drawn for Hong Kong Property which was purchased in March 2014.

Taxation expense

Our taxation expense decreased by approximately 31.8% to HK\$10.1 million for the year ended 31 December 2014 from HK\$14.8 million for the year ended 31 December 2013. The decrease was mainly due to a lower gross profit in the year ended 31 December 2014 leading to lower Hong Kong profit tax charged, partially set off by an increase in overseas tax caused by an increase in sales delivered to the USA during the period.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 15.5% to HK\$90.4 million for the year ended 31 December 2014 from HK\$107.0 million for the year ended 31 December 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue for the year ended 31 December 2013 remained stable with a slight decrease of approximately 1.2% to HK\$536.3 million from HK\$542.8 million for the year ended 31 December 2012.

Cost of goods sold

Our cost of goods sold decreased by approximately 10.1% to HK\$375.3 million for the year ended 31 December 2013 from HK\$417.6 million for the year ended 31 December 2012. The decrease was mainly due to falling gold price, resulting a HK\$41.3 million decrease in value of gold used, partially offset by increase in labour cost during the same period.

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Gross profit and gross profit margin

Our gross profit increased by approximately 28.5% to HK\$161.0 million for the year ended 31 December 2013 from HK\$125.3 million for the year ended 31 December 2012. Our gross profit margin also increased to 30.0% for the year ended 31 December 2013 from 23.1% for the year ended 31 December 2012. Such increase was principally due to decreased cost of goods sold, resulting from falling gold price, while the revenue remained stable in 2013.

Other income

Our other income increased by approximately 206.2% to HK\$0.8 million for the year ended 31 December 2013 from HK\$0.3 million for the year ended 31 December 2012. The increase was mainly due to increase in income from scrap sales.

Other losses

Our other losses increased by approximately 92.3% from approximately HK\$1.3 million for the year ended 31 December 2012 to HK\$2.5 million for the year ended 31 December 2013. The change was mainly due to an increase in the amount of allowance for doubtful debts for the year ended 31 December 2013.

Selling and distribution costs

Our selling and distribution costs for the year ended 31 December 2013 remained stable and slightly decreased by approximately 1.8% to HK\$11.1 million from HK\$11.3 million for the year ended 31 December 2012.

General and administrative and other expenses

Our general and administrative and other expenses increased by approximately 17.2% to HK\$25.2 million for the year ended 31 December 2013 from HK\$21.5 million for the year ended 31 December 2012 primarily due to increase in audit fee and staff costs.

Finance costs

Our finance costs remained at a stable level of approximately HK\$1.0 million and HK\$1.1 million for the years ended 31 December 2012 and 2013 respectively.

Taxation expense

Our taxation expense increased by approximately 57.4% to HK\$14.8 million for the year ended 31 December 2013 from HK\$9.4 million for the year ended 31 December 2012. The increase was mainly due to increase in gross profit caused by decrease in cost of goods sold, which led to an increase in profit before taxation for the year ended 31 December 2013.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 32.1% to HK\$107.0 million for the year ended 31 December 2013 from HK\$81.0 million for the year ended 31 December 2012.

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FINANCIAL POSITION

The following table summarises the combined statements of financial position from our combined financial statements during the Track Record Period, details of which are set out in the Accountants' Report:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets				
Property, plant and equipment	40,612	44,753	151,430	5,984
Rental and other deposits	813	1,495	1,331	1,140
Total non-current assets	41,425	46,248	152,761	7,124
Current assets				
Inventories	152,697	175,853	203,767	169,388
Trade and other receivables	89,335	90,969	107,444	127,121
Amount due from a director	2,629	—	—	—
Bank balances and cash	20,056	117,162	49,340	113,528
	264,717	383,984	360,551	410,037
Assets classified as held for sale/distribution	—	—	40,510	150,510
Total current assets	264,717	383,984	401,061	560,547
Current liabilities				
Trade and other payables	39,960	34,354	54,532	45,843
Amounts due to directors	19,190	—	—	—
Amounts due to related parties	9,627	—	—	—
Taxation payable	2,647	10,962	5,281	11,849
Bank loans	33,071	31,738	99,838	—
Bank overdrafts	—	—	21,997	—
	104,495	77,054	181,648	57,692
Liabilities directly associated with assets classified as held for sale/distribution	—	—	9,431	86,399
Total current liabilities	104,495	77,054	191,079	144,091
Net current assets	160,222	306,930	209,982	416,456
Total assets less current liabilities	201,647	353,178	362,743	423,580
Non-current liabilities				
Provision for long service payments	569	973	961	961
Deferred tax liabilities	1,064	1,260	495	98
Total non-current liabilities	1,633	2,233	1,456	1,059
Net assets	200,014	350,945	361,287	422,521
Share capital and reserves				
Share capital	—	—	—	79
Reserves	200,014	350,945	361,287	422,442
	200,014	350,945	361,287	422,521

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DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment during the Track Record Period mainly comprised land and buildings, plant and machinery, furniture and fixtures, motor vehicles and moulds. The table below sets forth the balance of our property, plant and equipment as at the respective dates indicated:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Property, plant and equipment	<u>40,612</u>	<u>44,753</u>	<u>151,430</u>	<u>5,984</u>

Our balance of property, plant and equipment increased from approximately HK\$40.6 million as at 31 December 2012 to approximately HK\$44.8 million as at 31 December 2013 primarily due to the adjustment of the value of our land and buildings upon revaluation of the Hung Hom Property, our previous office premise, which resulted in an increase of approximately HK\$5.1 million in our balance of land and buildings.

Our balance of property, plant and equipment further increased from approximately HK\$44.8 million as at 31 December 2013 to approximately HK\$151.4 million as at 31 December 2014, primarily due to the acquisition of the Hong Kong Property and the Dubai Property in 2014 and the adjustment of value of our land and buildings upon revaluation of the Hong Kong Property and the Dubai Property, partially offset by the reclassification of the Hung Hom Property to asset classified as held for sale as a result of the proposed disposal of the Hung Hom Property at that time. The disposal of the Hung Hom Property was completed in 2015.

Our balance of property, plant and equipment decreased from approximately HK\$151.4 million as at 31 December 2014 to approximately HK\$6.0 million as at 30 June 2015. This was mainly due to the reclassification of the Hong Kong Property and the Dubai Property, carrying the value of approximately HK\$149.4 million as at 30 June 2015, to asset classified as held for distribution. Pursuant to the Reorganisation, the Hong Kong Property and the Dubai Property were retained in HK Perfect upon completion of the Business Transfer and were no longer recognised in our combined statements of financial position subsequent to the completion of the Business Transfer on 5 August 2015. Therefore the Hong Kong Property and the Dubai Property were deemed to be disposed by us on the date of completion of the Business Transfer on 5 August 2015 and were classified as asset classified as held for distribution as at 30 June 2015.

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Inventories

The following table sets forth a breakdown of our inventories balance as at the respective dates indicated:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Raw materials	49,347	53,927	53,361	58,162
Work in progress	17,085	16,225	15,659	15,264
Finished goods	86,265	105,701	134,747	95,962
Total	<u>152,697</u>	<u>175,853</u>	<u>203,767</u>	<u>169,388</u>

Our raw materials primarily consisted of diamonds and gold. Our work in progress mainly comprised of semi-finished products. Our finished goods mainly represent products ready to be sold.

The following table sets forth our average inventory turnover days during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Average inventory turnover days	<u>132.5</u>	<u>159.8</u>	<u>189.5</u>	<u>178.0</u>

We adopt stringent inventory control for our major raw materials, namely diamonds and gold, and endeavor to maintain the stock of our raw materials at a sufficient level which can satisfy our raw materials need of 1 to 2 months to cater for orders from our customers and our production schedule during the Track Record Period. We determine our inventory level of finished goods primarily based on our sales plan and estimated demand. In addition, in order to allow more selections for our customers, we have strategically increased our inventory level of finished goods during the Track Record Period.

Our balance of inventories was approximately HK\$152.7 million, HK\$175.9 million, HK\$203.8 million and HK\$169.4 million as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively. Our average inventory turnover days was approximately 132.5 days, 159.8 days, 189.5 days and 178.0 days for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

Our higher balance of inventories as at 31 December 2013 and 2014 comparing to that as at 31 December 2012 and 2013 respectively and longer average inventory turnover days for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 comparing to its respective preceding periods primarily reflected our strategy to increase our inventory level of finished goods with the aim to allow more selection for our customers, notwithstanding that our inventory level of raw materials and work in progress had been maintained at a stable level over the Track Record Period.

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Our inventory level was lower as at 30 June 2015 comparing to our inventory level as at 31 December 2012, 2013 and 2014 mainly because of (i) predicted lower demand before the month of Ramadan, which took place between 18 June and 17 July 2015, resulting lower production; and (ii) the sale of large amount of inventories in June including the Hong Kong Jewellery & Gem Fair which was held in June 2015.

We make provision for obsolete and slow-moving inventory of raw materials and finished goods that are no longer suitable for use in production or sale. A number of factors, including historical and forecast consumption of our raw materials and marketability of our products, are taken into account when we consider whether to make appropriate provision. We normally make provision for inventories which are aged over 2 years which have also been identified as slower or no usage or sale and deteriorated marketability. During the Track Record Period, we did not make any impairment to our inventories.

As at 31 October 2015, approximately HK\$142.6 million or 93.4%, HK\$148.9 million or 84.7%, HK\$148.1 million or 72.7% and HK\$84.3 million or 49.8% of our inventories as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively had been sold or used.

Trade and other receivables

The following table sets forth our trade and other receivables balance as at the respective dates indicated:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade receivables				
Trade receivables	82,586	85,707	102,845	119,004
Less: Allowance for doubtful debts	—	(1,132)	—	—
Net trade receivables	82,586	84,575	102,845	119,004
Other receivables, prepayments and deposits				
	6,749	6,394	4,599	8,117
Total	89,335	90,969	107,444	127,121

Trade receivables

Trade receivables represent outstanding amounts due from our customers for the purchase of our products. Our Group usually requires full payment before delivery for new customers and may allow credit period up to 120 days to large or long established customers with good payment history. We have an internal credit control system to assess customers' credit quality and our Directors have delegated our management to be responsible for determination of credit limits and credit approvals for customers. Credit limits allowed to customers are reviewed periodically. Please refer to the section "Business — Sales and marketing — Credit control policy" in this prospectus for further details.

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The tables below sets forth an aging analysis and turnover days of our net trade receivables as at the respective dates/for the respective periods indicated:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
From invoice date				
0–30 days	34,110	21,696	18,447	54,274
31–60 days	17,618	25,518	28,863	25,271
61–180 days	25,514	33,984	53,026	33,473
181–365 days	3,703	2,734	2,258	5,296
Over 1 year	1,641	643	251	690
Total	<u>82,586</u>	<u>84,575</u>	<u>102,845</u>	<u>119,004</u>
				Six months ended
				<u>30 June</u>
				<u>2015</u>
Average trade receivables turnover days	<u>49.4</u>	<u>56.9</u>	<u>66.3</u>	<u>76.2</u>

Our balance of net trade receivables as at 31 December 2012, 2013, 2014 and 30 June 2015 was approximately HK\$82.6 million, HK\$84.6 million, HK\$102.8 million and HK\$119.0 million respectively.

Our balance of net trade receivables remained stable as at 31 December 2012 and 2013. The increase in our balance of net trade receivables from approximately HK\$84.6 million as at 31 December 2013 to approximately HK\$102.8 million as at 31 December 2014 was primarily due to the economic slowdown in the Middle East whereby we had taken the initiative to relax our credit control policy with respect to certain customers primarily from the Middle East to relieve their hardships and to improve customer relationship.

With an aim to improve our receivable collection cycle, we had tightened our credit control since first quarter of 2015, which resulted in substantial decrease of our balance of net trade receivables aged between 61 to 180 days from approximately HK\$53.0 million as at 31 December 2014 to approximately HK\$33.4 million as at 30 June 2015. In spite of our tightened credit control with reduced credit terms granted since first quarter of 2015, our balance of net trade receivables aged between 0 to 30 days increased from approximately HK\$18.4 million as at 31 December 2014 to approximately HK\$54.3 million as at 30 June 2015 mainly primarily because certain sales recorded in June and a trade fair held in late June of 2015 were not settled as at 30 June 2015.

Our average trade receivables turnover days was 49.4 days, 56.9 days, 66.3 days and 76.2 days for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. The relatively low opening balance of trade receivables for the year ended 31 December 2012 as compared to that for the year ended 31 December 2013, primarily due to lower level of sales

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recorded in December 2011 as compared to December 2012, led to shorter average trade receivables turnover days for the year ended 31 December 2012 as compared to that for the year ended 31 December 2013. The reasons for the increasing trend in average trade receivables turnover days for the two years ended 31 December 2014 and six months ended 30 June 2015 were similar to the aforementioned reasons for the increasing trend of our balance of trade receivables during the same period, together with the trend of slight decrease in our revenue during the three years ended 31 December 2014.

The table below sets forth an ageing analysis of our overdue net trade receivables as at the respective dates indicated:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Overdue by:				
1 — 30 days	22,636	20,169	24,614	33,436
31 — 60 days	11,050	18,690	18,679	15,374
61 — 180 days	14,975	20,342	31,401	20,192
181 — 365 days	2,662	1,031	1,971	4,977
Over 1 year	<u>1,641</u>	<u>565</u>	<u>130</u>	<u>660</u>
Total	<u>52,964</u>	<u>60,797</u>	<u>76,795</u>	<u>74,639</u>

As at 31 December 2012, 2013, 2014 and 30 June 2015, our net trade receivables of approximately HK\$53.0 million, HK\$60.8 million, HK\$76.8 million and HK\$74.6 million respectively, was past due but not impaired. These net trade receivables mainly related to independent customers that had a good track record with our Group.

The increase in overdue net trade receivables between 31 December 2012 and 2014 was in line with the increase in net trade receivables during the period. The decrease in the balance of overdue net trade receivables from approximately HK\$76.8 million as at 31 December 2014 to HK\$74.6 million as at 30 June 2015 was mainly attributable to our tightened credit control policy as described above.

As described in the section “Business — Sales and marketing — Credit control policy” in this prospectus, our finance team is responsible for tracking payments by updating the customers’ credit terms and payment database and issuing overdue statements to the relevant customers in timely manner. Our Directors are of the view that allowing an overdue to customers with good settlement history is beneficial to our business by improving our relationship with our customers without exposing our Group to a significant credit risk. As a result, we did not adopt an aggressive credit collection policy as long as the outstanding credit was within the credit limit of the relevant customer. No impairment allowance was required as our Directors believe that the outstanding trade receivables, despite being overdue, would be recoverable based on the track record of the customers.

As at 31 October 2015, approximately HK\$82.6 million or 100%, HK\$84.6 million or 100%, HK\$101.7 million or 98.9% and HK\$78.8 million or 66.3% of our balance of net trade receivables as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively, were subsequently settled.

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Other receivables, prepayments and deposits

Our other receivables, prepayments and deposits during the Track Record Period included our prepayments and deposits for participating in various trade exhibitions and expositions. The higher other receivables, prepayments and deposits as at 30 June 2015 was mainly due to prepayments made to intermediates in relation to the proposed Listing.

Trade, bills and other payables

The table below sets forth the composition of our trade, bills and other payables as at the respective dates indicated:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade and bills payables				
Trade payables	26,446	17,536	15,792	15,721
Bills payable	—	—	—	6,534
Sub-total	26,446	17,536	15,792	22,255
Other payables				
Deposit received from properties held for sale	—	—	15,000	—
Accruals and other payables	13,514	16,818	23,740	23,588
Total	<u>39,960</u>	<u>34,354</u>	<u>54,532</u>	<u>45,843</u>

Trade and bills payables

Our trade and bills payables was mainly related to purchase of raw materials. Our trade and bills payables as at 31 December 2012, 2013, 2014 and 30 June 2015 was approximately HK\$26.4 million, HK\$17.5 million, HK\$15.8 million and HK\$22.3 million respectively. The higher balance at 31 December 2012 was mainly due to our relatively higher purchase amount of raw materials as a result of the higher market price of raw materials in 2012 as compared to that in 2013 and 2014. Our trade and bill payables increased from approximately HK\$15.8 million as at 31 December 2014 to approximately HK\$22.3 million as at 30 June 2015 primarily because of the bills payable in 2015 relating to purchase of diamonds for our production use.

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In order to obtain a more favorable price for diamonds, our policy is to settle bills promptly and accept a shorter payment term. With respect to the purchase of gold, we typically settle payment upon placing orders or upon delivery. The table below sets forth the aging analysis and turnover days of our trade payables as at the respective dates/for the respective periods indicated:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 — 60 days	18,148	15,205	9,996	18,255
61 — 90 days	3,553	1,543	1,939	747
91 — 120 days	4,745	788	2,692	3,253
Over 120 days	—	—	1,165	—
Total	26,446	17,536	15,792	22,255

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	Average trade and bills payables turnover days	36.6	21.4	16.6

As at 31 October 2015, approximately HK\$26.4 million or 100%, HK\$17.5 million or 100%, HK\$15.8 million or 100% and HK\$22.0 million or 98.9% of our trade and bills payables, as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively, were subsequently settled.

Our suppliers generally offer us trade credit periods from 0 to 120 days. Our average trade and bills payable turnover days decreased from 36.6 days for the year ended 31 December 2012 to 16.6 days for the year ended 31 December 2014 primarily due to our policy to shorten our settlement cycle with our suppliers in order to obtain a more favourable price for diamonds. Our average trade and bills payables turnover days increased from approximately 16.6 days for the year ended 31 December 2014 to 18.0 days for the six months ended 30 June 2015 primarily due to the bills payable relating to purchase of diamonds for our production use in 2015.

Other payables

Our other payables mainly represent deposit received in connection with the sale of Hung Hom Property, the provisions for PRC social insurance and housing provident funds in respect of our PRC staff in Perfect Factory and accrued expenses and other payables related to various expenses including payroll and welfare expenses and audit fees. Our accrual and other payables increased from approximately HK\$13.5 million as at 31 December 2012 to approximately HK\$16.8 million as at 31 December 2013 and subsequently to approximately HK\$23.7 million as at 31 December 2014 mainly due to the increase in provisions for PRC social insurance and housing provident funds made in the respective periods. The balance of accruals and other payables as at 30 June 2015 remained stable. For further details in respect of the provision made for PRC social security insurance and housing provident

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funds made during the Track Record Period, please refer to the section “Business — Litigation and non-compliance matters” in this prospectus.

Amounts due to/from directors

We recorded amounts due to Mr. Kan of approximately HK\$19.0 million as at 31 December 2012. The entire balance as at 31 December 2012 was non-trade nature, unsecured, repayable on demand and interest-free. Furthermore, an amount due to Mr. Kan of approximately HK\$8.3 million carrying a fixed interest of 6% per annum was settled in July 2012. The aforementioned amounts due to Mr. Kan were for the purpose of funding our working capital needs at the time. The entire balance due to Mr. Kan was subsequently settled in 2013.

We also recorded amount due to Mr. Chung of approximately HK\$0.2 million as at 31 December 2012. The amount was non-trade nature, unsecured, repayable on demand and interest-free and was for the purpose of funding our working capital needs at the time. The entire balance was subsequently settled in 2013.

We also recorded amount due from Mr. Kan of approximately HK\$2.6 million as at 31 December 2012. The amount was non-trade nature, unsecured, interest-free and repayable on demand. The entire balance due from Mr. Kan was subsequently settled in 2013.

Amounts due to related parties

We recorded amount due to a close family member of Mr. Luo of approximately HK\$8.6 million as at 31 December 2012. We also recorded amount due to a Mr. W.S. Chan, the father of Mr. W.H. Chan, of approximately HK\$1.0 million as at 31 December 2012. Such amounts represented advances by the aforementioned parties to us primarily for funding our working capital needs at the time and were non-trade nature, unsecured, interest-free and repayable on demand.

Assets classified as held for sale/distribution

Assets classified as held for sale/distribution mainly consisted of the Hung Hom Property as at 31 December 2014, and the Hong Kong Property and the Dubai Property as at 30 June 2015. Please refer to the section “Financial Information — Description of selected items in combined statements of financial position — Property, plant and equipment” in this prospectus for further details regarding the Hung Hom Property, the Hong Kong Property and the Dubai Property.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we funded our working capital requirement, mainly consisting of payment for raw materials, staff costs and various operating expenses, primarily through cash generated from our operations and proceeds from bank borrowings. Following the completion of the Business Transfer on 5 August 2015, other than payment for raw materials, staff costs and various operating expenses, our Group would also incur rental expenses under the Hong Kong Tenancy Agreement and Dubai Tenancy Agreement for the use of the Hong Kong Property and the Dubai Property.

Save as disclosed above, our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group with respect to our operation.

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As at 30 June 2015, we had bank balances and cash of approximately HK\$113.5 million. Save as the liabilities associated with the Hong Kong Office, which was classified as liabilities directly associated with assets classified as held for distribution as at 30 June 2015 and was no longer recognised in our combined financial information subsequent to the completion of the Business Transfer, we did not have any outstanding bank borrowings as at 30 June 2015.

