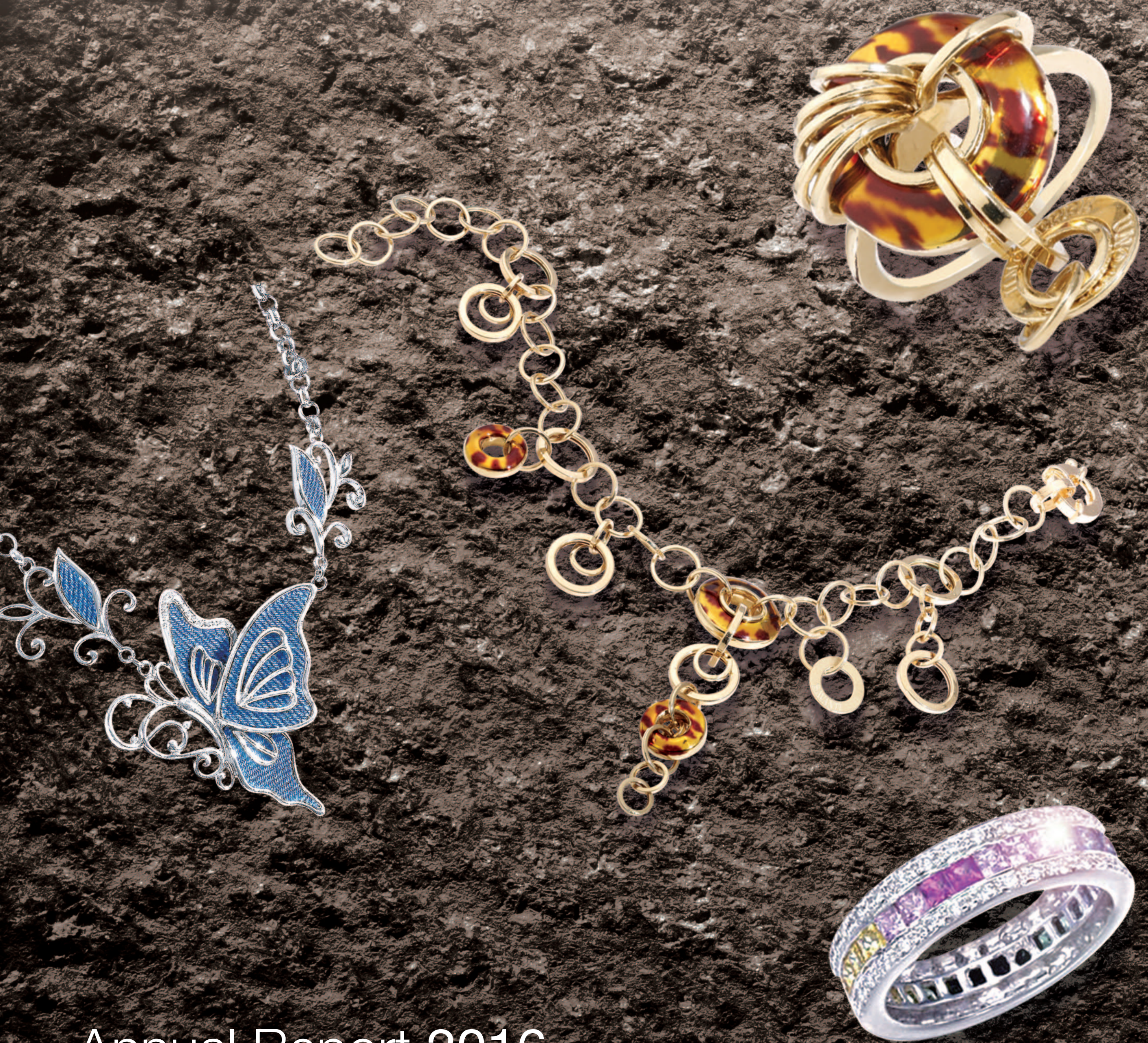
O Luxe Holdings Limited

奧立仕控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0860)



Annual Report 2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jinbing *(Chairman)*
Mr. Ho King Fung, Eric *(Co-Chairman)*
(appointed on 1 November 2016)
Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)*
Mr. Yu Fei, Philip

Non-Executive Director

Mr. Xiao Gang

Independent Non-Executive Directors

Dr. Li Yifei
Dr. Zhu Zhengfu
Mr. Tam Ping Kuen, Daniel

AUDIT COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Dr. Li Yifei
Dr. Zhu Zhengfu

REMUNERATION COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Dr. Li Yifei
Dr. Zhu Zhengfu

NOMINATION COMMITTEE

Mr. Tam Ping Kuen, Daniel *(Chairman)*
Dr. Li Yifei
Dr. Zhu Zhengfu

INVESTMENT COMMITTEE

Mr. Zhang Jinbing *(Chairman)*
Mr. Xiao Gang
Dr. Li Yifei

COMPANY SECRETARY

Mr. Lau Chun Pong

LEGAL ADVISORS

Stevenson, Wong & Co.

AUTHORISED REPRESENTATIVES

Mr. Wong Chi Ming, Jeffry
Mr. Lau Chun Pong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 302, 3rd Floor
Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KTC Partners CPA Limited

HOME PAGE

http://www.oluxe.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of O LUXE HOLDINGS LIMITED ("O Luxe" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of O Luxe for the year ended 30 September 2016.

BUSINESS REVIEW AND PROSPECTS

Given the moderating growth of the luxury goods market in the PRC, the Group's turnover in the domestic business for the year ended 30 September 2016 increased by 4.7% from approximately HK$345.5 million last year to approximately HK$361.8 million. The interest income from money lending segment for the year ended 30 September 2016 increased by 320.5% from approximately HK$7.3 million last year to approximately HK$30.7 million. The securities investment segment recorded a loss of approximately HK$20.2 million for the year ended 30 September 2016 as compared with a loss of approximately HK$42.3 million last year. Loss attributable to shareholders for the year was approximately HK$32.7 million as compared to HK$199.6 million for the previous year.

During the year ended 30 September 2016, the Group closed down the underperforming manufacturing business of "OMAS" in Italy and deconsolidated its subsidiary, Omas SRL, during the year. A loss from deconsolidated subsidiary of HK$27.8 million (2015: HK$40.2 million) arose and presented under discontinued operations.

To further diversify its source of income, on 16 May 2016, the Group entered into a sale and purchase agreement to acquire 60% of the interest of Power Boom International Limited, which will indirectly hold 78% of a parcel of land in Huangpu District, Guangzhou City, Guangdong Province, the PRC, upon completion of acquisition of 廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited). The consideration for the acquisition is HK$588,000,000 and will be satisfied by the Company to allot and issue to the vendor 1,960,000,000 