Cash flows

The following table summarises key information on our cash flows during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net cash generated from operating activities	35,210	87,788	50,900	73,986
Net cash (used in) generated from investing activities	(2,935)	1,374	(127,231)	25,431
Net cash (used in) generated from financing activities	(46,058)	7,934	(13,515)	(13,257)
Net (decrease) increase in cash and cash equivalents	(13,783)	97,096	(89,846)	86,160
Cash and cash equivalents at beginning of year	33,840	20,056	117,162	27,343
Effect of foreign exchange rate changes, net	(1)	10	27	25
Cash and cash equivalents at end of year/period	<u>20,056</u>	<u>117,162</u>	<u>27,343</u>	<u>113,528</u>

The full text of the audited combined statements of cash flows during the Track Record Period is set out in the Accountants' Report.

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the sales of our fine jewellery products while our cash outflow used in operating activities was principally for purchases of raw materials.

We recorded net cash from operating activities of approximately HK\$74.0 million for the six months ended 30 June 2015, which was mainly attributable to the profit before tax for the same period of approximately HK\$48.1 million as adjusted for positive movements in working capital of approximately HK\$21.2 million. The change in working capital was mainly due to decrease in inventory amounting to approximately HK\$34.4 million, partially offset by an increase in trade and other receivables amounting to approximately HK\$19.5 million. The decrease in inventory was mainly due to

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(i) the predicted lower demand before the month of Ramadan, which took place between 18 June 2015 and 17 July 2015, resulting lower production; and (ii) the sales of large amount of inventories in June 2015 including sales taken place in the Hong Kong Jewellery & Gem Fair which was held in June 2015. The increase in trade and other receivables was mainly due to some of the sales recorded in June, including sales taken place in the aforementioned Hong Kong Jewellery & Gem Fair, had not been settled as at 30 June 2015.

We recorded net cash from operating activities of approximately HK\$50.9 million for the year ended 31 December 2014, which was mainly attributable to the profit before tax for the same period of approximately HK\$100.6 million as adjusted for negative movements in working capital of approximately HK\$39.5 million and tax paid of approximately HK\$17.4 million. The change in working capital was mainly due to an increase in trade and other receivables amounting to approximately HK\$16.8 million due to relaxation of our credit control policy in light of economic slowdown in the Middle East in 2014, and an increase in inventory amounting to approximately HK\$27.9 million since we have strategically increased our inventory level of finished goods in order to allow more selections for our customers.

We recorded net cash from operating activities of approximately HK\$87.8 million for the year ended 31 December 2013, which was mainly attributable to the profit before tax for the same period of approximately HK\$121.9 million as adjusted for negative movements in working capital of approximately HK\$33.3 million and tax paid of approximately HK\$6.7 million. The change in working capital was mainly due to an increase in inventory amounting to approximately HK\$23.2 million since we have strategically increased our inventory level of finished goods in order to allow more selection for our customers.

We recorded net cash from operating activities of approximately HK\$35.2 million for the year ended 31 December 2012, which was mainly attributable to the profit before tax for the same period of approximately HK\$90.3 million as adjusted for negative movements in working capital of approximately HK\$49.9 million and tax paid of approximately HK\$10.5 million. The change in working capital was mainly due to an increase in trade and other receivables amounting to approximately HK\$20.5 million, and an decrease in trade and other payables amounting to approximately HK\$27.1 million.

Investing activities

During our Track Record Period, our cash outflow from investing activities was principally the payment for the purchase of the Hong Kong Property and the Dubai Property in 2014 amounting to approximately HK\$142.2 million, while our major cash inflow was the proceeds from disposal of the Hung Hom Property with deposit of HK\$15.0 million received in 2014 and the balance, being HK\$25.5 million, received in the first six months of 2015.

Financing activities

During the Track Record Period, our net cash movements in financing activities were mainly due to repayment of bank loans, distribution of dividend and the non-Jewellery Business.

During the Track Record Period, HK Perfect also had business other than the Jewellery Business (i.e. non-Jewellery Business). Our financial information, including the cash flows information, aims to reflect those financial information relevant to the Jewellery Business, which was segregated from the

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books of HK Perfect (i.e. the predecessor which historically and throughout the Track Record Period carried out our Group's Jewellery Business) and its subsidiaries, as well as the non-Jewellery Business which does not form part of our Group. Therefore, the financial position and operating results of our Group does not include those directly attributable to the non-Jewellery Business. However, since historically and throughout the Track Record Period, several bank accounts were maintained by HK Perfect and its subsidiaries for both the Jewellery Business and non-Jewellery Business, which were inseparable, our Group's movements of cash flows had inevitably included those related to the non-Jewellery Business up until the date of Business Transfer when the Jewellery Business was formally transferred to our Group and became a group of distinct and separate legal entities from HK Perfect and its subsidiaries. Therefore, any fund flows resulted in increase or decrease of the bank accounts of HK Perfect and its subsidiaries as a result of transactions relating to the non-Jewellery Business, even though not related to our Group's Jewellery Business, were reflected as cash flows of our Group and included in our Group's combined statements of cash flows throughout the Track Record Period.

For the six months ended 30 June 2015, our Group had net cash outflow of approximately HK\$13.3 million for financing activities. The major cash outflows for the period were (i) repayment of bank loans; (ii) distribution of dividend; and (iii) cash outflow to the non-Jewellery Business in relation to an advance by HK Perfect to an affiliated company of HK Perfect, amounting to approximately HK\$22.9 million, HK\$20.0 million and HK\$10.0 million respectively. Our major cash inflows for the period were from the non-Jewellery Business amounting to approximately HK\$40.8 million, which was principally related to repayment of loans from an affiliated company of HK Perfect to HK Perfect.

For the year ended 31 December 2014, our Group has net cash outflow of approximately HK\$13.5 million to financing activities. The major cash outflows for the year were (i) repayment of bank loans; (ii) distribution of dividend; and (iii) cash outflows to the non-Jewellery Business, amounting to approximately HK\$16.1 million, HK\$60.0 million and HK\$30.0 million respectively. Such cash outflows to the non-Jewellery Business were mainly in relation to loans advanced by HK Perfect to an affiliated company of HK Perfect. Our major cash inflows for the year were from new bank loans amounting to approximately HK\$93.7 million which was principally in relation to the mortgage of the Hong Kong Property which was purchased in 2014.

For the year ended 31 December 2013, our Group had net cash inflow of approximately HK\$7.9 million from financing activities. The major cash outflows for the year were (i) repayment of bank loans; (ii) distribution of dividend; and (iii) repayment of loan to directors, amounting to approximately HK\$18.1 million, HK\$98.5 million and HK\$56.8 million respectively. The cash outflow for distribution of dividend for the years ended 31 December 2013 was less than the amount of dividend declared and paid for the same period because part of the dividend, being approximately HK\$37.6 million, was settled through current account with a director. Our major cash inflows for the year were from new bank loans and non-Jewellery Business, amounting to approximately HK\$16.7 million and HK\$175.4 million respectively. The cash inflows from the non-Jewellery Business were principally related to (i) repayment of loans by a company in the non-Jewellery Business held by HK Perfect to HK Perfect, being approximately HK\$116.6 million; (ii) the proceeds received by HK Perfect which derived from disposal of companies in the non-Jewellery Business held by HK Perfect of approximately HK\$26.8 million; (iii) dividend received by HK Perfect from a company in the non-Jewellery Business held by HK Perfect of approximately HK\$17.8 million; and (iv) net proceeds received by HK Perfect from the aforementioned company in the non-jewellery Business's derivatives investment activities of approximately HK\$12.5 million.

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For the year ended 31 December 2012, our Group had net cash outflow of approximately HK\$46.1 million to financing activities. The major cash outflows for the year were (i) repayment of bank loans; (ii) distribution of dividend; and (iii) cash outflows to the non-Jewellery Business, amounting to approximately HK\$11.6 million, HK\$20.0 million and HK\$123.0 million respectively. Such cash outflows to the non-Jewellery Business were mainly in relation to loans advanced from HK Perfect to a company in the non-Jewellery Business held by HK Perfect of approximately HK\$116.6 million and the deposits and payment paid by HK Perfect for its derivatives investment amounting to approximately HK\$6.0 million. Our major cash inflows for the year were from (i) new bank loans; (ii) loan from directors; and (iii) the non-Jewellery Business, amounting to approximately HK\$22.0 million, HK\$17.2 million and HK\$60.7 million respectively. The cash inflows from the non-Jewellery Business were principally related to repayment of loans by a company held by HK Perfect to HK Perfect of approximately HK\$59.9 million.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

Our Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of office and factory as at the respective dates indicated as follows:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within one year	1,044	2,793	2,880	2,753
After one year but within five years	198	9,060	6,285	4,972
Total	<u>1,242</u>	<u>11,853</u>	<u>9,165</u>	<u>7,725</u>

The outstanding balance of our operating lease commitment during the Track Record Period primarily reflects our committed contractual lease payment in respect of the premise of Perfect Factory.

Capital commitments

Our Group had future capital payments under non-cancellable capital contracts as at the respective dates indicated as follows:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Contracted but not provided in the financial information	572	3,000	455	261

The capital commitment of approximately HK\$3.0 million as at 31 December 2013 was principally related to the modification expenses in relation to the Hong Kong Property.

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The table below sets forth our capital expenditures during the Track Record Period:

	Years ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Capital expenditure on acquisition of property, plant and equipment	<u>307</u>	<u>1,696</u>	<u>142,289</u>	<u>96</u>

Our Group's capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of property, plant and equipment for our operations. Our Group incurred capital expenditures on acquisitions of property, plant and equipment of approximately HK\$0.3 million, HK\$1.7 million, HK\$142.3 million and HK\$0.1 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. Our substantial capital expenditure for the year ended 31 December 2014 was primarily related to the acquisition of the Hong Kong Property and the Dubai Property in the period.

WORKING CAPITAL

The table below sets forth our current assets, current liabilities and net current assets as at the respective dates indicated:

	At 31 December			At 30 June	At 31 October
	2012	2013	2014	2015	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>
Current assets					
Inventories	152,697	175,853	203,767	169,388	180,121
Trade and other receivables	89,335	90,969	107,444	127,121	127,501
Amount due from a director	2,629	—	—	—	—
Bank balances and cash	<u>20,056</u>	<u>117,162</u>	<u>49,340</u>	<u>113,528</u>	<u>38,331</u>
Sub-total	264,717	383,984	360,551	410,037	345,953
Assets classified as held for sale/distribution	<u>—</u>	<u>—</u>	<u>40,510</u>	<u>150,510</u>	<u>—</u>
Total current assets	264,717	383,984	401,061	560,547	345,953

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	At 31 December			At 30 June	At 31 October
	2012	2013	2014	2015	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000) <i>(unaudited)</i>
Current liabilities					
Trade and other payables	39,960	34,354	54,532	45,843	43,018
Amounts due to directors	19,190	—	—	—	—
Amounts due to related parties	9,627	—	—	—	—
Taxation payable	2,647	10,962	5,281	11,849	14,542
Bank loans	33,071	31,738	99,838	—	—
Bank overdrafts	—	—	21,997	—	—
Sub-total	104,495	77,054	181,648	57,692	57,560
Liabilities directly associated with assets classified as held for sale/distribution	—	—	9,431	86,399	—
Total current liabilities	104,495	77,054	191,079	144,091	57,560
Net current assets	160,222	306,930	209,982	416,456	288,393

Our net current assets increased from approximately HK\$160.2 million as at 31 December 2012 to approximately HK\$306.9 million as at 31 December 2013 primarily due to an increase in our bank balances and cash from approximately HK\$20.1 million to approximately HK\$117.2 million as a result of our strong operating cash inflow and substantial cash inflow not related to our Jewellery Business, partially offset by cash outflow not related to the Jewellery Business and dividend paid for the year ended 31 December 2013.

Our net current assets decreased from approximately HK\$306.9 million as at 31 December 2013 to approximately HK\$210.0 million as at 31 December 2014 primarily due to (i) acquisition of the Hong Kong Property and the Dubai Property in 2014; (ii) increase in bank loan which was primarily for financing our acquisition of the Hong Kong Property in 2014; and (iii) decrease in our bank balances and cash from approximately HK\$117.2 million to approximately HK\$49.3 million as a result of cash outflow not related to the Jewellery Business and dividend paid, partially offset by the cash inflow generated by our operation, notwithstanding that the Hung Hom Property, previously classified as non-current assets, which we had decided to dispose of in 2014 was reclassified as current assets as at 31 December 2014.

Our net current assets increased from approximately HK\$210.0 million as at 31 December 2014 to approximately HK\$416.5 million as at 30 June 2015 primarily due to (i) reclassification of the Hong Kong Property and the Dubai Property, previously classified as non-current assets, to current assets due to the then anticipated Business Transfer on 5 August 2015; (ii) increase in our bank balances and cash from approximately HK\$49.3 million to approximately HK\$113.5 million as a result of the cash inflow generated by our operation; and (iii) cash inflow not related to the Jewellery Business, partially offset by the dividend paid.

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Our net current assets decreased from approximately HK\$416.5 million as at 30 June 2015 to HK\$288.4 million as at 31 October 2015 primarily due to (i) the net effect of derecognition of the assets classified as held for sale/distribution and liabilities directly associated with assets classified as held for sale/distribution from our financial accounts as a result of the Business Transfer; and (ii) the decrease in bank balances and cash as a result of distribution of dividend in the amount of HK\$77.0 million in August 2015.

WORKING CAPITAL CONFIRMATION

In view of the cash generated/to be generated from operating activities, our currently available financial resources and the net proceeds from the Global Offering, our Directors have confirmed that we have sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

INDEBTEDNESS

At 31 October 2015, our Group had outstanding amount due to a related party, being HK Perfect, of approximately HK\$282.1 million, which was non-guaranteed and unsecured.

Save as aforesaid and apart from intra-group liabilities, as at 31 October 2015, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that (i) we had not defaulted or delayed in any payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there are no material covenants relating to our outstanding debts (if any); and (iii) up to the Latest Practicable Date, there has been no material change in indebtedness and contingent liabilities of our Group since 31 October 2015.

The table below sets forth our indebtedness as at the respective dates indicated:

	<u>At 31 December</u>			<u>At</u> <u>30 June</u>	<u>At 31</u> <u>October</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
					<i>(unaudited)</i>
Bank borrowings					
Bank loans (including					
liabilities associated with					
assets classified as held for					
sale/distribution)	33,071	31,738	109,269	86,399	—
Bank overdrafts	—	—	21,997	—	—
Amounts due to directors	19,190	—	—	—	—
Amounts due to related parties	<u>9,627</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>282,103</u>
Total	<u>61,888</u>	<u>31,738</u>	<u>131,266</u>	<u>86,399</u>	<u>282,103</u>

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Bank borrowings

As at 31 October 2015, we did not have any banking facility.

During the Track Record Period, bank borrowings were our principal debt, comprising approximately 53.4%, 100%, 100% and 100% of our Group's total indebtedness as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively.

The following table sets forth a breakdown of our bank borrowings as at the respective dates indicated:

	At 31 December			At 30 June	At 31 October
	2012	2013	2014	2015	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Bank loans	33,071	31,738	99,838 ⁽¹⁾	— ⁽²⁾	—
Bank overdrafts	—	—	21,997	—	—
Total	<u>33,071</u>	<u>31,738</u>	<u>121,835</u>	<u>—</u>	<u>—</u>

Note:

- (1) As at 31 December 2014, there was a bank loan of approximately HK\$9.4 million in relation to the Hung Hom Property drawn, which was classified as liabilities directly associated with assets classified as held for sale and not included in this figure, details of which are set out in the section "Financial Information — Indebtedness — Liabilities directly associated with assets classified as held for sale/distribution" in this prospectus.
- (2) As at 30 June 2015, there was a bank loan of approximately HK\$86.4 million in relation to the Hong Kong Property drawn, which was classified as liabilities directly associated with assets classified as held for distribution and not included in this figure, details of which are set out in the section "Financial Information — Indebtedness — Liabilities directly associated with assets classified as held for sale/distribution" in this prospectus.

All of our bank borrowings were denominated in HKD. All bank loans were at variable rate, and the range of effective interest rate for the years ended 31 December 2012, 2013 and 2014 are 1.71% to 4.5%, 1.71% to 4.5% and 2.25% to 4.5% per annum respectively.

Bank loans increased from approximately HK\$31.7 million as at 31 December 2013 to approximately HK\$99.8 million as at 31 December 2014 primarily due to a mortgage drawn for the acquisition of Hong Kong Property.

Bank loans decreased from approximately HK\$99.8 million as at 31 December 2014 to nil as at 31 October 2015 primarily because of the derecognition of the Hong Kong Property and the associated mortgage loans from our combined financial information as a result of the Business Transfer, details of which are further described in the section "Financial Information — Description of selected items in combined statements of financial position — Property, plant and equipment" in this prospectus.

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During the Track Record Period, our bank loans were guaranteed by one of our Directors with an unlimited amount and secured by certain land and buildings of our Group with carrying amount of HK\$37,300,000, HK\$41,400,000 and HK\$143,173,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively, and certain land and buildings held by one of our Directors.

We had bank overdrafts of approximately HK\$22.0 million as at 31 December 2014 which was primarily used to finance our working capital. The bank overdrafts carried interest at HIBOR+2.25% per annum and were repayable on demand.

During the Track Record Period, we did not experience any delay or default in repayment of bank and other borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us.

Liabilities directly associated with assets classified as held for sale/distribution

The following table sets forth the details of our liabilities directly associated with assets classified as held for sale/distribution as at the respective dates indicated:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Liabilities directly associated with assets classified as held for sale/distribution	<u>—</u>	<u>—</u>	<u>9,431</u>	<u>86,399</u>

Liabilities directly associated with assets classified as held for sale/distribution as at 31 December 2014, amounting to approximately HK\$9.4 million, consisted of the outstanding mortgage of the Hung Hom Property which was, classified as held for sale as at 31 December 2014.

Liabilities directly associated with assets classified as held for sale/distribution as at 30 June 2015, amounting to approximately HK\$86.4 million, consisted of the outstanding mortgage of the Hong Kong Property which was then scheduled to be derecognised following the completion of the Business Transfer on 5 August 2015.

Please refer to the section “Financial Information — Description of selected items in combined statements of financial position — Property, plant and equipment” in this prospectus for further details of the Hung Hom Property and the Hong Kong Property.

The bank loans reclassified as liabilities directly associated with assets classified as held for sale/distribution were guaranteed by one of our Directors with an unlimited amount and secured by certain land and buildings of our Group with carrying amount of approximately HK\$40.5 million and HK\$149.4 million as at 31 December 2014 and 30 June 2015 respectively, and certain land and buildings held by one of our Directors.

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Amounts due to directors

Please refer to the section “Financial Information — Description of selected items in combined statements of financial position — Amounts due to/from directors” in this prospectus for further details.

Amounts due to related parties

The amount due to related parties as at 31 October 2015, being HK\$282.1 million, represented the consideration of the Business Transfer due to HK Perfect, which will be settled by our Company prior to the Listing by way of the Loan Capitalisation Issue.

Please refer to the section “Financial Information — Description of selected items in combined statements of financial position — Amounts due to related parties” in this prospectus for further details.

Contingent liabilities

As at the Latest Practicable Date, we did not have contingent liabilities that would have a material adverse effect on our financial position, liquidity or result of operation.

KEY FINANCIAL RATIOS

The following table summarises our key financial ratios as at the respective dates/for the periods indicated, with pro forma information as at 30 June 2015 to demonstrate the effect of derecognition of certain assets and liabilities which have been retained in HK Perfect pursuant to the Business Transfer:

	Year ended/At 31 December			Six months ended/ At 30 June (Based on audited figures)	Six months ended/ At 30 June (Pro forma adjusted as if assets classified as held for sale/ distribution and its directly associated liabilities have been derecognised)
	2012	2013	2014	2015	2015
Gross profit margin ⁽¹⁾	23.1%	30.0%	29.2%	28.0%	28.0% ⁽⁹⁾
Net profit margin ⁽²⁾	14.9%	20.0%	17.5%	15.8%	15.8% ⁽⁹⁾
Return on equity ⁽³⁾	40.5%	30.5%	25.0%	19.9% ⁽⁷⁾	23.4% ⁽⁷⁾⁽⁸⁾
Return on total assets ⁽⁴⁾	26.5%	24.9%	16.3%	14.8% ⁽⁷⁾	20.1% ⁽⁷⁾⁽⁸⁾
Current ratio ⁽⁵⁾	2.5	5.0	2.1	3.9	7.1 ⁽⁸⁾
Debt to equity ratio ⁽⁶⁾	37.7%	13.8%	42.9%	26.0%	6.6% ⁽⁸⁾

Note:

- (1) Gross profit margin is calculated based on gross profit of the period divided by revenue of the respective period and multiplied by 100%.
- (2) Net profit margin is calculated based on profit of the period divided by revenue of the respective period and multiplied by 100%.

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- (3) Return on equity is calculated based on the profit of the period divided by the total equity at the end of the respective period and multiplied by 100%.
- (4) Return on total assets is calculated based on the profit of the period divided by the total assets at the end of the respective period and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets (including assets classified as held for sale/distribution) divided by the total current liabilities (including liabilities directly associated with assets classified as held for sale/distribution) as at the respective date.
- (6) Debt to equity ratio is calculated based on debts (including accruals and other payables, amounts due to directors, amounts due to related parties, bank loans, bank overdrafts and liabilities directly associated with assets classified as held for sale/distribution) divided by total equity as at the respective date and multiplied by 100%.
- (7) This is an annualised number based on the profit of six months ended 30 June 2015 and hence may not be comparable to the return on equity/total asset ratio based on the full year profit for the years ending 31 December 2012, 2013 and 2014.
- (8) The figures are calculated based on the audited figures as at 30 June 2015 with adjustment as if the assets classified as held for sale/distribution and the liabilities directly associated with assets classified as held for sale/distribution as at 30 June 2015 had already been derecognised from the financial statements.
- (9) As the hypothetical derecognition of the assets classified as held for sale/distribution and the liabilities directly associated with assets classified as held for sale/distribution as at 30 June 2015 do not have any impact on the combined statements of profit and loss, no adjustment are made to the gross profit margin and net profit margin for the six months ended 30 June 2015.

DISCUSSION OF KEY FINANCIAL RATIOS

Gross profit margin and net profit margin

Our gross profit margin was approximately 23.1%, 30.0%, 29.2% and 28.0% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. The fluctuations of our Group's gross profit margin during the Track Record Period was primarily due to various factors including fluctuations in price of raw materials.

Please refer to the section "Financial Information — Review of historical results of operation" in this prospectus for details regarding fluctuations during the Track Record Period.

Our net profit margin was approximately 14.9%, 20.0%, 17.5% and 15.8% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. The trend of our net profit margin during the Track Record Period was generally in line with our gross profit margin during the Track Record Period.

Return on equity

Our return on equity was approximately 40.5%, 30.5% and 25.0% for the years ended 31 December 2012, 2013 and 2014 respectively. The decreasing trend of our return on equity was primarily due to the 80.6% increase in net assets from 31 December 2012 to 31 December 2014, being approximately HK\$200.0 million, HK\$350.9 million and HK\$361.3 million as at 31 December 2012, 2013 and 2014 respectively, primarily as a result of increase in reserves, along with the fluctuation of our net profit during the respective periods.

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Return on total assets

Our return on total assets was approximately 26.5%, 24.9% and 16.3% for the years ended 31 December 2012, 2013 and 2014 respectively. The decreasing trend of our return on total asset was primarily due to the 80.9% increase in total assets from 31 December 2012 to 31 December 2014, partially driven by the acquisition of the Hong Kong Property and the Dubai Property, being approximately HK\$306.1 million, HK\$430.2 million and HK\$553.8 million as at 31 December 2012, 2013 and 2014 respectively, along with the fluctuations of our net profit during the respective periods.

Current ratio

Our current ratio was approximately 2.5, 5.0, 2.1 and 3.9 as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively. Our current ratio increased from 2.5 as at 31 December 2012 to 5.0 as at 31 December 2013, which was primarily due to significant increase in bank balances and cash. Our current ratio subsequently dropped to 2.1 as at 31 December 2014 mainly due to the significant decrease in bank balances and cash and increase in bank borrowings in 2014, which were primarily attributable to the cash outlay for acquisition of the Hong Kong Property and an additional large amount of bank loans drawn by us for financing such acquisition in 2014. Our current ratio increased from 2.1 as at 31 December 2014 to 3.9 as at 30 June 2015 primarily due to the amount of assets to be retained in HK Perfect, principally being the Hong Kong Property and the Dubai Property, had been reclassified as assets held for sales/distribution which were categorised as current asset. If taking into account of the hypothetical derecognition of assets classified as held for sale/distribution and liabilities directly associated with assets classified as held for sale/distribution, as a result of the Reorganisation, our current ratio as at 30 June 2015 would be 7.1.

Debt to equity ratio

Our debt to equity ratio was approximately 37.7%, 13.8%, 42.9% and 26.0% as at 31 December 2012, 2013, 2014 and 30 June 2015. Our debt to equity ratio decreased from 37.7% as at 31 December 2012 to 13.8% as at 31 December 2013 primarily due to the increase in bank balances and cash. Our debt to equity ratio increased from 13.8% as at 31 December 2013 to 42.9% as at 31 December 2014 primarily because we made a substantial cash outlay in acquiring the Hong Kong Property and our bank borrowings had increased to finance the said acquisition.

Our debt to equity ratio dropped to 26.0% as at 30 June 2015 primarily because (i) all of our outstanding bank overdrafts as at 31 December 2014 had been subsequently repaid as at 30 June 2015; and (ii) our net assets increased from approximately HK\$361.3 million as at 31 December 2014 to approximately HK\$422.5 million as at 30 June 2015 primarily due to our profit for the period. If taking into account of the hypothetical derecognition of assets classified as held for sale/distribution and liabilities directly associated with assets classified as held for sale/distribution, our debt to equity ratio as at 30 June 2015 would be 6.6% primarily because all bank loans were categorised as liabilities directly associated with assets classified as held for sale/distribution and no longer be included in the calculation as debt.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in notes 20, 24 and 30 to the Accountants' Report, our Directors have confirmed that these transactions were conducted on an arm's length basis, normal commercial terms and/or terms that were no less favourable to our Group than those available to

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Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

Our Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest-bearing bank balances and bank borrowings at variable interest rates. Our Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation on HIBOR arising from our Group's HKD denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points and 10 basis points increase or decrease in bank borrowings and bank balances respectively are used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest bearing borrowings and bank balances had been 100 basis points and 10 basis points respectively higher/lower and all of other variables were held constant, the profit for the year/period ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015 would approximately decrease/increase by HK\$283,000, decrease/increase by HK\$174,000, decrease/increase by HK\$1,068,000 and increase/decrease by HK\$57,000 respectively.

Our Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

Currency risk

Certain group entities have foreign currency sales and purchases, which expose our Group to foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in respective notes. In addition, certain group entities also have advances to related parties which are denominated in currencies other than that respective functional currency.

Our Group exposes to currency of HKD, USD, RMB, and AED, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for our Group's operation activities. During the Track Record Period, our sales was primarily made in USD while our expenses, including purchase of raw materials was made mainly in USD and HKD with immaterial portion of cost, primarily being staff cost and factory overheads, in RMB. As (i) HKD and AED are pegged to the USD; (ii) our expenses was mainly settled in HKD and USD notwithstanding an immaterial portion was settled in RMB; and (iii) substantial portion of our sales and expenses are made in either USD or HKD,

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the impact of fluctuation of USD to our operational and financial performance would be immaterial, our Group's exposure to currency risk is not significant.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the combined statements of financial position.

In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Given the long-term relationships with our customers and the financial position of these customers, management considers that the credit risk associated with balances due from wholesale customers is low. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

The total trade receivables of our Group as at 31 December 2012, 2013, 2014 and 30 June 2015 was approximately HK\$82.6 million, HK\$84.6 million, HK\$102.8 million and HK\$119.0 million respectively, amounting to approximately 26.9%, 19.8%, 18.5% and 21.0% of our total assets as at the respective date, while our trade receivables turnover days were approximately 49.4 days, 56.9 days, 66.3 days and 76.2 days for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively. Our Group has no significant concentration of credit risk in trade receivables, with exposure spread over a number of counterparties.

During the Track Record Period, the amount of impairment of trade receivables amounted to approximately HK\$1.3 million, HK\$2.6 million, HK\$0.5 million and nil for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015 respectively, amounting to approximately 0.2%, 0.5%, 0.1% and nil of our revenue for the respective periods.

Based on the aforementioned, our Directors consider that our Group is not exposed to significant credit risk.

Liquidity risk

Our management has built a liquidity risk management framework for managing our Group's short and medium-term funding and liquidity requirements. Our Group manages liquidity risk by maintaining banking facilities as necessary and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing.

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As described in the section “History, Development and Reorganisation — Prior listing preparation” in this prospectus, our Group had appointed a sponsor with a view to preparing for a proposed listing on the Stock Exchange in December 2013 which was subsequently suspended voluntarily. Listing expenses in relation to the aforementioned listing preparation, amounting to approximately HK\$5.9 million, had been recognised as general and administrative and other expenses for the year ended 31 December 2014.

Listing expenses in relation to the Listing to be borne by our Company is estimated to be approximately HK\$24.5 million, of which approximately HK\$6.1 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity, and approximately HK\$18.4 million had been or is expected to be reflected in our combined statements of profit or loss and other comprehensive income.

Approximately HK\$4.0 million of the listing expenses in relation to services already performed for the Listing had been reflected in the combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period, and was recognised as general and administrative and other expenses for the six months ended 30 June 2015, and approximately HK\$14.4 million is expected to be reflected in the combined statements of profit or loss and other comprehensive income of our Group after the Track Record Period.

The estimated listing expenses are the latest best estimate and are for reference only.

DIVIDEND POLICY

During the Track Record Period, we declared dividends of HK\$20 million for the year ended 31 December 2012, approximately HK\$136.1 million for the year ended 31 December 2013, HK\$60 million for the year ended 31 December 2014 and HK\$20 million for the six months ended 30 June 2015. As at the Latest Practicable Date, the aforementioned dividends declared were settled.

After the Listing, subject to our constitutional documents and the Companies Law, our Shareholders may declare, at a general meeting, dividends not exceeding the amount recommended by our Directors. The amount of dividends recommended by our Directors is under the absolute discretion of our Directors, including the discretion to not to recommend any dividends.

Our Directors shall decide and recommend the amount of dividends (or decide not to recommend any dividend) based on our earnings, cash flows, financial condition, capital requirements, future plans of our Group and any other conditions that our Directors deem relevant at such time.

The foregoing, including our dividend distribution record, should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Notwithstanding the above, our Directors currently intend to recommend an annual dividend of around 30% of net profits to our Shareholders in the foreseeable future. Such intention does not constitute to any guarantee or representation or indication that our Directors must or will recommend and that our Group must or will pay dividends in such manner or declare and pay dividends at all.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 June 2015, therefore there was no distributable reserves as at 30 June 2015.

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PROPERTY INTERESTS

As at the Latest Practicable Date, we do not own any property. During the Track Record Period, we owned certain properties which included the Hong Kong Property and the Dubai Property. As part of the Reorganisation, the Hong Kong Property and the Dubai Property were retained in HK Perfect upon completion of the Business Transfer, which were then subsequently leased by HK Perfect to us for operation use. Please also refer to the section “Business — Properties” in this prospectus for further details.

As the Hong Kong Property was deemed to be disposed by us on the date of completion of the Business Transfer on 5 August 2015, the property interests in the Hong Kong Property which we are entitled to has been nil since 5 August 2015. As the carrying amount of the Hong Kong Property exceeds 15% of our total assets as at 30 June 2015, being the latest date of the most recent audited combined statements of our financial position, in order to comply with Rule 5.01B(2) of the Listing Rules, a property valuation report in respect of the Hong Kong Property is included in Appendix III to this prospectus. The Hong Kong Property was deemed to be disposed of by us on 5 August 2015, being the date of completion of the Business Transfer, and has been leased to us from HK Perfect since then. Details concerning the valuation and property interests of the Hong Kong Property are set out in Appendix III to this prospectus. RHL Appraisal Limited, an independent property valuer, has valued the property interests of the Hong Kong Property as at 31 October 2015. The full text of the letter, summary of values and valuation certificates with respect to such property interests are set out in Appendix III to this prospectus. As per Appendix III to this prospectus, market valuation of the Hong Kong Property was HK\$147.0 million while the property interest in the Hong Kong Property attributable to us was nil as at 31 October 2015.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted combined net tangible assets of the Jewellery Business which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2015. The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 June 2015 or at any future date following the Global Offering. It is prepared based on the audited combined net tangible assets of our Group as at 30 June 2015 as derived from the Accountants’ Report and adjusted as described below.

	Audited combined net tangible assets of our Group as at 30 June 2015⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share⁽³⁾
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$)</i>
Based on an Offer Price of HK\$0.93 per Share	422,521	84,074	506,595	1.13
Based on an Offer Price of HK\$1.40 per Share	422,521	136,949	559,470	1.24

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Note:

- (1) The audited combined net tangible assets of our Group as of at 30 June 2015 has been determined based on the audited combined net assets of our Group of approximately HK\$422,521,000, extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 112,500,000 Offer Shares at the Offer Price of HK\$0.93 and HK\$1.40 per Share respectively, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$3,968,000 listing expenses which has been accounted for prior to 30 June 2015). No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is calculated based on 450,000,000 Shares in issue immediately following the completion of the Global Offering, Loan Capitalisation Issue and the Capitalisation Issue. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group as at 30 June 2015 to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2015.
- (5) The financial information of our Group as at 30 June 2015 set out in the Accountants' Report included assets and liabilities that are classified as held for distribution as a result of a business transfer agreement entered into on 26 June 2015 as part of the Group Reorganisation. Pursuant to the business transfer agreement, all assets and liabilities (except for land and buildings, and certain motor vehicles with aggregated carrying value of approximately HK\$150,510,000 as at 30 June 2015; and all bank loans with carrying value of approximately HK\$86,399,000 as at 30 June 2015) were transferred to Perfect (HK). In addition, HK Perfect has declared a dividend of HK\$77,000,000 to shareholders of HK Perfect on 31 July 2015, before the completion of the Business Transfer on 5 August 2015. Taking into account the Business Transfer and the dividend declared, the unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and the declaration of dividend would be as follow:

	Unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and declaration of dividend	Unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and declaration of dividend per Share
	<i>(HK\$'000)</i>	<i>(HK\$)</i>
Based on an Offer Price of HK\$0.93 per Offer Share	365,484	0.81
Based on an Offer Price of HK\$1.40 per Offer Share	418,359	0.93

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, save as disclosed in the sections “Financial Information — Contractual and capital commitments” and “Financial Information — Indebtedness” in this prospectus, we had not entered into any material off-balance sheet arrangements.

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NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they have performed sufficient due diligence to confirm that, up to the date of this prospectus, other than the increase of listing expenses to be incurred and the dividend in an amount of HK\$77.0 million had been distributed, there has been no material adverse change in our financial and trading positions since 30 June 2015 and there is no event since 30 June 2015 which would materially affect the information shown in the Accountants' Report.

RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Recent Development

On 5 August 2015, all the rights and obligations, assets and liabilities related specifically to the Jewellery Business carried out by HK Perfect as at 26 June 2015 were formally transferred by HK Perfect to Perfect (HK) for a cash consideration of approximately HK\$282.1 million. On 16 September 2015, HK Perfect agreed with Perfect (HK) not to demand for repayment on the amount due to HK Perfect in relation to the Business Transfer until 31 December 2016. In addition, pursuant to a deed of assignment of loan dated 14 December 2015, Perfect Group HK and HK Perfect have agreed that the consideration of the Business Transfer shall be capitalised prior to the Listing by way of Loan Capitalisation Issue. Please refer to the section "Share Capital — Loan Capitalisation Issue" in this prospectus for details.

There was no material interruption to our Group's operations as a result of such Business Transfer and Reorganisation. The consideration for the above transfer was approximately HK\$282.1 million which was based on the carrying value of the Jewellery Business and assets and liabilities as at the date of Business Transfer. Please refer to the section "History, Development and Reorganisation — Corporate structure — Reorganisation" in this prospectus for details of the Reorganisation.

On 5 August 2015, Perfect (HK) entered into the Hong Kong Tenancy Agreement with HK Perfect, pursuant to which Perfect (HK) has agreed to lease the Hong Kong Property from HK Perfect for a term of three years commencing on 5 August 2015 as offices. Please refer to the section "Connected Transactions — Non-exempt continuing connected transactions subject to reporting and announcement requirements" in this prospectus for more details.

On 31 July 2015, HK Perfect declared a dividend of HK\$77,000,000 to its shareholders and it was subsequently settled.

Save for the listing expenses mentioned in the section "Financial Information — Listing expenses" in this prospectus, our Group has not incurred any material non-recurring expenses.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please see the section “Business — Our business strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

The net proceeds of the Global Offering will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in this section.

The aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.165 per Share, being the mid-point of the indicative range of the Offer Price of HK\$0.93 to HK\$1.40 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$106.5 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- (1) approximately HK\$40.0 million (representing approximately 37.5% of the net proceeds) will be used for expanding our Middle East and European high-end markets by hiring sales team with relevant experience and participating in renowned and high-end focused jewellery exhibitions in Europe;
- (2) approximately HK\$35.0 million (representing approximately 32.9% of the net proceeds) will be used for upgrading our existing production facilities by purchasing the updated 3D printing machines, replacing equipment and machineries used for stones setting, filing and electroplating; installing the RFID inventory system at Perfect Factory; and hiring and training additional labour with relevant skills and experience;
- (3) approximately HK\$23.4 million (representing approximately 22.0% of the net proceeds) will be used for brand development, which includes investment in brand image enhancement by employing professional marketing teams, renovating our VIP show rooms at our Hong Kong Office and Dubai Office to better serve our high-end customers and initiating a different product line which targets to produce high quality fine jewellery with relatively simplistic designs and lower wholesale price so as to further stretch our customer base;
- (4) approximately HK\$5.0 million (representing approximately 4.7% of the net proceeds) will be used for enhancing our CRM system by introducing the RFID technology in various jewellery exhibitions which enable us to collect computerised data of our visitors' purchasing behavior; and
- (5) the remaining balance of approximately HK\$3.1 million (representing 2.9% of the net proceeds) will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.40 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$25.8 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.93 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$25.8 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$23.0 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.40 per Share; (ii) HK\$19.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.165 per Share; and (iii) HK\$15.3 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.93 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator

GF Securities (Hong Kong) Brokerage Limited

Joint Bookrunners And Joint Lead Managers

GF Securities (Hong Kong) Brokerage Limited

Convoy Investment Services Limited

Co-Lead Managers

Sanfull Securities Limited

Kilmorey Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (on behalf of the Public Offer Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any material breach of any of the warranties, obligations or undertakings imposed upon our Company or any of our Controlling Shareholders to any provision of the Underwriting Agreements; or

UNDERWRITING

- (ii) any statement contained in this prospectus, the Application Forms, announcement or the formal notice to be published by us in connection with the Public Offer, was or has become or been discovered to be untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in this prospectus and the Application Forms (the “**Public Offer Documents**”) is not, in the reasonable opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or
- (iii) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents or to the issue of any of the Public Offer Documents; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company under the Public Offer Underwriting Agreement pursuant to the indemnity provisions of the Public Offer Underwriting Agreement; or
- (v) any change or development involving a prospective adverse change in the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Group considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be so material and adverse as to make it impracticable or inadvisable to proceed with the Global Offering; or
- (vi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom; or
- (vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any material change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the RMB against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong, the PRC, the UAE, the U.S., the E.U. (or any member thereof) (the “**Relevant Jurisdictions**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome, avian influenza (H5N1 and H7N9), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
 - (iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or the E.U. (or any member thereof) on any of the Relevant Jurisdictions; or
 - (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section “Risk Factors” in this prospectus; or
 - (vii) the commencement by any governmental, regulatory or political body or organisation of any action against an executive Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

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- (viii) material non-compliance by our Company with this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares), the Listing Rules or any other laws applicable to the Global Offering; or
- (ix) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (x) any material litigation or claim being threatened or instigated against any member of our Group; or
- (xi) any material contravention by any Controlling Shareholders as warrantor, any member of our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Company Law, the SFO or any of the Listing Rules;

which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of Public Offer Underwriters) and after consultation with our Company:

- (a) is or shall have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole or in the case of (ix) above, to any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or shall have or could reasonably be expected to have a material adverse effect on the success, marketability of the Global Offering or the level of applications under the Public Offer or the level of interest under the International Placing; or
- (c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing

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Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) without the prior consent of the Stock Exchange, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering, the Over-allotment Option and the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan) in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; and
- (b) in the period of six months commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan) in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

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Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by us

We have undertaken to the Sole Global Coordinator and the Public Offer Underwriters that it shall not, and, each of our Company, the executive Directors and our Controlling Shareholders jointly and severally undertake to the Public Offer Underwriters to procure, except pursuant to the Global Offering, the Loan Capitalisation Issue, the Capitalisation Issue and the Over-allotment Option as mentioned in this prospectus, or the grant of any option under the Share Option Scheme or the exercise of any option to be granted under the Share Option Scheme, or with the prior written consent of the Sole Global Coordinator (on behalf of the Public Offer Underwriter(s)) (such consent not to be unreasonably withheld or delay), and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”) that:

- (a) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Group or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);
- (b) our Company will not, and will procure that our subsidiaries will not, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
- (c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) our Company will not, and will procure that our subsidiaries will not, agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company and the Public Offer Underwriters that without the prior written consent of the Sole Global Coordinator (on behalf of all Public Offer Underwriters) (which consent not to be unreasonably withheld or delayed) that:

- (i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator (which consent not to be unreasonably withheld or delayed) and unless otherwise in compliance with the requirements of the Listing Rules,
 - (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
 - (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or
 - (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator (which consent not to be unreasonably withheld or delayed) and unless pursuant to the Stock Borrowing Agreement and/or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or regarded as, Controlling Shareholders;

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- (iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company;

Each of our Controlling Shareholders has further undertaken jointly and severally during the first twelve months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
- (ii) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Each of our Company and our Controlling Shareholders undertake with the Public Offer Underwriters that it shall comply with all restrictions and requirements under the Listing Rules (as may be amended from time to time) on the disposal by it or by the registered holder of any Shares or other securities of our Company in respect of which it is, or is shown by this prospectus to be, the beneficial owner.

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, inter alia, the International Placing Underwriters. Under the International Placing Underwriting Agreement, the International Placing Underwriters will, subject to certain conditions, severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the other International Placing Underwriters) at any time from the date of the International Placing Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Public Offer to require our Company to allot and issue up to an aggregate of 16,875,000 additional Offer Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the Global Offering to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive an underwriting commission at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option, if any), out of which they will pay any sub-underwriting commissions. Furthermore, our Company agrees, at its discretion, to pay to the Sole Global Coordinator a discretionary incentive fee of up to 1.0% of the aggregate Offer Price payable for the Offer Shares

UNDERWRITING

(excluding the Shares to be issued pursuant to the Over-allotment Option, if any). The underwriting commission (not taking into account the aforesaid incentive fee), together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$24.5 million in aggregate (based on an Offer Price of HK\$1.165 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.93 and HK\$1.40 per Offer Share and based on the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

Indemnity

Our Company has agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. GF Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange and GF Securities is the Sole Global Coordinator.

The Global Offering initially consists of (subject to reallocation and the Over-allotment Option):

- (i) the Public Offer of 11,250,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the section “Structure and Conditions of the Global Offering — The Public Offer” in this prospectus; and
- (ii) the International Placing of 101,250,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described below in the section “Structure and Conditions of the Global Offering — The International Placing” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act.

The Offer Shares will represent 25% of the enlarged registered share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as described in the section “The International Placing — Over-allotment Option”.

The number of Offer Shares to be offered under the Public Offer and the International Placing respectively may be subject to reallocation as described in the section “Structure and Conditions of the Global Offering — Pricing and allocation”.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Public Offer Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Placing Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Offer Price range

The Offer Price will be not more than HK\$1.40 per Offer Share and is expected to be not less than HK\$0.93 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.40 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,242.32 for one board lot of 3,000 Offer Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.40, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. See the section “How to Apply for Public Offer Shares — 12. Refund of application monies” in this prospectus.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Tuesday, 29 December 2015.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 29 December 2015 and in any event, no later than 5:00 p.m. on Tuesday, 29 December 2015.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 5:00 p.m. on Tuesday, 29 December 2015, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our Company’s consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.hkperjew.com.hk notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

Allocation

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Thursday, 31 December 2015 in The Standard (in English) and Sing Tao Daily (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.hkperjew.com.hk).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for Public Offer Shares — 10. Publication of results” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the Loan Capitalisation Issue, the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in The Standard (in English) and Sing Tao Daily (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.hkperjew.com.hk) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section “How to Apply for Public Offer Shares — 12. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Thursday, 31 December 2015 but will only become valid certificates of title at 8:00 a.m. on Monday, 4 January 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 11,250,000 Offer Shares at the Offer Price, representing 10% of the 112,500,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Offer Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the section “Structure and Conditions of the Global Offering — Conditions of the Public Offer” above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 5,625,000 Public Offer Shares and Pool B will comprise 5,625,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 5,625,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the International Placing so that the total number of Offer Shares available under the Public Offer will be increased to 33,750,000, 45,000,000 and 56,250,000 Shares respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)) respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 101,250,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Placing and the Public Offer, the International Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. The International Placing is subject to the Public Offer becoming unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in paragraph “Pricing and allocation” above and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Placing Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of applications under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 16,875,000 Offer Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

STOCK BORROWING AGREEMENT

GF Securities, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Immaculate Diamonds, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Immaculate Diamonds will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- the maximum number of Shares borrowed from Immaculate Diamonds under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Immaculate Diamonds or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Immaculate Diamonds by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, GF Securities, as the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, amounting to, 16,875,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of the Offer

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Offer Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Offer Shares;
- no stabilising action can be taken to support the price of the Offer Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Offer Shares, and therefore the price of the Shares, may fall;
- the price of the Offer Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within 7 days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 16,875,000 additional Offer Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 4 January 2016, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 4 January 2016. The Offer Shares will be traded in board lots of 3,000 Offer Shares each under the stock code 3326.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its sole discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 December 2015 until 12:00 noon on Monday, 28 December 2015 from:

- (i) any of the following offices of the Public Offer Underwriters:
 - (a) **GF Securities (Hong Kong) Brokerage Limited** at 29-30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
 - (b) **Convoy Investment Services Limited** at 24C, @Convoy, 169 Electric Road, North Point, Hong Kong
 - (c) **Sanfull Securities Limited** at Room 2001-6 Cosco Tower, 183 Queen's Road Central, Hong Kong
 - (d) **Kilmorey Securities Limited** at Flat A 11/F Harbour Commercial Building, 122-124 Connaught Road Central, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6–12 Nam Ning Street, Aberdeen
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tseung Kwan O Branch	Shop G37–40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21–27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 December 2015 until 12:00 noon on Monday, 28 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — Perfect Group Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 22 December 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, 23 December 2015 — 9:00 a.m. to 5:00 p.m.
Thursday, 24 December 2015 — 9:00 a.m. to 5:00 p.m.
Monday, 28 December 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 28 December 2015, the last application day or such later time as described in the paragraph "Effect of bad weather on the opening of the application lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the YELLOW Application Form for details.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 3,000 Public Offer Shares. Instructions for more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 22 December 2015	— 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 23 December 2015	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 24 December 2015	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 28 December 2015	— 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 22 December 2015 until 12:00 noon on Monday, 28 December 2015 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 28 December 2015, the last application day or such later time as described in the paragraph “Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 28 December 2015.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 3,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section “Structure and Conditions of the Global Offering — Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 28 December 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 28 December 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 31 December 2015 in The Standard (in English) and Sing Tao Daily (in Chinese) and on our Company’s website at www.hkperjew.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.hkperjew.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 31 December 2015;
- from the designated results of allocations website at www.unioniporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 31 December 2015 to 12:00 midnight on Wednesday, 6 January 2016;
- by telephone enquiry line by calling (852) 3443 6133 between 9:00 a.m. and 6:00 p.m. from Thursday, 31 December 2015 to Wednesday, 6 January 2016 (excluding Saturday, Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 31 December 2015 to Tuesday, 5 January 2016 at the designated receiving bank branches and sub-branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section "Structure and Conditions of the Global Offering — Conditions of the Public Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 31 December 2015.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Thursday, 31 December 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 4 January 2016 provided that the Global Offering has become unconditional and the right of termination described in the section “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Union Registrars Limited at

HOW TO APPLY FOR PUBLIC OFFER SHARES

A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 December 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 31 December 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 31 December 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 31 December 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 December 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 31 December 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph "Publication of results" above on Thursday, 31 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 December 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 31 December 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 31 December 2015.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

22 December 2015

The Directors
Perfect Group International Holdings Limited

GF Capital (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of the Jewellery Business (defined below) (the “**Financial Information**”) carried out by Perfect Group International Holdings Limited (the “**Company**”) and its subsidiaries and their predecessor which carried out such business (the Company and its subsidiaries and the Jewellery Business carried out by predecessor are hereinafter collectively referred as the “**Group**”) for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 (the “**Track Record Period**”) for inclusion in the prospectus of the Company dated 22 December 2015 in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) (the “**Prospectus**”).

Historically, the Group’s principal business, which was the designing, manufacturing and exporting of fine jewellery (the “**Jewellery Business**”), was carried out by Hong Kong Perfect Jewellery Company Limited (“**HK Perfect**”, the Company’s fellow subsidiary which is under the control of the same controlling shareholder of the Company, namely Mr. Kan Kin Kwong, the “**Controlling Shareholder**”) and certain of its subsidiaries. During the Track Record Period, HK Perfect also carried out other businesses in addition to the Jewellery Business which do not form part of the Group’s principal Jewellery Business (the “**Non-Jewellery Business**”). As the Financial Information aims to reflect only those relevant to the Jewellery Business during the Track Record Period, the financial position and operating results directly attributable to such Non-Jewellery Business were excluded from the Financial Information. For the purpose of this report, the Group had segregated relevant financial information of the Jewellery Business, to the extent possible, from the historical financial information of HK Perfect and its subsidiaries for the preparation of the Financial Information to be included in this report. In particular, since HK Perfect and its subsidiaries maintained same bank accounts for both the Jewellery Business as well as the Non-Jewellery Business, all cash transactions from Jewellery Business and Non-Jewellery Business were processed through the same bank accounts, which cannot be segregated. As a result, while the bank balance and cash of HK Perfect and its subsidiaries (the “**Bank Balances and Cash**”) for the Track Record Period were reflected in this Financial Information throughout the Track Record Period, the movements and balances of net assets value attributable to, and the cash flows of, the Non-Jewellery Business during each reporting period, together with the capital of HK Perfect were reflected as movements and balances of special reserve in the statements of changes in equity as deemed equity transactions with the Controlling Shareholder. Such presentation will cease upon completion of Business Transfer (defined below) when the Jewellery Business was formally transferred to the Group and it became a group of distinct and separate legal entities apart from HK Perfect and its subsidiaries.

The Company was incorporated on 16 June 2015 and registered as an exempted company in the Cayman Islands to take up the Jewellery Business from HK Perfect through the Business Transfer. Up to 30 June 2015, it had not carried on any business since its date of incorporation other than the Group Reorganisation as defined below. Through a group reorganisation as more fully explained in the section “History, Development and Reorganisation” in the Prospectus including the Business Transfer (the “**Group Reorganisation**”), the Company has since 14 December 2015 become the holding company of the Group and succeeds the Jewellery Business from HK Perfect and its subsidiary.

Particulars of the subsidiaries directly or indirectly held by the Company, or HK Perfect, the predecessor which carried out the Group’s Jewellery Business prior to the formation of the Group on 14 December 2015, at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Ordinary share capital at the date of this report	Equity interest attributable to the Group or its predecessor				At the date of this report	Principal activities
				At 31 December					
				2012	2013	2014	2015		
Perfect Group International Holdings (HK) Limited (“ Perfect Group HK ”) ⁽¹⁾	Hong Kong 23 June 2015	Hong Kong	HK\$10,000,000	—	—	—	100%	100%	Designing, manufacturing and exporting of fine jewellery
Perfect Group International Holdings Limited (“ Perfect (BVI) ”)*	British Virgin Islands (“ BVI ”) 9 June 2015	Hong Kong	US\$10,000	—	—	—	100%	100%	Investment holding
Hong Kong Perfect Jewellery DMCC (“ Perfect (UAE) ”) ⁽⁵⁾	Dubai 25 November 2014	Dubai	AED50,000	—	—	100%	100%	100%	Logistics and marketing activities
Hong Kong Perfect Jewellery Corp. (“ HK Perfect (US) ”) ⁽²⁾	United States of America 1 April 2012	United States of America	US\$20,000	100%	100%	100%	100%	—	Deregistered
Kension Jewelry Co., Ltd. (“ Kension ”) ⁽³⁾	Canada 14 January 2010	Canada	CAD100	100%	100%	100%	100%	—	Dissolved
HKP Jewellery Trading LLC (“ HKP (Dubai) ”) ⁽⁴⁾	Dubai 2 June 2009	Dubai	AED300,000	100%	100%	100%	100%	—	In the process of dissolution

* Directly held by the Company

Note:

- (1) As part of the Group Reorganisation, on 5 August 2015, HK Perfect transferred its rights and obligations, assets and liabilities related specifically to the Jewellery Business to the Company’s subsidiary, Perfect Group HK. Details of the transfer are set out in note 2 to Section E below.
- (2) HK Perfect (US) was held on behalf by certain directors of HK Perfect, and it was beneficially owned by HK Perfect. It was deregistered as at the date of this report.
- (3) Kension was held on behalf by certain directors of HK Perfect, and it was beneficially owned by HK Perfect. It was dissolved as at the date of this report.

- (4) HKP (Dubai) was held on behalf by an independent agent, and it was beneficially owned by HK Perfect. No share capital was injected by the Group or HK Perfect as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015. An application of deregistration for HKP (Dubai) was submitted on 9 September 2015.
- (5) No share capital was injected as at 31 December 2014, 30 June 2015 and at the date of this report.

All of the above subsidiaries and the Company adopt 31 December as the financial year end date.

During the Track Record Period, the Jewellery Business of the Group was carried out by HK Perfect, a limited liability company incorporated in Hong Kong which is controlled by the Controlling Shareholder, and certain of its subsidiaries. As part of the Group Reorganisation, Perfect Group HK entered into a business transfer agreement with HK Perfect, pursuant to which HK Perfect ceased to operate the Jewellery Business and transferred formally to the Group on 5 August 2015 all the rights and obligations, assets and liabilities related specifically to the Jewellery Business, as well as those Bank Balances and Cash as defined and discussed above, which will also be transferred to the bank accounts maintained by Perfect Group HK (the “**Business Transfer**”). As the predecessor and successor companies carry out the Jewellery Business have been under the common control of the Controlling Shareholder throughout the Track Record Period or since their respective date of incorporation where this is a shorter period, the Financial Information has been prepared to present the financial position and operating results of the Jewellery Business throughout the Track Record Period as a continuation of existing business from the perspective of the Controlling Shareholder.

No statutory financial statements have been prepared for Perfect Group HK as it has not reached the statutory time limit imposed on the issuance of first set of statutory financial statements since its date of incorporation. For the Company and the subsidiaries incorporated in the Cayman Islands, BVI, the United States of America, Canada and Dubai, no statutory financial statements have been prepared as there are no statutory requirements for them in those jurisdictions.

The statutory financial statements of HK Perfect for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and were audited by CCIF CPA Limited, PricewaterhouseCoopers and Deloitte Touche Tohmatsu, respectively, which are certified public accountants registered in Hong Kong. For the purpose of this report, the directors of HK Perfect have prepared the financial statements of HK Perfect for the six months ended 30 June 2015 in accordance with HKFRSs issued by the HKICPA, which were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (collectively referred to as the “**HK Perfect Financial Statements**”). In addition, for the purpose of this report, the directors of the Company have prepared the management accounts of the Company, Perfect Group HK, and overseas entities, namely Perfect (BVI), Perfect (UAE), HK Perfect (US), Kension and HKP (Dubai), which carry out part of the Jewellery Business during the Track Record Period or since the date of incorporation, which is a shorter period, as appropriate, in accordance with HKFRSs issued by the HKICPA (the “**Management Accounts**”) (together with the HK Perfect Financial Statements collectively referred to as the “**Underlying Financial Statements**”). We have carried out independent audit on the Management Accounts in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the reporting accountant” as recommended by the HKICPA and carried out such procedures as we considered necessary for inclusion of the financial information relating to these entities in this report.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section E below and after making such adjustments which are considered necessary in the preparation of our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of section E to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and of the financial performance and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2014 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "**Financial Information for 30 June 2014**") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the Financial Information for 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the Financial Information for 30 June 2014 consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Financial Information for 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the Financial Information for 30 June 2014 is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

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

		THE GROUP				
		Year ended 31 December			Six months ended 30 June	
NOTES		2012	2013	2014	2014	2015
		(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
		<i>(unaudited)</i>				
	Revenue	542,831	536,293	516,154	281,391	265,803
	Cost of goods sold	<u>(417,551)</u>	<u>(375,335)</u>	<u>(365,649)</u>	<u>(196,964)</u>	<u>(191,285)</u>
	Gross profit	125,280	160,958	150,505	84,427	74,518
	Other income	257	787	749	441	316
	Other (losses) gains	(1,316)	(2,455)	(840)	—	1
	Selling and distribution costs	(11,308)	(11,122)	(11,965)	(6,099)	(6,725)
	General and administrative and other expenses	(21,546)	(25,232)	(36,033)	(17,330)	(18,690)
	Finance costs	<u>(1,036)</u>	<u>(1,070)</u>	<u>(1,853)</u>	<u>(682)</u>	<u>(1,301)</u>
	Profit before taxation	90,331	121,866	100,563	60,757	48,119
	Taxation	<u>(9,351)</u>	<u>(14,817)</u>	<u>(10,124)</u>	<u>(5,838)</u>	<u>(6,171)</u>
	Profit for the year/period	80,980	107,049	90,439	54,919	41,948
	Other comprehensive (expense) income for the year/period:					
	<i>Items that will not be reclassified subsequently to profit or loss:</i>					
	— Surplus on revaluation of land and buildings	13,899	5,142	9,910	—	8,347
	— Deferred tax arising from revaluation of land and buildings	(1,146)	(424)	(841)	—	—
	<i>Item may be reclassified subsequently to profit or loss:</i>					
	— Exchange differences arising on translating foreign operations	<u>(1)</u>	<u>10</u>	<u>27</u>	<u>26</u>	<u>25</u>
		<u>12,752</u>	<u>4,728</u>	<u>9,096</u>	<u>26</u>	<u>8,372</u>
	Total comprehensive income for the year/period	<u>93,732</u>	<u>111,777</u>	<u>99,535</u>	<u>54,945</u>	<u>50,320</u>

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		THE GROUP			
		At 31 December			At 30 June
NOTES	2012	2013	2014	2015	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
Non-current assets					
Property, plant and equipment	17	40,612	44,753	151,430	5,984
Rental and other deposits		813	1,495	1,331	1,140
		<u>41,425</u>	<u>46,248</u>	<u>152,761</u>	<u>7,124</u>
Current assets					
Inventories	18	152,697	175,853	203,767	169,388
Trade and other receivables	19	89,335	90,969	107,444	127,121
Amount due from a director	20	2,629	—	—	—
Bank balances and cash	21	20,056	117,162	49,340	113,528
		264,717	383,984	360,551	410,037
Assets classified as held for sale/distribution	22	—	—	40,510	150,510
		<u>264,717</u>	<u>383,984</u>	<u>401,061</u>	<u>560,547</u>
Current liabilities					
Trade and other payables	23	39,960	34,354	54,532	45,843
Amounts due to directors	20	19,190	—	—	—
Amounts due to related parties	24	9,627	—	—	—
Taxation payable		2,647	10,962	5,281	11,849
Bank loans	25	33,071	31,738	99,838	—
Bank overdrafts	21	—	—	21,997	—
		<u>104,495</u>	<u>77,054</u>	<u>181,648</u>	<u>57,692</u>
Liabilities directly associated with assets classified as held for sale/distribution	22	—	—	9,431	86,399
		<u>104,495</u>	<u>77,054</u>	<u>191,079</u>	<u>144,091</u>
Net current assets		<u>160,222</u>	<u>306,930</u>	<u>209,982</u>	<u>416,456</u>
Total assets less current liabilities		201,647	353,178	362,743	423,580

		THE GROUP			
		At 31 December			At 30 June
NOTES	2012	2013	2014	2015	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
Non-current liabilities					
Provision for long service payments	26	569	973	961	961
Deferred tax liabilities	27	1,064	1,260	495	98
		<u>1,633</u>	<u>2,233</u>	<u>1,456</u>	<u>1,059</u>
Net assets		<u>200,014</u>	<u>350,945</u>	<u>361,287</u>	<u>422,521</u>
Share capital and reserves					
Share capital	28	—	—	—	79
Reserves		<u>200,014</u>	<u>350,945</u>	<u>361,287</u>	<u>422,442</u>
		<u>200,014</u>	<u>350,945</u>	<u>361,287</u>	<u>422,521</u>

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Special reserve	Property revaluation reserve	Exchange reserve	Retained profits	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
At 1 January 2012	—	(49,688)	5,481	—	232,761	188,554
Profit for the year	—	—	—	—	80,980	80,980
Surplus on revaluation of land and buildings	—	—	13,899	—	—	13,899
Deferred tax arising from revaluation of land and buildings	—	—	(1,146)	—	—	(1,146)
Exchange differences arising on translating foreign operations	—	—	—	(1)	—	(1)
Total comprehensive income for the year	—	—	12,753	(1)	80,980	93,732
Movement of the Non-Jewellery Business	—	(62,272)	—	—	—	(62,272)
Dividends (note 16)	—	—	—	—	(20,000)	(20,000)
At 31 December 2012	—	(111,960)	18,234	(1)	293,741	200,014
Profit for the year	—	—	—	—	107,049	107,049
Surplus on revaluation of land and buildings	—	—	5,142	—	—	5,142
Deferred tax arising from revaluation of land and buildings	—	—	(424)	—	—	(424)
Exchange differences arising on translating foreign operations	—	—	—	10	—	10
Total comprehensive income for the year	—	—	4,718	10	107,049	111,777
Movement of the Non-Jewellery Business	—	175,279	—	—	—	175,279
Dividends (note 16)	—	—	—	—	(136,125)	(136,125)

	<u>Share capital</u>	<u>Special reserve</u>	<u>Property revaluation reserve</u>	<u>Exchange reserve</u>	<u>Retained profits</u>	<u>Total</u>
	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)
At 31 December 2013	—	63,319	22,952	9	264,665	350,945
Profit for the year	—	—	—	—	90,439	90,439
Surplus on revaluation of land and buildings	—	—	9,910	—	—	9,910
Deferred tax arising from revaluation of land and buildings	—	—	(841)	—	—	(841)
Exchange differences arising on translating foreign operations	—	—	—	27	—	27
Total comprehensive income for the year	—	—	9,069	27	90,439	99,535
Movement of the Non-Jewellery Business	—	(29,193)	—	—	—	(29,193)
Dividends (note 16)	—	—	—	—	(60,000)	(60,000)
At 31 December 2014	—	34,126	32,021	36	295,104	361,287
Profit for the period	—	—	—	—	41,948	41,948
Surplus on revaluation of land and buildings	—	—	8,347	—	—	8,347
Release upon disposal of land and buildings	—	—	(24,735)	—	24,735	—
Exchange differences arising on translating foreign operations	—	—	—	25	—	25
Total comprehensive income for the period	—	—	(16,388)	25	66,683	50,320
Movement of the Non-Jewellery Business	—	30,835	—	—	—	30,835
Issue of shares	79	—	—	—	—	79
Dividends (note 16)	—	—	—	—	(20,000)	(20,000)
At 30 June 2015	<u>79</u>	<u>64,961</u>	<u>15,633</u>	<u>61</u>	<u>341,787</u>	<u>422,521</u>

	<u>Share capital</u>	<u>Special reserve</u>	<u>Property revaluation reserve</u>	<u>Exchange reserve</u>	<u>Retained profits</u>	<u>Total</u>
	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)
(Unaudited)		(Note)				
At 1 January 2014	—	63,319	22,952	9	264,665	350,945
Profit for the period	—	—	—	—	54,919	54,919
Exchange differences arising on translating foreign operations	—	—	—	26	—	26
Total comprehensive income for the year	—	—	—	26	54,919	54,945
Movement of the Non-Jewellery Business	—	(29,794)	—	—	—	(29,794)
At 30 June 2014	<u>—</u>	<u>33,525</u>	<u>22,952</u>	<u>35</u>	<u>319,584</u>	<u>376,096</u>

Note:

As discussed above, the Financial Information included in this report aims to reflect those financial information relevant to the Jewellery Business, which was segregated from the books of HK Perfect and its subsidiaries, the predecessor which historically and throughout the Track Record Period carried out the Group's Jewellery Business, as well as the Non-Jewellery Business which does not form part of the Group. Therefore, the financial position and operating results of the Group does not include those directly attributable to the Non-Jewellery Business.

However, since historically and throughout the Track Record Period, several bank accounts were maintained by HK Perfect and its subsidiaries for both the Jewellery Business and Non-Jewellery Business, which are inseparable, the Group's movements of cash flows as well as changes in equity included in this Financial Information have inevitably included those related to the Non-Jewellery Business regardless of the date of Business Transfer, when the Jewellery Business was formally transferred to the Group and it became a group of distinct and separate legal entities apart from HK Perfect and its subsidiaries. Therefore,

- i. in the combined statements of cash flows of the Group, any fund flows resulted in the increase and decrease of the bank accounts of HK Perfect and its subsidiaries as a result of transactions relating to the Non-Jewellery Business, even though not related to the Group's Jewellery Business, were reflected as deemed financing cash flows of the Group with the Controlling Shareholder and included in the Group's combined statements of cash flows throughout the Track Record Period; and
- ii. in the combined statements of changes in equity of the Group, due to the fact that both Jewellery Business and Non-Jewellery Business were under the common control of the Controlling Shareholder,
 - a. any corresponding increase in resources of the Group as a result of transactions mentioned in (i) above was credited to special reserve and recognised as deemed contributions from the Controlling Shareholder; and
 - b. any corresponding decrease in resources as a result of transactions mentioned in (i) above was debited to special reserve and recognised as deemed distributions to the Controlling Shareholder.

(D) COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Operating activities					
Profit before taxation	90,331	121,866	100,563	60,757	48,119
Adjustments for:					
Depreciation on property, plant and equipment	2,885	2,630	4,653	1,262	3,364
Interest income	(1)	(241)	(58)	(55)	(1)
Interest expenses	1,036	1,070	1,853	682	1,301
Loss (gain) on disposal/write-off of property, plant and equipment	50	(133)	359	—	(1)
Bad debts written off	1,266	1,456	481	—	—
Allowance for doubtful debts	—	1,132	—	—	—
Operating cash flows before movements in working capital	95,567	127,780	107,851	62,646	52,782
Increase in rental and other deposits, trade and other receivables	(20,458)	(4,904)	(16,792)	(20,889)	(19,486)
(Increase) decrease in inventories	(2,281)	(23,156)	(27,914)	(10,687)	34,379
(Decrease) increase in trade and other payables	(27,126)	(5,202)	5,166	4,730	6,311
Cash generated from operations	45,702	94,518	68,311	35,800	73,986
Tax paid	(10,492)	(6,730)	(17,411)	—	—
Net cash generated from operating activities	35,210	87,788	50,900	35,800	73,986
Investing activities					
Proceeds from disposals of property, plant and equipment	—	200	—	—	16
Proceeds from disposal of assets classified as held for sale	—	—	15,000	—	25,510
Purchase of property, plant and equipment	(307)	(1,696)	(142,289)	(135,482)	(96)
(Advance to) repayment from a director	(2,629)	2,629	—	—	—
Interest received	1	241	58	55	1
Net cash (used in) generated from investing activities	(2,935)	1,374	(127,231)	(135,427)	25,431

	Year ended 31 December			Six months ended	
				30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Financing activities					
Repayment of bank loans	(11,590)	(18,063)	(16,147)	(8,875)	(22,870)
Proceeds from new bank loans	22,000	16,730	93,678	49,170	—
Dividend paid	(20,000)	(98,500)	(60,000)	—	(20,000)
Loan from (repayment to) related parties	9,627	(9,627)	—	—	—
Loan from (repayment to) directors	17,213	(56,815)	—	—	—
Interest paid	(1,036)	(1,070)	(1,853)	(682)	(1,301)
Proceeds from issue of shares	—	—	—	—	79
Cash inflows from the Non-Jewellery Business	60,678	175,421	807	54	40,835
Cash outflows to the Non-Jewellery Business	(122,950)	(142)	(30,000)	(29,848)	(10,000)
Net cash (used in) generated from financing activities	(46,058)	7,934	(13,515)	9,819	(13,257)
Net (decrease) increase in cash and cash equivalents	(13,783)	97,096	(89,846)	(89,808)	86,160
Cash and cash equivalents at the beginning of the year/period	33,840	20,056	117,162	117,162	27,343
Effects of foreign exchange rate changes	(1)	10	27	26	25
Cash and cash equivalents at the end of the year/period	<u>20,056</u>	<u>117,162</u>	<u>27,343</u>	<u>27,380</u>	<u>113,528</u>
Represented by:					
— Bank balances and cash	20,056	117,162	49,340	27,380	113,528
— Bank overdrafts	—	—	(21,997)	—	—
	<u>20,056</u>	<u>117,162</u>	<u>27,343</u>	<u>27,380</u>	<u>113,528</u>

(E) NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is a private limited company incorporated in the Cayman Islands on 16 June 2015. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is at 26/F, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Hong Kong. The Company's immediate and ultimate holding company is Immaculate Diamonds Limited, a company incorporated in the BVI which is controlled by the Controlling Shareholder.

The Company is an investment holding company. The principal activities of the Group are the designing, manufacturing and exporting of fine jewellery.

The Financial Information is presented in Hong Kong dollars ("HK\$") while the functional currency of the Company is United States Dollars ("US\$"). The reason for selecting HK\$ as its presentation currency is because the shareholders of the Company are located in Hong Kong.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The principal activities of the Group are the designing, manufacturing and exporting of fine jewellery. Historically, the Group's Jewellery Business was carried out by HK Perfect and certain of its subsidiaries, which are under the common control of the Controlling Shareholder.

In preparation for the listing of the Company's shares on the Stock Exchange, the Group underwent the Group Reorganisation which mainly involved interspersing shell entities and transferring the Jewellery Business from HK Perfect to Perfect Group HK, which is also under the common control of the Controlling Shareholder. On 26 June 2015, Perfect Group HK entered into a business transfer agreement with HK Perfect, pursuant to which HK Perfect ceased the Jewellery Business and transferred formally to the Group all the operation, assets and liabilities related specifically to the Jewellery Business. However, certain assets and liabilities of HK Perfect that are not related specifically to the Jewellery Business are not transferred to the Group and are retained by HK Perfect after the Group Reorganisation. Major steps of the Group Reorganisation include the following:

Step 1: On 9 June 2015, Perfect (BVI) was incorporated with an issued and fully paid share capital of US\$10,000 and controlled by the Controlling Shareholder.

Step 2: On 16 June 2015, the Company was incorporated with an issued and fully paid share capital of US\$100 and controlled by the Controlling Shareholder.

Step 3: On 23 June 2015, Perfect (BVI) incorporated Perfect Group HK in Hong Kong for the purpose of carrying on the Jewellery Business and holding the subsidiaries of the Group. Perfect Group HK allotted and issued 10,000,000 shares at HK\$10,000,000, credited as fully paid, to Perfect (BVI) as the initial subscriber.

Step 4: On 5 August 2015, all the rights and obligations, assets and liabilities related specifically to the Jewellery Business carried out by HK Perfect as at the date of the Business Transfer were formally transferred by HK Perfect to Perfect Group HK for a cash consideration of approximately HK\$282,103,000 which will be capitalised upon completion of the Group Reorganisation.

Step 5: HK Perfect (US) and Kension were deregistered/dissolved on 25 August 2015 and 4 September 2015 respectively. An application of deregistration for HKP (Dubai) was submitted on 9 September 2015.

Step 6: On 14 December 2015, the shareholders, including the Controlling Shareholder, of Perfect (BVI) have transferred the entire issued share capital of Perfect (BVI) to the Company, satisfied by the Company by way of allotment and issue of 100 shares to the shareholders.

The Financial Information was prepared based on audited financial statements or management accounts of companies carrying out the Jewellery Business which have included assets, liabilities, income and expenses, that are related to and specifically identified for the Jewellery Business. During the Track Record Period, HK Perfect also carried out Non-Jewellery Business and the Group had segregated the relevant financial information of the Jewellery Business, to the extent possible, from the historical financial information of HK Perfect and its subsidiaries for the preparation of the Financial Information to be included in this report. In particular, since HK Perfect and its subsidiaries maintained same bank accounts for both of its Jewellery Business as well as its Non-Jewellery Business, all cash transactions from Jewellery Business and Non-Jewellery Business are processed through the same bank accounts, which cannot be segregated. As a result, the bank balance and cash of HK Perfect and its subsidiaries for the Track Record Period were reflected in this Financial Information throughout the Track Record Period. The directors of the Company believe that the method of segregation and allocation presents a reasonable basis of determining what the operating results and financial position of the Jewellery Business would have been on a stand-alone basis for the period up to date of transfer.

Pursuant to the Group Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 14 December 2015. The Jewellery Business has been under the common control of the Controlling Shareholder throughout the Track Record Period and before and after the Group Reorganisation. As a result, the Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group and the Group had always been operating the Jewellery Business, using the principles of merger accounting under Accounting Guideline 5 Merger Accounting for Common Control Combinations.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Jewellery Business as if the Company had always been the holding company of the Group, and the Jewellery Business had always been operated by the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective date of incorporation, where this is a shorter period.

The combined statements of financial position of the Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 have been prepared to present the assets and liabilities of the Jewellery Business as if the Company had always been the holding company of the Group, the Jewellery Business had always been operated by the Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted HKFRSs issued by HKICPA that are effective for the Group's annual accounting periods beginning on 1 January 2015 consistently throughout the Track Record Period.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation and exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ³

- 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 2016, with earlier application permitted.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- 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. Specifically, 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- 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. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 9.

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 are in the process of reviewing the effect of the application of HKFRS 15 on the amounts reported and disclosures made in the Group’s Financial Information.

Except for the above disclosed, the directors of the Company anticipate that the application of the new and revised standards will have no material impact on the results and the combined financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain properties that are measured at revalued amounts at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

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 adopted are set out below.

Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has 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 power 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.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

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

Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

Sales of goods are recognised when goods are delivered and title has passed.

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.

Property, plant and equipment

Property, plant and equipment, other than land and buildings, held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the combined statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued land and buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Non-current assets held for sale/distribution

Non-current assets are classified as held for sale/distribution if their carrying amount will be recovered principally through a sale transaction/distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale/distribution, which should be expected to qualify for recognition as a completed sale/distribution within one year from the date of classification. Non-current assets classified as held for sale/distribution are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 the 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 (when 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.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when the Group 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 future cash receipts (including all fees 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 assets, 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.

Loans and receivables

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

Impairment of financial assets

Financial assets 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 assets, the estimate future cash flows of the financial assets have been affected.

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade 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, 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 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 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.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss 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 the group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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 estimate 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.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to directors/related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where 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.

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 unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 as income reversal of the immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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 difference 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 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 each 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 it relates 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, 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 rate prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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.

Operating lease payments are recognised as an expense on a straight-line basis over the term.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged over the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Group, comprising share capital, retained profits and other reserves as disclosed in the Financial Information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank borrowings.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, 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 ongoing 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.

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 amount of assets and liabilities, are described below.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the carrying amount of inventories is HK\$152,697,000, HK\$175,853,000, HK\$203,767,000 and HK\$169,388,000, respectively.

Provision for impairment of trade receivables

When there is objective evidence of impairment loss, the Group would estimate the future cash flows from the receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the carrying amount of trade receivables is HK\$82,586,000, HK\$84,575,000, HK\$102,845,000 and HK\$119,004,000, respectively (net of allowance for doubtful debts of nil, HK\$1,132,000, nil and nil respectively).

Land and buildings*Revaluation of land and buildings*

Land and buildings are revalued based on the valuation performed by independent professional valuers. The determination of the valuation involves certain assumptions of market conditions which are set out in note 17. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the valuation of the Group's land and buildings and the corresponding adjustments to the amount of gain or loss arising on the revaluation of land and buildings that would be recognised in other comprehensive income. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the carrying amount of the land and buildings carried at revalued amount was HK\$37,300,000, HK\$41,400,000, HK\$143,173,000 and nil respectively.

7. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

Categories of financial instruments

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>106,955</u>	<u>205,108</u>	<u>153,786</u>	<u>235,554</u>
Financial liabilities				
Amortised cost	<u>101,848</u>	<u>66,092</u>	<u>161,367</u>	<u>45,843</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to directors and related parties, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate 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**Currency risk*

Certain group entities have foreign currency sales and purchases, which expose the Group to foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in respective notes. In addition, certain group entities also have advances to related parties which are denominated in currencies other than respective functional currency.

The Group mainly exposes to foreign currency of HK\$ and United Arab Emirates Dirham ("Dirham"), which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities. HK\$ and Dirham, however, are pegged to the function currency of respective group entities (i.e. US\$), hence the Group's exposure to currency risk is not significant and no sensitivity analysis has been presented.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest-bearing bank balances and bank borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points and 10 basis points increase or decrease in bank borrowings and bank balances respectively are used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest bearing borrowings and bank balances had been 100 basis points and 10 basis points respectively higher/lower and all of other variables were held constant, the profit for the year/period ended 31 December 2012, 31 December 2013, 31 December 2014 and six months ended 30 June 2015 would approximately decrease/increase by HK\$283,000, decrease/increase by HK\$174,000, decrease/increase by HK\$1,068,000 and increase/decrease by HK\$57,000 respectively.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Given the long-term relationships with its customers and the financial position of these customers, management considers that the credit risk associated with balances due from wholesale customers is low. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in trade receivables, with exposure spread over a number of counterparties.

The credit risk on bank balances is minimal as such amounts are placed in banks with good reputation.

Liquidity risk

The management of the Group has built a liquidity risk management framework for managing the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Carrying amount
	(%)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Financial liabilities				
At 31 December 2012				
Trade and other payables	—	39,960	39,960	39,960
Amounts due to directors	—	19,190	19,190	19,190
Amounts due to related parties	—	9,627	9,627	9,627
Bank loans (note)	3.06	<u>33,071</u>	<u>33,071</u>	<u>33,071</u>
		<u>101,848</u>	<u>101,848</u>	<u>101,848</u>
At 31 December 2013				
Trade and other payables	—	34,354	34,354	34,354
Bank loans (note)	2.88	<u>31,738</u>	<u>31,738</u>	<u>31,738</u>
		<u>66,092</u>	<u>66,092</u>	<u>66,092</u>
At 31 December 2014				
Trade and other payables	—	39,532	39,532	39,532
Bank loans (note)	2.54	99,838	99,838	99,838
Bank overdrafts (note)	2.49	<u>21,997</u>	<u>21,997</u>	<u>21,997</u>
		<u>161,367</u>	<u>161,367</u>	<u>161,367</u>
At 30 June 2015				
Trade and other payables	—	<u>45,843</u>	<u>45,843</u>	<u>45,843</u>

Note:

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 December 2012, 31 December 2013 and 31 December 2014, the aggregate carrying amounts of these bank loans amounted to HK\$33,071,000, HK\$31,738,000 and HK\$99,838,000 respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the principal and interest cash outflows will be as follows:

	At 31 December			At
	2012	2013	2014	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2015
				(HK\$'000)
Aggregate principal and interest cash outflows repayable:				
Within one year	8,787	14,545	26,547	—
After one year but within two years	8,201	6,928	10,223	—
After two years but within five years	19,049	13,424	25,692	—
After five years	1,640	—	62,442	—
	<u>37,677</u>	<u>34,897</u>	<u>124,904</u>	<u>—</u>

Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of jewellery products and net of discounts and returns during the Track Record Period.

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by products, including rings, earrings, pendants, bangles, necklaces and bracelets, and by locations. The executive directors of the Company considered the operating activities of manufacturing and sales of jewellery products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Entity-wide information

An analysis of the Group's revenue by products is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Sales of					
— Rings	202,567	193,408	201,142	111,993	101,840
— Earrings	173,723	175,159	152,174	86,984	74,765
— Pendants	72,615	71,056	61,298	34,153	29,729
— Bangles	33,981	38,145	39,019	18,094	22,743
— Necklaces	41,103	39,044	31,346	16,235	17,073
— Bracelets	18,842	19,481	31,175	13,932	19,653
	<u>542,831</u>	<u>536,293</u>	<u>516,154</u>	<u>281,391</u>	<u>265,803</u>

Revenue from external customers, based on location of delivery to customers is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Revenue					
— Dubai	282,801	275,096	262,819	149,663	123,802
— Hong Kong	226,774	220,971	206,848	105,401	112,470
— United States of America	33,256	40,226	46,487	26,327	29,531
	<u>542,831</u>	<u>536,293</u>	<u>516,154</u>	<u>281,391</u>	<u>265,803</u>

No individual customer contributing revenue which accounted for more than 10% of the Group's total revenue during the Track Record Period.

An analysis of the Group's non-current assets by their physical geographical location is as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Hong Kong	39,960	43,826	147,478	4,818
Mainland China	1,011	1,954	2,037	1,791
Dubai	412	437	3,111	433
United States of America	<u>42</u>	<u>31</u>	<u>135</u>	<u>82</u>
	<u>41,425</u>	<u>46,248</u>	<u>152,761</u>	<u>7,124</u>

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Bank interest income	1	241	58	55	1
Scrap sales	82	499	541	308	81
Others	174	47	150	78	234
	<u>257</u>	<u>787</u>	<u>749</u>	<u>441</u>	<u>316</u>

10. OTHER (LOSSES) GAINS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
(Loss) gain on disposal/write-off of property, plant and equipment	(50)	133	(359)	—	1
Bad debt written off	(1,266)	(1,456)	(481)	—	—
Allowance for doubtful debts	—	(1,132)	—	—	—
	<u>(1,316)</u>	<u>(2,455)</u>	<u>(840)</u>	<u>—</u>	<u>1</u>

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Interest on bank borrowings					
— wholly repayable within five years according to scheduled repayment dates	580	841	866	307	385
— not wholly repayable within five years according to scheduled repayment dates	83	229	987	375	916
Interest paid to a director of HK Perfect, who is also a director of the Company	373	—	—	—	—
	<u>1,036</u>	<u>1,070</u>	<u>1,853</u>	<u>682</u>	<u>1,301</u>

12. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit before taxation has been arrived at after charging:					
Depreciation					
— cost of sales	1,289	852	666	273	263
— general and administrative and other expense	<u>1,596</u>	<u>1,778</u>	<u>3,987</u>	<u>989</u>	<u>3,101</u>
Total depreciation	<u>2,885</u>	<u>2,630</u>	<u>4,653</u>	<u>1,262</u>	<u>3,364</u>
Directors' remuneration (note 13)					
— fees	—	—	—	—	—
— salaries and other benefits	1,476	1,519	1,729	823	840
— performance-based bonus	911	1,015	811	—	—
— retirement benefit scheme contributions	<u>42</u>	<u>45</u>	<u>51</u>	<u>24</u>	<u>27</u>
	2,429	2,579	2,591	847	867
Other staff's salaries and other benefits	28,374	31,839	36,186	14,377	15,844
Other staff's retirement benefits scheme contributions	<u>3,872</u>	<u>5,089</u>	<u>5,450</u>	<u>2,499</u>	<u>2,514</u>
Total staff costs	<u>34,675</u>	<u>39,507</u>	<u>44,227</u>	<u>17,723</u>	<u>19,225</u>
Auditor's remuneration	89	1,580	200	—	600
Cost of inventories recognised as expenses (included in cost of goods sold)	417,551	375,335	365,649	196,964	191,285
Listing expenses (included in general and administrative and other expenses)	—	—	5,892	5,892	3,968
Operating lease rentals in respect of rented premises	<u>2,094</u>	<u>2,964</u>	<u>2,833</u>	<u>1,321</u>	<u>1,200</u>

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The executive directors of the Company were appointed in June 2015 and August 2015. Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as managerial level employees of group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Chairman and executive director:					
Mr. Kan Kin Kwong					
— director's fee	—	—	—	—	—
— salaries and other benefits	720	744	774	387	407
— performance-based bonus	420	484	452	—	—
— retirement benefits scheme contributions	14	15	17	8	9
	<u>1,154</u>	<u>1,243</u>	<u>1,243</u>	<u>395</u>	<u>416</u>
Executive directors:					
Ms. Shek Mei Chun					
— director's fee	—	—	—	—	—
— salaries and other benefits	386	399	514	234	227
— performance-based bonus	256	286	265	—	—
— retirement benefits scheme contributions	14	15	17	8	9
	<u>656</u>	<u>700</u>	<u>796</u>	<u>242</u>	<u>236</u>
Mr. Chung Chi Keung					
— director's fee	—	—	—	—	—
— salaries and other benefits	370	376	441	202	206
— performance-based bonus	235	245	94	—	—
— retirement benefits scheme contributions	14	15	17	8	9
	<u>619</u>	<u>636</u>	<u>552</u>	<u>210</u>	<u>215</u>
	<u>2,429</u>	<u>2,579</u>	<u>2,591</u>	<u>847</u>	<u>867</u>

Note:

- (i) The performance-based bonus is discretionary based on the Group's financial results and directors' performance as decided by the management of the Group.
- (ii) Mr. Kan Kin Kwong is also Chief Executive of the Company and his emoluments disclosure above includes those for services rendered by him as Chief Executive.

The five highest paid individuals included 3 directors, 3 directors, 2 directors, 2 directors (unaudited) and 2 directors of the Company for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2014 and 30 June 2015 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individual(s) during the Track Record Period were as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Employees					
— salaries and other benefits	1,604	1,634	2,593	1,216	1,051
— performance-based bonus	39	40	68	—	—
— retirement benefits scheme contributions	28	30	50	23	27
	<u>1,671</u>	<u>1,704</u>	<u>2,711</u>	<u>1,239</u>	<u>1,078</u>

Their emoluments were within the following bands:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	1	1	2	3	3
HK\$1,000,001 to HK\$1,500,000	1	1	1	—	—
	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

14. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
The taxation charge comprises:					
Hong Kong Profits Tax					
— Current year/period	7,405	12,597	9,081	5,648	4,607
— Overprovision in prior years	(22)	—	(662)	(662)	—
PRC Enterprise Income Tax ("EIT")					
— Current year/period	324	405	361	181	115
Overseas tax					
— Current year/period	1,941	2,043	2,950	1,474	1,846
Deferred tax	(297)	(228)	(1,606)	(803)	(397)
	<u>9,351</u>	<u>14,817</u>	<u>10,124</u>	<u>5,838</u>	<u>6,171</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The Group is engaged in manufacturing of jewellery products through a processing factory in the Mainland China under contract processing arrangement which is effective from 23 April 2008 to 7 April 2018. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the processing factory, certain profits of the Group are not taxable under Hong Kong Profits Tax during the Track Record Period. In addition, the processing factory of the Group is subject to PRC EIT at a rate of 25% on the deemed profit generated in Mainland China. Also, the Group is subject to certain overseas tax for the sales made to overseas.

Taxation charge for the year/period can be reconciled to the profit before taxation per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>	
Profit before taxation	<u>90,331</u>	<u>121,866</u>	<u>100,563</u>	<u>60,757</u>	<u>48,119</u>
Tax at the applicable income tax rate at 16.5%	14,905	20,108	16,593	10,025	7,940
Tax effect of expenses not deductible for tax purposes	363	978	1,579	1,281	1,249
Tax effect of income not taxable for tax purposes	(1)	(62)	(9)	(9)	—
Effect of profit under 50:50 arrangement	(8,159)	(8,655)	(10,688)	(6,452)	(4,979)
EIT and overseas tax	2,265	2,448	3,311	1,655	1,961
Overprovision in prior years	(22)	—	(662)	(662)	—
Taxation charge for the year/period	<u>9,351</u>	<u>14,817</u>	<u>10,124</u>	<u>5,838</u>	<u>6,171</u>

15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Group Reorganisation and the results for the Track Record Period that is on a combined basis.

16. DIVIDENDS

A subsidiary of the Company distributed interim dividends of HK\$20,000,000, HK\$136,125,000, HK\$60,000,000, nil (unaudited) and HK\$20,000,000 for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and each of the six months ended 30 June 2014 and 30 June 2015, respectively, to their then shareholders prior to the Group Reorganisation of which HK\$37,625,000 for the year 31 December 2013 was settled through current account with directors of HK Perfect. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or the Company since its incorporation.

The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

17. PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Moulds</u>	<u>Total</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<u>Year ended 31 December 2012</u>						
At 1 January 2012						
Cost or valuation	24,089	3,056	13,320	4,315	977	45,757
Accumulated depreciation	—	(2,589)	(11,163)	(1,918)	(746)	(16,416)
Net book amount	<u>24,089</u>	<u>467</u>	<u>2,157</u>	<u>2,397</u>	<u>231</u>	<u>29,341</u>
At 1 January 2012	24,089	467	2,157	2,397	231	29,341
Additions	—	108	151	—	48	307
Disposals/write-off	—	—	(50)	—	—	(50)
Adjustment on revaluation	13,899	—	—	—	—	13,899
Depreciation	(688)	(292)	(1,017)	(706)	(182)	(2,885)
At 31 December 2012	<u>37,300</u>	<u>283</u>	<u>1,241</u>	<u>1,691</u>	<u>97</u>	<u>40,612</u>
At 31 December 2012						
Cost or valuation	37,300	3,164	11,846	4,315	1,025	57,650
Accumulated depreciation	—	(2,881)	(10,605)	(2,624)	(928)	(17,038)
At 31 December 2012	<u>37,300</u>	<u>283</u>	<u>1,241</u>	<u>1,691</u>	<u>97</u>	<u>40,612</u>
Representing:						
Cost	—	283	1,241	1,691	97	3,312
Valuation	37,300	—	—	—	—	37,300
	<u>37,300</u>	<u>283</u>	<u>1,241</u>	<u>1,691</u>	<u>97</u>	<u>40,612</u>

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Moulds</u>	<u>Total</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<u>Year ended 31 December 2013</u>						
At 1 January 2013						
Cost or valuation	37,300	3,164	11,846	4,315	1,025	57,650
Accumulated depreciation	—	(2,881)	(10,605)	(2,624)	(928)	(17,038)
Net book amount	<u>37,300</u>	<u>283</u>	<u>1,241</u>	<u>1,691</u>	<u>97</u>	<u>40,612</u>
At 1 January 2013	37,300	283	1,241	1,691	97	40,612
Additions	—	970	102	538	86	1,696
Disposals/write-off	—	—	—	(67)	—	(67)
Adjustment on revaluation	5,142	—	—	—	—	5,142
Depreciation	<u>(1,042)</u>	<u>(386)</u>	<u>(610)</u>	<u>(492)</u>	<u>(100)</u>	<u>(2,630)</u>
At 31 December 2013	<u><u>41,400</u></u>	<u><u>867</u></u>	<u><u>733</u></u>	<u><u>1,670</u></u>	<u><u>83</u></u>	<u><u>44,753</u></u>
At 31 December 2013						
Cost or valuation	41,400	4,134	11,948	3,869	1,111	62,462
Accumulated depreciation	—	(3,267)	(11,215)	(2,199)	(1,028)	(17,709)
At 31 December 2013	<u><u>41,400</u></u>	<u><u>867</u></u>	<u><u>733</u></u>	<u><u>1,670</u></u>	<u><u>83</u></u>	<u><u>44,753</u></u>
Representing:						
Cost	—	867	733	1,670	83	3,353
Valuation	<u>41,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,400</u>
	<u><u>41,400</u></u>	<u><u>867</u></u>	<u><u>733</u></u>	<u><u>1,670</u></u>	<u><u>83</u></u>	<u><u>44,753</u></u>

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Moulds</u>	<u>Total</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<u>Year ended 31 December 2014</u>						
At 1 January 2014						
Cost or valuation	41,400	4,134	11,948	3,869	1,111	62,462
Accumulated depreciation	—	(3,267)	(11,215)	(2,199)	(1,028)	(17,709)
Net book amount	<u>41,400</u>	<u>867</u>	<u>733</u>	<u>1,670</u>	<u>83</u>	<u>44,753</u>
At 1 January 2014	41,400	867	733	1,670	83	44,753
Additions	134,921	564	5,835	868	101	142,289
Disposals/write-off	—	—	(359)	—	—	(359)
Adjustment on revaluation	9,910	—	—	—	—	9,910
Depreciation	(2,548)	(351)	(1,041)	(639)	(74)	(4,653)
Transfer to asset classified as held for sale	(40,510)	—	—	—	—	(40,510)
At 31 December 2014	<u>143,173</u>	<u>1,080</u>	<u>5,168</u>	<u>1,899</u>	<u>110</u>	<u>151,430</u>
At 31 December 2014						
Cost or valuation	143,173	4,677	14,151	4,737	1,212	167,950
Accumulated depreciation	—	(3,597)	(8,983)	(2,838)	(1,102)	(16,520)
At 31 December 2014	<u>143,173</u>	<u>1,080</u>	<u>5,168</u>	<u>1,899</u>	<u>110</u>	<u>151,430</u>
Representing:						
Cost	—	1,080	5,168	1,899	110	8,257
Valuation	<u>143,173</u>	—	—	—	—	<u>143,173</u>
	<u>143,173</u>	<u>1,080</u>	<u>5,168</u>	<u>1,899</u>	<u>110</u>	<u>151,430</u>

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Moulds</u>	<u>Total</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<u>Six months ended 30 June 2015</u>						
At 1 January 2015						
Cost or valuation	143,173	4,677	14,151	4,737	1,212	167,950
Accumulated depreciation	—	(3,597)	(8,983)	(2,838)	(1,102)	(16,520)
Net book amount	<u>143,173</u>	<u>1,080</u>	<u>5,168</u>	<u>1,899</u>	<u>110</u>	<u>151,430</u>
At 1 January 2015	143,173	1,080	5,168	1,899	110	151,430
Additions	25	—	56	—	15	96
Disposals/write-off	—	—	(3)	(12)	—	(15)
Adjustment on revaluation	8,347	—	—	—	—	8,347
Depreciation	(2,130)	(175)	(640)	(384)	(35)	(3,364)
Transfer to assets classified as held for sale/distribution	(149,415)	—	—	(1,095)	—	(150,510)
At 30 June 2015	<u>—</u>	<u>905</u>	<u>4,581</u>	<u>408</u>	<u>90</u>	<u>5,984</u>
At 30 June 2015						
Cost or valuation	—	4,677	14,207	2,077	1,227	22,188
Accumulated depreciation	—	(3,772)	(9,626)	(1,669)	(1,137)	(16,204)
At 30 June 2015	<u>—</u>	<u>905</u>	<u>4,581</u>	<u>408</u>	<u>90</u>	<u>5,984</u>
Representing:						
Cost	<u>—</u>	<u>905</u>	<u>4,581</u>	<u>408</u>	<u>90</u>	<u>5,984</u>

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or fair value to their residual values over their estimated useful lives as follows:

Land and buildings	40 years or the unexpired lease term, whichever is the shorter
Plant and machinery	20% per annum
Furniture and fixtures	20% per annum
Motor vehicles	20% per annum
Moulds	30% per annum

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
The Group's properties comprise:				
Land and buildings held in Hong Kong under medium-term leases	37,300	41,400	140,600	—
Freehold land and buildings in Dubai (note)	—	—	2,573	—
	<u>37,300</u>	<u>41,400</u>	<u>143,173</u>	<u>—</u>

Note: The Group is in the process of obtaining formal legal title in respect of such properties as at 31 December 2014 and 30 June 2015.

Land and buildings with net book value of HK\$37,300,000, HK\$41,400,000 and HK\$143,173,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively are pledged to secure banking facilities granted to the Group. Such land and buildings as at 31 December 2012 and 31 December 2013 were transferred to assets classified as held for sale as at 31 December 2014 and amounted to HK\$40,510,000, whilst the land and buildings as at 31 December 2014 were transferred to assets classified as held for distribution as at 30 June 2015 and amounted to HK\$149,415,000, as detailed in note 22.

The fair values of the Group's properties have been arrived at on the basis of valuations carried out at the end of each reporting period by the following independent qualified professional valuers, which are not connected with the Group. The valuations were arrived at by reference to recent market prices for similar properties in similar locations and conditions.

<u>Name of valuer</u>	<u>Location of properties</u>	<u>Address</u>
RHL Surveyors Limited ("RHL")	Hong Kong	Room 1010, Star House, Tsim Sha Tsui, Hong Kong
Cavendish Maxwell ("Cavendish")	Dubai	2205, Marina Plaza, Dubai Marina P.O. Box 118624 Dubai, United Arab Emirates

There were no transfers among levels 1, 2 and 3 during the Track Record Period:

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

In estimating the fair value of the Group's properties, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's properties. At the end of each reporting period, the management works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

Fair value measurements using significant unobservable inputs (Level 3):

<u>Description</u>	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of adjusted market price per square feet</u>	<u>Sensitivity</u>
<i>At 31 December 2012:</i> Commercial properties in Hong Kong	Direct comparison method	Size, landscape view, floor level	HK\$5,314 to HK\$5,865 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa

<u>Description</u>	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of adjusted market price per square feet</u>	<u>Sensitivity</u>
<i>At 31 December 2013:</i>				
Commercial properties in Hong Kong	Direct comparison method	Size, landscape view, floor level	HK\$6,226 to HK\$6,523 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa
<i>At 31 December 2014:</i>				
Commercial properties in Hong Kong	Direct comparison method	Size, landscape view, floor level	HK\$14,985 to HK\$16,915 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa
Commercial properties in Dubai	Direct comparison method	Size, landscape view, floor level	HK\$2,630 to HK\$3,536 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa

If land and buildings had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation and their carrying amounts would have been approximately HK\$17,407,000, HK\$16,902,000 and HK\$132,932,000 as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively.

18. INVENTORIES

	<u>At 31 December</u>			<u>At</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>30 June</u>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Raw materials	49,347	53,927	53,361	58,162
Work in progress	17,085	16,225	15,659	15,264
Finished goods	86,265	105,701	134,747	95,962
	<u>152,697</u>	<u>175,853</u>	<u>203,767</u>	<u>169,388</u>

19. TRADE AND OTHER RECEIVABLES

	At 31 December			At
	2012	2013	2014	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Trade receivables	82,586	85,707	102,845	119,004
Less: Allowance for doubtful debts	—	(1,132)	—	—
	82,586	84,575	102,845	119,004
Other receivables, prepayments and deposits	6,749	6,394	4,599	8,117
	<u>89,335</u>	<u>90,969</u>	<u>107,444</u>	<u>127,121</u>

The following is an analysis of trade receivable by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December			At
	2012	2013	2014	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 - 30 days	34,110	21,696	18,447	54,274
31 - 60 days	17,618	25,518	28,863	25,271
61 - 180 days	25,514	33,984	53,026	33,473
181 - 365 days	3,703	2,734	2,258	5,296
Over 1 year	1,641	643	251	690
	<u>82,586</u>	<u>84,575</u>	<u>102,845</u>	<u>119,004</u>

The Group allows a credit period up to 120 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 36%, 28%, 25% and 37% of the trade receivables as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 respectively are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 trade receivables of HK\$52,964,000, HK\$60,797,000, HK\$76,795,000 and HK\$74,639,000 respectively are past due but not impaired. Such receivables relate to a number of customers of which substantial subsequent settlements were made. The Group does not hold any collateral as security over these balances. The ageing analysis of these trade receivables is as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Overdue by:				
1–30 days	22,636	20,169	24,614	33,436
31–60 days	11,050	18,690	18,679	15,374
61–180 days	14,975	20,342	31,401	20,192
181–365 days	2,662	1,031	1,971	4,977
Over 1 year	1,641	565	130	660
	<u>52,964</u>	<u>60,797</u>	<u>76,795</u>	<u>74,639</u>

Movement in the allowance for doubtful debts of trade receivables is as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
At 1 January	—	—	1,132	—
Recognised for the year/period	—	1,132	—	—
Written off during the year	—	—	(1,132)	—
At 31 December/30 June	<u>—</u>	<u>1,132</u>	<u>—</u>	<u>—</u>

Included in the Group's trade and other receivables are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	At 31 December			At 30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Hong Kong dollars	<u>9,753</u>	<u>4,543</u>	<u>4,110</u>	<u>6,696</u>

20. AMOUNTS DUE FROM/TO DIRECTORS

The amounts were non-trade nature, unsecured, interest-free and repayable on demand, except for an amount due to a director amounted to HK\$8,303,000 in 2012, which carried a fixed interest of 6% per annum up to July 2012, and became interest-free subsequent to July 2012. The amounts due from/to directors were settled in 2013.

Details of amount due from a director are as follows:

<u>Director</u>	<u>Terms of loan</u>	<u>Balance as at 1 January 2012</u> <i>(HK\$'000)</i>	<u>Balance as at 31 December 2012</u> <i>(HK\$'000)</i>	<u>Maximum amount outstanding during the year</u> <i>(HK\$'000)</i>
Mr. Kan Kin Kwong	Unsecured, interest-free, repayable on demand	—	2,629	2,629

21. BANK BALANCES AND CASH/BANK OVERDRAFTS

Included in bank balances and cash are the following amounts denominated in currency other than functional currency of the relevant group entities:

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2012</u> <i>(HK\$'000)</i>	<u>2013</u> <i>(HK\$'000)</i>	<u>2014</u> <i>(HK\$'000)</i>	<u>2015</u> <i>(HK\$'000)</i>
Hong Kong dollars	1,682	26,466	1,944	41,064
United Arab Emirates Dirham	6,764	2,783	9,304	2,775
	<u>8,446</u>	<u>29,249</u>	<u>11,248</u>	<u>43,839</u>

Bank balances carry interest at prevailing market rates of 0.01%, 0.01% to 1%, 0.2% to 0.5% and 0.01% per annum as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively.

Bank overdrafts as at 31 December 2014 carry interest at prevailing market rates at HIBOR + 2.25% per annum and are repayable on demand.

22. ASSETS CLASSIFIED AS HELD FOR SALE/DISTRIBUTION

During the year ended 31 December 2014, the Group committed to a plan to dispose of certain land and buildings in Hong Kong. Therefore, such land and buildings, together with liabilities directly associated with such assets, were reclassified as assets classified as held for sale. On 5 January 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of these land and buildings which were carried at revalued amount at a cash consideration of HK\$40,510,000. As at 31 December 2014, the Group received deposits upfront amounting to HK\$15,000,000 from the purchaser. Respective land and buildings was sold in January 2015.

Also, on 26 June 2015, as part of the Group Reorganisation, HK Perfect entered into a business transfer agreement with Perfect Group HK pursuant to which all assets (including the Bank Balances and Cash) and liabilities (except for land and buildings, certain motor vehicles and all bank loans) will be transferred to Perfect Group HK at a consideration of HK\$282,103,000. Hence, the related land and buildings and motor vehicles retained by HK Perfect that were not transferred to the Group amounting to HK\$150,510,000 were reclassified as assets held for distribution as at 30 June 2015.

The major classes of assets and liabilities classified as held for sale/distribution are as follows:

	At 31 December 2014	At 30 June 2015
	<i>(HK\$000)</i>	<i>(HK\$000)</i>
Property, plant and equipment		
— pledged land and buildings (Note a)	40,510	149,415
— motor vehicles	—	1,095
Assets classified as held for sale/distribution	<u>40,510</u>	<u>150,510</u>
Bank loans (Note b)	<u>(9,431)</u>	<u>(86,399)</u>
Liabilities associated with assets classified as held for sale/distribution	<u>(9,431)</u>	<u>(86,399)</u>

An amount of HK\$22,671,000 and HK\$15,633,000 relating to these land and buildings has been recognised and accumulated in property revaluation reserve as at 31 December 2014 and 30 June 2015 respectively. These land and buildings are pledged to secure banking facilities granted to the Group as at 31 December 2014 and 30 June 2015.

Note:

- (a) The land and buildings classified as held for sale/distribution are measured at fair value less cost of disposal as at 31 December 2014 and 30 June 2015. Fair value hierarchy of land and buildings as at 31 December 2014 is categorised as level 2, which is with reference to the actual cash consideration agreed with the purchaser. Fair value hierarchy of land and buildings as at 30 June 2015 is categorised as level 3, and revalued by RHL and Cavendish using significant unobservable inputs as below:

<u>Description</u>	<u>Valuation technique</u>	<u>Unobservable Inputs</u>	<u>Range of adjusted market price per square feet</u>	<u>Sensitivity</u>
<i>At 30 June 2015:</i>				
Commercial properties in Hong Kong	Direct comparison method	Size, landscape view, floor level	HK\$15,834 to HK\$16,510 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa
Commercial properties in Dubai	Direct comparison method	Size, landscape view, floor level	HK\$2,608 to HK\$3,260 per square feet	The higher the price per square feet would result in the same percentage increase in the fair value measurement of the properties and vice versa

- (b) The bank loans associated with assets classified as held for sale/distribution are repayable (based on the scheduled repayment dates set out in the loan agreement) as follows:

	At 31 December 2014	At 30 June 2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within 1 year	1,985	14,644
After 1 year but within 2 years	2,018	8,233
After 2 years but within 5 years	5,428	18,824
After 5 years	—	44,698
	<u>9,431</u>	<u>86,399</u>
Comprising:		
Amounts reclassified and shown under current liabilities as a result of assets held for sale/distribution, and containing a repayment on demand clause	<u>9,431</u>	<u>86,399</u>

23. TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade payables	26,446	17,536	15,792	15,721
Bills payable	—	—	—	6,534
	<u>26,446</u>	<u>17,536</u>	<u>15,792</u>	<u>22,255</u>
Deposit received from properties held for sale	—	—	15,000	—
Accruals and other payables	13,514	16,818	23,740	23,588
	<u>39,960</u>	<u>34,354</u>	<u>54,532</u>	<u>45,843</u>

The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
0–60 days	18,148	15,205	9,996	18,255
61–90 days	3,553	1,543	1,939	747
91–120 days	4,745	788	2,692	3,253
Over 120 days	—	—	1,165	—
	<u>26,446</u>	<u>17,536</u>	<u>15,792</u>	<u>22,255</u>

Included in the Group's trade payables are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Hong Kong dollars	1,180	861	250	215
	<u>1,180</u>	<u>861</u>	<u>250</u>	<u>215</u>

24. AMOUNTS DUE TO RELATED PARTIES

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
A close family member of a shareholder of the Company	8,645	—	—	—
A shareholder of the Company	982	—	—	—
	<u>9,627</u>	<u>—</u>	<u>—</u>	<u>—</u>

Amounts are non-trade nature, unsecured, interest-free and repayable on demand.

25. BANK LOANS

Bank loans with demand clause are classified under current liabilities on the combined statement of financial position.

The Group's bank loans are payable as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Bank loans are repayable (note)				
Within 1 year	7,775	13,631	24,059	—
After 1 year but within 2 years	7,189	6,042	8,122	—
After 2 years but within 5 years	16,700	12,065	19,874	—
After 5 years	1,407	—	47,783	—
	<u>33,071</u>	<u>31,738</u>	<u>99,838</u>	<u>—</u>
Total bank loans	<u>33,071</u>	<u>31,738</u>	<u>99,838</u>	<u>—</u>
Comprising:				
Amounts due within one year shown under current liabilities and containing a repayment on demand clause	7,775	13,631	24,059	—
Amounts that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause (shown under current liabilities)	25,296	18,107	75,779	—
	<u>33,071</u>	<u>31,738</u>	<u>99,838</u>	<u>—</u>

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement.

The bank loans are guaranteed by a director of HK Perfect who is also a director of the Company with an unlimited amount and secured by certain land and buildings of the Group with carrying amount of HK\$37,300,000, HK\$41,400,000 and HK\$143,173,000 as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively, and certain land and buildings held by a director of HK Perfect who is also a director of the Company.

All bank loans are at variable rate, and the range of effective interest rate for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 is 1.71% to 4.5%, 1.71% to 4.5% and 2.25% to 4.5% per annum respectively.

All bank loans are denominated in HK\$.

26. PROVISION FOR LONG SERVICE PAYMENTS

The provision for long service payments is determined with reference to the employees' remuneration and their years of services.

	Year ended 31 December			Six months ended
				30 June
	2012	2013	2014	2015
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
At 1 January	569	569	973	961
Provision (reversal) for the year/period	—	404	(12)	—
At 31 December/30 June	<u>569</u>	<u>973</u>	<u>961</u>	<u>961</u>

27. DEFERRED TAX LIABILITIES

The movements in deferred tax assets (liabilities) during the Track Record Period are as follows:

	Provision	Accelerated	Revaluation	Total
	for social	tax	of land and	
	security	depreciation/	buildings	
	funds	depreciation		(HK\$'000)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
At 1 January 2012	279	—	(494)	(215)
Charge to other comprehensive income	—	—	(1,146)	(1,146)
Credit to profit or loss	297	—	—	297
At 31 December 2012	576	—	(1,640)	(1,064)
Charge to other comprehensive income	—	—	(424)	(424)
Credit (charge) to profit or loss	334	(106)	—	228
At 31 December 2013	910	(106)	(2,064)	(1,260)
Charge to other comprehensive income	—	—	(841)	(841)
Credit to profit or loss	286	1,320	—	1,606
At 31 December 2014	1,196	1,214	(2,905)	(495)
Credit to profit or loss	113	284	—	397
At 30 June 2015	<u>1,309</u>	<u>1,498</u>	<u>(2,905)</u>	<u>(98)</u>

28. SHARE CAPITAL

There was no share capital as at 1 January 2012, 31 December 2012, 31 December 2013 and 31 December 2014 since the Company was not yet set up by then, and the share capital of group entities now comprising the Group was eliminated in full.

The Company was incorporated and registered as an exempted company in the Cayman Islands on 16 June 2015 with an authorised share capital of US\$100 divided into 100 shares of a nominal value of US\$1 each. Upon incorporation of the Company, 100 shares of US\$1 each was issued at US\$100. On 14 September 2015, the Company repurchased all the existing shares for an aggregate price of US\$100, following which all the existing shares were cancelled and the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of the Company, and the authorised share capital of the Company became HK\$10,000,000 divided into 1,000,000,000 shares of nominal value of HK\$0.01 each.

As at 30 June 2015, share capital of the Group represents the aggregated share capital of Perfect (BVI) and the Company.

29. RETIREMENT BENEFITS SCHEME**Defined contribution scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The employees of the Group’s factory in Mainland China are members of a state-managed retirement benefit plan operated by the government of Mainland China. The Group are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

30. RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Track Record Period:

		THE GROUP				
		Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
NOTES		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
		<i>(unaudited)</i>				
Purchase of goods from a fellow subsidiary	(i)	3,455	3,398	—	—	—
Interest paid to a director		373	—	—	—	—
Key management personnel remuneration	(ii)	<u>4,703</u>	<u>4,884</u>	<u>5,402</u>	<u>2,058</u>	<u>1,968</u>

Note:

- (i) Purchases of goods from a fellow subsidiary were conducted at prices and terms mutually agreed by the transacting parties.
- (ii) Key management personnel include directors of the Company and other senior management of the Group. The remuneration paid or payable during the Track Record Period is as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Short-term benefits	4,607	4,780	5,285	2,003	1,906
Post-employment benefits	96	104	117	55	62
	<u>4,703</u>	<u>4,884</u>	<u>5,402</u>	<u>2,058</u>	<u>1,968</u>

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

31. OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of office and factory as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Within one year	1,044	2,793	2,880	2,753
After one year but within five years	198	9,060	6,285	4,972
	<u>1,242</u>	<u>11,853</u>	<u>9,165</u>	<u>7,725</u>

Operating lease payments represent rentals payable by the Group for certain office premises and factory buildings. Leases are negotiated for terms of one to five years.

32. CAPITAL COMMITMENTS

The Group had future capital payments under non-cancellable capital contracts in respect of property, plant and equipment and office renovation as follows:

	At 31 December			At 30 June
	2012	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Contracted but not provided in the Financial Information	572	3,000	455	261

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2015
	<i>(HK\$'000)</i>
Current assets	
Other receivables and prepayments	1,323
Current liabilities	
Amount due to a fellow subsidiary	(5,290)
Net liabilities	<u>(3,967)</u>
Share capital	1
Loss for the period and accumulated losses	<u>(3,968)</u>
	<u>(3,967)</u>

(F) IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Immaculate Diamonds Limited, a company which is incorporated in the BVI. The ultimate controlling party is Mr. Kan Kin Kwong.

(G) DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2015, excluding discretionary bonus, is estimated to be approximately HK\$1,765,000.

(H) SUBSEQUENT EVENTS

The following events took place subsequent to 30 June 2015:

- i. As mentioned in notes 2 and 22, HK Perfect entered into a business transfer agreement with Perfect Group HK on 26 June 2015. On 5 August 2015, all the rights and obligations, assets and liabilities related specifically to the Jewellery Business carried out by HK Perfect as at the date of the Business Transfer were formally transferred by HK Perfect to Perfect Group HK for a cash consideration of approximately HK\$282,103,000. On 16 September 2015, HK Perfect agreed with Perfect Group HK for not to demand for repayment on the amount due to HK Perfect in relation to the Business Transfer until 31 December 2016. In addition, Perfect Group HK and HK Perfect have agreed that the consideration of the Business Transfer shall be capitalised prior to the listing of Company's shares by way of loan capitalisation issue by allotting and issuing of 100 shares of the Company to the Company's existing shareholders pursuant to a deed of assignment of loan dated 14 December 2015 executed by HK Perfect, the aforesaid allottees and Perfect Group HK at an aggregate subscription price equal to the consideration of the Business Transfer.

- ii. As part of the Group Reorganisation, HK Perfect (US) and Kension were deregistered/dissolved on 25 August 2015 and 4 September 2015 respectively. An application of deregistration for HKP (Dubai) was submitted on 9 September 2015.
- iii. On 31 July 2015, HK Perfect declared a dividend of HK\$77,000,000 to its shareholders and it was settled in cash in August 2015.

(I) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 June 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 December 2015

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section "Financial Information" in this prospectus and the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted combined net tangible assets of the Jewellery Business which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2015. The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 June 2015 or at any future dates following the Global Offering. It is prepared based on the audited combined net tangible assets of our Group as at of 30 June 2015 as derived from the Accountants' Report set out in Appendix I of this prospectus and adjusted as described below.

	Audited combined net tangible assets of our Group as at of 30 June 2015⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share⁽³⁾
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$)</i>
Based on an Offer Price of HK\$0.93 per Offer Share	422,521	84,074	506,595	1.13
Based on an Offer Price of HK\$1.40 per Offer Share	422,521	136,949	559,470	1.24

Note:

- (1) The audited combined net tangible assets of our Group as at 30 June 2015 has been determined based on the audited combined net assets of our Group of approximately HK\$422,521,000, extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 112,500,000 Shares at the Offer Price of HK\$0.93 and HK\$1.40 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$3,968,000 listing expenses which has been accounted for prior to 30 June 2015). No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is calculated based on 450,000,000 Shares in issue immediately following the completion of the Global Offering, Loan Capitalisation Issue and the Capitalisation Issue. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group as at 30 June 2015 to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2015.
- (5) The financial information of our Group as at 30 June 2015 set out in the Accountants' Report included assets and liabilities that are classified as held for distribution as a result of a business transfer agreement entered into on 26 June 2015 as part of the Group Reorganisation. Pursuant to the business transfer agreement, all assets and liabilities (except for land and buildings, and certain motor vehicles with aggregated carrying value of approximately HK\$150,510,000 as at 30 June 2015; and all bank loans with carrying value of approximately HK\$86,399,000 as at 30 June 2015) were transferred to Perfect (HK). In addition, HK Perfect has declared a dividend of HK\$77,000,000 to shareholders of HK Perfect on 31 July 2015 before the completion of the Business Transfer on 5 August 2015. Taking into account the Business Transfer and the dividend declared, the unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and the declaration of dividend would be as follows:

	Unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and declaration of dividend	Unaudited pro forma adjusted combined net tangible assets of our Group after completion of the Business Transfer and declaration of dividend per Share
	<u>(HK\$'000)</u>	<u>(HK\$)</u>
Based on an Offer Price of HK\$0.93 per Offer Share	365,484	0.81
Based on an Offer Price of HK\$1.40 per Offer Share	418,359	0.93

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A PROSPECTUS



To the Directors of Perfect Group International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of the jewellery business carried out by Perfect Group International Holdings Limited (the “**Company**”) and its subsidiaries and their predecessor which carried out the jewellery business (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 statement of unaudited pro forma adjusted combined net tangible assets as at 30 June 2015 and related notes as set out in section A of Appendix II to the prospectus issued by the Company dated 22 December 2015 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering on the Group’s financial position as at 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) 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 requirement of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of 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 transaction at 30 June 2015 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 unaudited 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 December 2015

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 October 2015 of the Properties (the “**Property Valuation Report**”).

The Hong Kong Property was deemed to be disposed of by us on 5 August 2015, being the date of completion of the Business Transfer, and has been leased to us from HK Perfect since then. As the carrying amount of the Hong Kong Property exceeds 15% of our total assets as at 30 June 2015, being the latest date of the most recent audited combined statements of financial position, in order to comply with Rule 5.01B(2) of the Listing Rules, Property Valuation Report is included in Appendix III to this prospectus.



永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

22 December 2015

The Board of Directors
Perfect Group International Holdings Limited
26/F,
YHC Tower,
No.1 Sheung Yuet Road,
Kowloon Bay,
Kowloon,
Hong Kong

Dear Sirs / Madam,

INSTRUCTIONS

We refer to the instruction from Perfect Group International Holdings Limited (the “**Company**”) for us to value the properties interests (“**the Properties**”) held by Hong Kong Perfect Jewellery Company Limited located in Hong Kong. We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the such property interests as at 31 October 2015 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date 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 an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the property interests by using the Direct Comparison Approach, which is based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

- i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;
- ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- iii. the owners of the Properties have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;
- iv. no deleterious or hazardous materials or techniques have been used in the construction of the Properties;
- v. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown;

- vi. the Properties are connected to main services and sewers which are available on normal terms;
- vii. the cost or repairs and maintenance to the buildings of which the Properties are shared among all owners of the building, and that there are no onerous liabilities outstanding; and
- viii. the owner sells the Properties on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property values.

TITLE INVESTIGATION

We have carried out searches at the Land Registry for the properties in Hong Kong. However, we have not verified ownership of the properties or to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Property but no structural survey has been made. No inspection has been conducted to parts of the structures which are covered, unexposed or inaccessible. Therefore we are unable to report that the Properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the services. All dimensions, measurements and areas are only approximates.

None of the services have been tested by us and we are, therefore, unable to report on their present conditions. We have no duty to verify that no deleterious or hazardous materials or techniques have been used in the construction of or making addition or alteration to the Property. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents and/or official plans are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters, in particular, but not limited to statutory notices, easements, tenure, floor areas, particulars of occupancy and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of instructing party. Neither have we verified the correctness of any information supplied to us concerning the Properties.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

REMARKS

We have valued the property interests in Hong Kong Dollars (HKD).

We have conducted on-site inspections to the Properties in August 2015 by our Ms. Amber Mao (MSc (Hons) in Construction and Real Estate).

We enclose herewith the summary of values and the valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau

FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)

Managing Director

Jessie X. Chen

MRICS, MSc (Real Estate), BEcon

Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie X. Chen is a Registered Professional Surveyor (GP) with over 5 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUES

	Market Value in existing state as at 31 October 2015	Property Interest attribute to the Company or its subsidiaries (together referred as the "Group") as at 31 October 2015
	<i>(HKD)</i>	<i>(HKD)</i>
1. 26th Floor and Flat Roof appurtenant thereto, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong	140,000,000	Nil
2. Car Parking Space No.2 on 2nd Floor, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong	7,000,000	Nil
Total:	<u>147,000,000</u>	<u>Nil</u>

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 October 2015</u> (HKD)
1. 26th Floor and Flat Roof appurtenant thereto, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong	<p>The property comprises the whole of 26th floor and flat roof appurtenant thereto of a 31-storey commercial building of reinforced concrete structure. The building was completed in about 2013.</p> <p>According to the developer's sales brochure, the gross floor area of the property is approximately 1,025.40 sq.m. (11,037 sq.ft.) while the saleable area of the whole of 26th floor and flat roof is approximately 795.16 sq.m. (8,559 sq.ft.) and 22.39 sq.m. (241 sq.ft.) respectively.</p> <p>The property is held under Conditions of Sale No. UB11567 for a lease term of 99 years from 1st July 1898, which said term has been extended without premium until 30th June 2047 under and by virtue of the New Territories Leases (Extension) Ordinance (Cap.150) at an total annual Government Rent of 3% of the ratable value for the time being of the Land.</p>	<p>As at the valuation date, the property is subject to a tenancy agreement for a term expiring on 4 August 2018.</p> <p><i>(Please refer to note 2 below for details)</i></p>	<p>HK\$140,000,000 (Hong Kong Dollars One Hundred and Forty Million Only)</p> <p>Property interest attributed to the Group: Nil</p>

Notes:

1. The registered owner of the property is Hong Kong Perfect Jewellery Company Limited (“**HK Perfect**”), the Company's fellow subsidiary which is under the control of the same controlling shareholder of the Company. HK Perfect acquired the property for the consideration of HK\$118,125,000 vides memorial no.14042200440143 dated 27 March 2014.
2. Perfect Group International Holdings (HK) Limited (the “**Lessee**”), a wholly-owned subsidiary of the Company, entered into a rental agreement with HK Perfect (the “**Lessor**”) on 5 August 2015 with a term commencing from 5 August 2015 and expiring on 4 August 2018 at a monthly rental of HK\$290,000 (PT., together with Property No.2).
3. According to our recent Land Registry search, the following encumbrances were registered against the property:
 - i. Occupation Permit No. KN30/2013(OP) vide memorial no.13100800580028 dated 30 September 2013;
 - ii. Certificate of Compliance vide memorial no.13111101470015 dated 7 November 2013 (Remarks: From District Lands Office, Kowloon East);
 - iii. Deed of Mutual Covenant vide memorial no.14011600340037 dated 20 December 2013; and
 - iv. Legal Charge/Mortgage to secure “all moneys” in respect of general banking facilities (PT.) and in favour of The Bank of East Asia Limited, vide memorial no.14042200440161 dated 27 March 2014.
4. The property falls within zone “Other Specified Uses” under Draft Ngau Tau Kok and Kowloon Bay Outline Zoning Plan No.S/K13/28 dated April 2014.

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 October 2015</u> (HKD)
2. Car Parking Space No.2, No.3, No.4 and No.15 on 2nd Floor, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong	<p>The property comprises four car parking spaces on 2nd floor of a 31-storey commercial building of reinforced concrete structure. The building was completed in about 2013.</p> <p>The property is held under Conditions of Sale No. UB11567 for a lease term of 99 years from 1st July 1898, which said term has been extended without premium until 30th June 2047 under and by virtue of the New Territories Leases (Extension) Ordinance (Cap.150) at a total annual Government Rent of 3% of the ratable value for the time being of the Land.</p>	<p>As at the valuation date, the property is subject to a tenancy agreement for a term expiring on 4 August 2018. <i>(Please refer to note 2 below for details)</i></p>	<p>HK\$7,000,000 (Hong Kong Dollars Seven Million Only)</p> <p>Property interest attributed to the Group: Nil</p>

Notes:

1. The registered owner of the property is Hong Kong Perfect Jewellery Company Limited (“**HK Perfect**”), the Company’s fellow subsidiary which is under the control of the same controlling shareholder of the Company. HK Perfect acquired the property for the consideration of HK\$4,800,000 vide memorial no.14042200440150 dated 27 March 2014.
2. Perfect Group International Holdings (HK) Limited (the “**Lessee**”), a wholly-owned subsidiary of the Company, entered into a rental agreement with HK Perfect (the “**Lessor**”) on 5 August 2015 with a term commencing from 5 August 2015 and expiring on 4 August 2018 at a monthly rental of HK\$290,000 (PT., together with Property No.1).
3. According to our recent Land Registry search, the following encumbrances were registered against the property:
 - i. Occupation Permit No. KN30/2013(OP) vide memorial no.13100800580028 dated 30 September 2013;
 - ii. Certificate of Compliance vide memorial no.13111101470015 dated 7 November 2013 (Remarks: From District Lands Office, Kowloon East);
 - iii. Deed of Mutual Covenant vide memorial no.14011600340037 dated 20 December 2013; and
 - iv. Legal Charge/Mortgage to secure “all moneys” in respect of general banking facilities (PT.) and in favour of The Bank of East Asia Limited, vide memorial no.14042200440161 dated 27 March 2014.
4. The property falls within zone “Other Specified Uses” under Draft Ngau Tau Kok and Kowloon Bay Outline Zoning Plan No.S/K13/28 dated April 2014.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 June 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Memorandum of Association (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 14 December 2015 to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as

otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of

the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and

be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;

- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be

distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or

paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 July 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

- (a) Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 16 June 2015 under the Companies Law. Our Company has established our principal place of business in Hong Kong at the Hong Kong Office and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Tam Pei Qiang of Flat H, 6th Floor, Block 3, Charming Garden, Phase 2, 16 Hoi Ting Road, Mongkok, Kowloon, Hong Kong has been authorised to accept on behalf of our Company service of any process or notice required to be served on our Company.
- (b) As our Company was incorporated in the Cayman Islands, our corporate structure, the Memorandum of Association and the Articles of Association are subject to Cayman Islands law. A summary of the relevant provisions of the Memorandum of Association, the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of incorporation was US\$50,000 divided into 50,000 shares of nominal value of US\$1.00 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

- (a) On 16 June 2015, our Company allotted and issued 1 share of nominal value of US\$1.00 each, 71 shares of nominal value of US\$1.00 each, 10 shares of nominal value of US\$1.00 each, 10 shares of nominal value of US\$1.00 each, 5 shares of nominal value of US\$1.00 each and 3 shares of nominal value of US\$1.00 each (the aforesaid 100 shares of US\$1.00 each are collectively referred to as the “**Existing Shares**”), all credited as fully paid at par, to an Independent Third Party (which then transferred such 1 share to Immaculate Diamonds on the same day), Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald as the initial subscribers respectively.
- (b) On 14 September 2015, the authorised share capital of our Company was increased by HK\$10,000,000 by the creation of additional 1,000,000,000 new Shares of nominal value of HK\$0.01 each.
- (c) On 14 September 2015, our Company allotted and issued 72 nil-paid Shares of nominal value of HK\$0.01 each, 10 nil-paid Shares of nominal value of HK\$0.01 each, 10 nil-paid Shares of nominal value of HK\$0.01 each, 5 nil-paid Shares of nominal value of HK\$0.01 each and 3 nil-paid Shares of nominal value of HK\$0.01 each to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively for an aggregate price of US\$100 (the “**Share Subscription Price**”).
- (d) On 14 September 2015, our Company repurchased all the Existing Shares for an aggregate price of US\$100 (the “**Repurchase Price**”), which was offset against the Share Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of

our Company, and the authorised share capital of our Company became HK\$10,000,000 divided into 1,000,000,000 Shares of nominal value of HK\$0.01 each.

- (e) On 14 December 2015, our Company allotted and issued 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively, in consideration of which Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald transferred the entire issued share capital of Perfect (BVI) to our Company on 14 December 2015.

As at the Latest Practicable Date, the authorised share capital of our Company was HK\$10,000,000 divided into 1,000,000,000 Shares. Assuming that the Global Offering becomes unconditional, the Shares under the Loan Capitalisation Issue and the Capitalisation Issue are issued and the Over-allotment Option is exercised in full, immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue but without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$4,668,750 divided into 466,875,000 Shares fully paid or credited as fully paid, and 533,125,000 Shares will remain unissued.

Other than the Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any Share out of the authorised but unissued share capital of our Company.

3. Changes in the share capital of our subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

(a) Perfect (BVI)

Perfect (BVI) is a BVI business company incorporated in the BVI on 9 June 2015. Such company is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0, among which 10,000 shares are in issue and directly held by our Company upon completion of the Reorganisation.

(b) Perfect (HK)

Perfect (HK) is a company incorporated in Hong Kong with limited liability on 23 June 2015. Such company is directly wholly-owned by Perfect (BVI) which holds 10,000,000 shares, being the entire issued share capital, of such company.

(c) Perfect (UAE)

Perfect (UAE) is a company incorporated in Dubai, with limited liability on 25 November 2014. Such company is authorised to issue a maximum of 50 shares with a par value of AED1,000.00, all of which are in issue and directly held by Perfect (HK) upon completion of the Reorganisation.

4. Written resolutions of our Shareholders

Pursuant to the written resolutions of our Shareholders passed on 14 December 2015:

- (a) our Directors were authorised to allot and issue 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively by way of capitalisation of a sum equal to the consideration of the Business Transfer;
- (b) conditional upon the conditions stated in the section “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled or waived:
 - (i) the Global Offering on the terms and conditions of this prospectus and the Application Forms at the Offer Price was approved and our Directors were authorised to allot and issue the Offer Shares;
 - (ii) conditional further on the Listing Committee granting the listing of, and the permission to deal in, such number of Shares which may be allotted and issued upon the exercise in full of the options which may be granted under the Share Option Scheme, the Share Option Scheme was approved and adopted, and our Directors or any committee of our Board were authorised, at their sole discretion, to make such further changes to the Share Option Scheme as requested by the Stock Exchange and which they may consider necessary, desirable or expedient in connection with the grant of options to subscribe for the Shares under the Share Option Scheme up to the limits as referred to in the Share Option Scheme and to allot, issue and deal with the Shares under the exercise of any option which may be granted under the Share Option Scheme and to take all such actions as they may consider necessary, desirable or expedient to implement the Share Option Scheme;
 - (iii) subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 337,499,700 Shares, credited as fully paid at par, to our Shareholders whose names appear on the register of members of our Company at 5:00 p.m. on 15 December 2015 (or such other time as our Directors may direct) by way of capitalisation of a sum of HK\$3,374,997 standing to the credit of the share premium account of our Company, and that the Shares to be allotted and issued shall, as nearly as possible, not involve fractions and shall rank pari passu in all respects with the then existing issued Shares;
 - (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Shares) which might require the Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (A) a Rights Issue (as defined below); (B) any scrip dividend scheme or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on

the Shares in accordance with the Articles of Association; (C) any specific authority granted by our Shareholders in general meeting; or (D) the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, shall not exceed 20% of the enlarged issued share capital of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue;

- (v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company might be listed and which was recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the enlarged issued share capital of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue, excluding any Share which might be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme; and
- (vi) the general unconditional mandate as mentioned in paragraph 4(b)(iv) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate number of Shares purchased by our Company under the mandate to repurchase Shares as referred to in paragraph 4(b)(v) above,

for the purpose of paragraph 4(b)(iv) above, “Rights Issue” means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for the Shares open for a period fixed by our Directors to our Shareholders whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may consider necessary, desirable or expedient (but in compliance with the relevant Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraphs 4(b)(iv) and 4(b)(v) above will remain in effect until the earliest of (i) the conclusion of our Company’s next annual general meeting; (ii) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held; and (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting;

- (c) the appointment of our Directors was approved and confirmed; and
- (d) the Memorandum of Association and the Articles of Association were approved and adopted with immediate effect and with effect from the Listing Date respectively.

5. Reorganisation

In preparation for the Global Offering, we have undertaken the Reorganisation to rationalise the business and structure of our Group, details of which are set out in the section “History, Development and Reorganisation — Corporate structure — Reorganisation” in this prospectus.

6. Repurchase of our own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

The Listing Rules permit our Shareholders to grant to our Directors the general mandate to repurchase Shares which are listed on the Stock Exchange. The general mandate to repurchase Shares is required to be given by way of an ordinary resolution passed by our Shareholders in general meeting.

(b) *Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 14 December 2015, our Directors were granted the general mandate to repurchase up to 10% of the enlarged issued share capital of our Company immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which was recognised by the SFC and the Stock Exchange for this purpose. The general mandate to repurchase Shares will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting, (ii) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting (the “**Relevant Period**”).

(c) *Source of funds*

Repurchase of Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Subject to the foregoing, we may make repurchases out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the nominal value of the Shares to be repurchased must be out of profits of our Company or out of the share premium account of our Company. Subject to the Companies Law, repurchase may also be made out of capital.

(d) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules, the Companies Law and other applicable laws of the Cayman Islands. On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the general mandate to repurchase Shares were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Share capital*

The exercise in full of the current general mandate to repurchase Shares, on the basis of 450,000,000 Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), could accordingly result in up to 45,000,000 Shares being repurchased by us during the Relevant Period.

(g) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

None of the core connected persons of our Company has notified us that he or she or it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the general mandate to repurchase Shares is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus which are or may be material:

- (a) the agreement for sale and purchase of the business carried on by Hong Kong Perfect Jewellery Company Limited dated 26 June 2015 executed by HK Perfect, Perfect (HK) and the persons name in schedule 6 thereof regarding the transfer of the Jewellery Business carried on by HK Perfect and the assets and liabilities owned or held as security by HK Perfect and utilised in the Jewellery Business for a consideration which shall be the sum of the carrying value of the items set out in Clause 2.1 of such agreement as at a day which is three business days prior to the completion date of such agreement, being approximately HK\$282.1 million;
- (b) the equity transfer agreement (權益轉讓協議) dated 3 July 2015 executed by HK Perfect, Perfect (HK) and Perfect Factory regarding the transfer of equity interest in Perfect Factory from HK Perfect to Perfect (HK) and the change of investor of Perfect Factory from HK Perfect to Perfect (HK);
- (c) the reorganisation deed dated 14 December 2015 executed by Mr. Kan, Mr. W.S. Chan, Mr. Luo, Mr. W.H. Chan, Mr. Chung, Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby, Classic Emerald and our Company regarding the transfer of the entire issued share capital of Perfect (BVI) to our Company for a consideration which was satisfied by our Company by way of allotment and issue of 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald respectively;
- (d) the deed of assignment of loan dated 14 December 2015 executed by HK Perfect, Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby, Classic Emerald and Perfect (HK) regarding the assignment of the benefits to collect the consideration of the Business Transfer from HK Perfect to Immaculate Diamonds, Classic Sapphire, Classic Amber, Classic Ruby and Classic Emerald;
- (e) the Deed of Indemnity dated 14 December 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the paragraph “Tax and other indemnity” in this appendix;
- (f) the Deed of Non-competition dated 14 December 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus; and

- (g) the Public Offer Underwriting Agreement dated 21 December 2015 entered into between our Company, our Controlling Shareholders, the Sole Sponsor and the Public Offer Underwriters in relation to the underwriting of the Public Offer Shares by the Public Offer Underwriters as further described in the section “Underwriting” in this prospectus.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, we had registered the following trademarks:

<u>Trademark</u>	<u>Owner</u>	<u>Trademark number</u>	<u>Class⁽¹⁾</u>	<u>Place of registration</u>	<u>Expiry date</u>
	Perfect (HK)	2002B15076	14	Hong Kong	30 January 2019
	Perfect (HK)	301242224	14	Hong Kong	18 November 2018
	Perfect (HK)	302948905	14	Hong Kong	2 April 2024
	Perfect (HK)	302948914	14	Hong Kong	2 April 2024

As at the Latest Practicable Date, we had applied for registration of the following trademark:

<u>Trademark</u>	<u>Applicant</u>	<u>Application number</u>	<u>Class⁽¹⁾</u>	<u>Place of application</u>	<u>Application date</u>
	Perfect (HK)	303519964	14	Hong Kong	28 August 2015

Note:

- (1) Class 14

Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.

(b) Design

As at the Latest Practicable Date, we had applied for registration of the following design:

<u>Article</u>	<u>Applicant</u>	<u>Application number</u>	<u>Place of application</u>	<u>Application date</u>
Illusion of Emerald (夢幻八角)	Perfect (HK)	1501892.8	Hong Kong	28 August 2015

(c) Domain name

As at the Latest Practicable Date, we had registered the following domain name:

<u>Domain name</u>	<u>Registrant</u>	<u>Expiry date</u>
www.hkperjew.com.hk	Perfect (HK)	24 October 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and/or short positions of our Directors in the shares, underlying shares and debentures of our Company or any associated corporation

Immediately following completion of the Global Offering, the Loan Capitalisation Issue and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange, will be as follows:

<u>Director</u>	<u>Company concerned</u>	<u>Nature of interests</u>	<u>Class and number of securities held⁽¹⁾</u>	<u>Percentage of interests in the company concerned</u>
Mr. Kan	Our Company	Interest in controlled corporation	243,000,000 ordinary Shares (L) ⁽²⁾	54.0
Mr. Chung	Our Company	Interest in controlled corporation	10,125,000 ordinary Shares (L) ⁽³⁾	2.25

Note:

- (1) The letter “L” denotes our Director’s long position in the Shares.
- (2) These 243,000,000 Shares are held by Immaculate Diamonds, which in turn is directly wholly-owned by Mr. Kan. As such, Mr. Kan is deemed under the SFO to be interested in these 243,000,000 Shares upon the Listing. Of these 243,000,000 Shares, 16,875,000 Shares may be subject to the stock borrowing arrangement to be effected pursuant to the Stock Borrowing Agreement.
- (3) These 10,125,000 Shares are held by Classic Emerald, which in turn is directly wholly-owned by Mr. Chung. As such, Mr. Chung is deemed under the SFO to be interested in these 10,125,000 Shares upon the Listing.

2. Interests and/or short positions discloseable under the SFO and our substantial shareholders

Please refer to the section “Substantial Shareholders” in this prospectus for details of the persons (other than a Director or the chief executive of our Company)/entities which will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

3. Particulars of service agreements and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company under which they have agreed to act as our executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months’ written notice to terminate the service agreement.

Each of our executive Directors is entitled to a emolument consisting of director’s fee, salary and other benefits, performance-based bonus and retirement benefits scheme contributions. The aggregate annual director’s fees and salaries payable to our executive Directors is HK\$6,500,000.

(b) Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as our non-executive Director or independent non-executive Director (as the case may be) for an initial term of three years commencing from the Listing Date. The aggregate annual director’s fees payable to our non-executive Director and independent non-executive Directors is HK\$864,000.

(c) *Remuneration of our Directors*

- (i) The aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Group in respect of the year ended 31 December 2014 is approximately HK\$2,591,000.
- (ii) The aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ending 31 December 2015 under the arrangements in force at the date of this prospectus are estimated to be approximately HK\$2,591,000.

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our Shareholders passed on 14 December 2015:

1. Conditions

- (a) The Share Option Scheme is conditional upon:
 - (i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of our Shareholders.
- (b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.
- (c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

- (a) The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.
- (b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

- (c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls 10 years (the “**Termination Date**”) after the date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a)(ii) (the “**Adoption Date**”), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.
- (d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his/her personal representative (the “**Grantee**”) shall ensure that the acceptance of an offer, the holding and exercise of his/her option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his/her option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

- (a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the “**Eligible Participants**”) to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the “**Subscription Price**”), as our Directors shall, subject to paragraph 4, determine:
 - (i) any employee (the “**Eligible Employee**”) (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”);
 - (ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
 - (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
 - (iv) any customer of any member of our Group or any Invested Entity;
 - (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

- (b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive of our Company or substantial shareholder, or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).
- (c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his/her contribution to the development and growth of our Group.
- (d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.
- (e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:
 - (i) the name, address and position of the Eligible Participant;
 - (ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;

- (iii) the Option Period in respect of which the offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;
 - (iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);
 - (v) the procedure for acceptance;
 - (vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;
 - (vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and
 - (viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, inter alia, paragraphs 2(d) and 5(a).
- (f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our Company together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.
- (i) The Option Period of an option may not end later than 10 years after the offer date of that option.
- (j) Options will not be listed or dealt in on the Stock Exchange.

- (k) For so long as the Shares are listed on the Stock Exchange:
- (i) our Company may not grant any option after inside information has come to our knowledge until we have announced the information. In particular, we may not grant any option during the period commencing one month immediately before the earlier of:
 - (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; and
 - (ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. Subscription Price

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

5. Exercise of options

- (a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.
- (b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.
- (c) Subject to, inter alia, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (seven days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.
- (d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:
 - (i) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

- (ii) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee for any reason other than his/her death, ill-health or retirement in accordance with his/her contract of employment or the termination of his/her employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;
- (iii) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all our Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the Grantee shall, notwithstanding any other terms on which his/her options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;
- (iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/ or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his/her option not less than one day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

- (v) if the Grantee is a company wholly-owned by one or more Eligible Participants:
 - (aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and
 - (bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.
- (e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of the Option Period

- (a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:
 - (i) the expiry of the Option Period;
 - (ii) the expiry of any of the periods referred to in paragraph 5(d);
 - (iii) the date of commencement of the winding-up of our Company;
 - (iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his/her employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);

- (v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his/ her close associate has committed any breach of any contract entered into between such Grantee or his/her close associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and
 - (vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.
- (b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.
 - (c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 45,000,000 Shares (the "**General Scheme Limit**") provided that:
 - (i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares

in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and

- (ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.

- (c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his/her close associates (or his/her associates if such Grantee is a connected person of our Company) abstaining from voting.

- (d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;such further grant of options must be approved by our Shareholders in general meeting.

- (e) For the purpose of seeking the approval of our Shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

8. Adjustments to the Subscription Price

- (a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:
- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
 - (ii) the Subscription Price of any option; and/or
 - (iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

- (b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

- (c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

- (a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.
- (b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph 7(b) (i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

- (a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that:
 - (i) the provisions of the Share Option Scheme as to the definitions of “Eligible Participants”, “Grantee”, “Option Period” and “Termination Date”; and
 - (ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of our Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.
- (d) The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant rules, codes and guidance notes of the Stock Exchange from time to time.

13. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme, being 45,000,000 Shares in total. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnity

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity to provide the following indemnities in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time).

Under the Deed of Indemnity, the Indemnifiers will jointly and severally indemnify each member of our Group against (a) all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property (with reference to the physical and legal status of such property at the time when such property’s owner or user became our subsidiary) and any other liabilities of whatever nature (collectively, the “**Damages**”) which our Group may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong, the PRC, the UAE or any applicable jurisdiction as a result of any violation or non-compliance by any members of our Group with any applicable laws, rules or regulations on all matters subsisting prior to the date on which the conditions set out in the section “Structure and Conditions of the Global Offering — Conditions of the Public Offer” in this prospectus being fulfilled (the “**Effective Date**”); (b) taxation, together with all reasonable costs (including all legal costs), expenses or other liabilities which any member of our Group may incur in connection with

(i) the investigation, assessment, contesting or settlement of any taxation claim under the Deed of Indemnity; (ii) any legal proceeding in relation to taxation claim in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iii) the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; (c) any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Effective Date; (d) all or any Damages which our Group may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (i) any member of our Group, their respective directors and/or representatives or any of them is/are involved; and/or (ii) arises due to some act or omission of, or transaction voluntarily effected by, any member of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date; and (e) all or any Damages which our Group may sustain, suffer and incur arising from or in connection with the title defects of the properties owned by any member of our Group or any leases entered into by any member of our Group (either due to non-registration of the lease agreements or any other reasons) in any jurisdiction which were occurred on or before the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that (a) allowance, provision or reserve has been made for taxation in the audited accounts of our Group for each of the three financial years ended 31 December 2014 and the six months ended 30 June 2015; (b) taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; (c) any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business on or before the Effective Date; (d) taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the consent of the Indemnifiers and otherwise than in the ordinary course of business on or before the Effective Date; (e) any allowance or provision or reserve made for taxation in the audited accounts of our Group for each of the three financial years ended 31 December 2014 and the six months ended 30 June 2015, which is finally established to be an over-allowance or over-provision or an excessive reserve provided that the amount of any such allowance or provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; (f) such claim or taxation claim arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other members of our Group after the Effective Date; or (g) any member of our Group shall have admitted liability in respect of the circumstances giving rise to the claim for taxation after the Effective Date.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon our Company or any of our subsidiaries in the UAE, the Cayman Islands and the BVI and the operating entity in the PRC.

2. Claims or litigation

As at the Latest Practicable Date, no member of our Group was subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on our operations, financials and reputation.

3. The Sole Sponsor

Save for the advisory fees in the amount of HK\$4.5 million to be paid to the Sole Sponsor as the sponsor in connection with the Listing, the advisory fees to be paid to the Sole Sponsor as our compliance adviser with effect from the Listing Date and the commission as disclosed in the section “Underwriting” in this prospectus to be paid to the Sole Global Coordinator for its obligations under the Underwriting Agreements, neither the Sole Sponsor, the Sole Global Coordinator nor any of their respective close associates has or may, as a result of the Listing, have any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities).

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$60,000 and are payable by our Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualification of experts

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, (Chapter 32 of the Laws of Hong Kong) and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
GF Capital (Hong Kong) Limited	A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity
Trench & Associates	Legal advisers as to UAE law
Loeb & Loeb LLP	Legal advisers as to U.S. law and U.S. sanctions law
Gowling Lafleur Henderson LLP	Legal advisers as to Canadian law
Shu Jin Law Firm	Legal advisers as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Norton Rose Fulbright LLP	Legal advisers as to U.N. sanctions law and E.U. sanctions law
Norton Rose Fulbright Australia	Legal advisers as to Australian sanctions law
Deloitte Touche Tohmatsu	Certified Public Accountants
RHL Appraisal Limited	Property valuer
Ipsos Limited	Industry research consultant

None of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

7. Consents of experts

Each of GF Capital (Hong Kong) Limited, Trench & Associates, Loeb & Loeb LLP, Gowling Lafleur Henderson LLP, Shu Jin Law Firm, Conyers Dill & Pearman, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Deloitte Touche Tohmatsu, RHL Appraisal Limited and Ipsos Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their opinions and/or reports and/or letters and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

8. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of our Directors nor any of the parties listed in the paragraph “Qualification of experts” in this appendix has any direct or indirect interest in the promotion of, or in any asset which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (c) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;
- (d) we have not issued or agreed to issue any founder or management or deferred Shares;
- (e) we have no outstanding debentures or convertible debt securities;
- (f) no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group, and none of our Directors nor any of the parties listed in the paragraph “Qualification of experts” in this appendix has received any such payment or benefit;
- (g) within the two years immediately preceding the date of this prospectus, no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company; and
- (h) in case of discrepancy, the English version of this prospectus shall prevail over the Chinese version.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) the written consents referred to in the paragraph “Consents of experts” in Appendix V to this prospectus; and (c) copies of each of the material contracts referred to in “Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Pang & Co. in association with Loeb & Loeb LLP of 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association of our Company;
- (b) the service agreements and appointment letters referred to in the paragraph “Particulars of service agreements and appointment letters” in Appendix V to this prospectus;
- (c) the material contracts referred to in the paragraph “Summary of material contracts” in Appendix V to this prospectus;
- (d) the written consents referred to in the paragraph “Consents of experts” in Appendix V to this prospectus;
- (e) the legal opinion issued by Trench & Associates, our legal advisers as to UAE law;
- (f) the legal opinions issued by Loeb & Loeb LLP, our legal advisers as to U.S. law and U.S. sanctions law;
- (g) the legal opinion issued by Gowling Lafleur Henderson LLP, our legal advisers as to Canadian law;
- (h) the legal opinion issued by Shu Jin Law Firm, our legal advisers as to PRC law;
- (i) the letter issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (j) the legal opinion issued by Norton Rose Fulbright LLP, our legal advisers as to U.N. sanctions law and E.U. sanctions law;
- (k) the legal opinion issued by Norton Rose Fulbright Australia, our legal advisers as to Australian sanctions law;
- (l) the Accountants’ Report from Deloitte Touche Tohmatsu, our reporting accountants, the text of which is set out in Appendix I to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (m) the report from Deloitte Touche Tohmatsu, our reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (n) the letter, the summary of values and the valuation certificate issued by RHL Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- (o) the IPSOS Report;
- (p) the Companies Law; and
- (q) the Share Option Scheme.

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED
保發集團國際控股有限公司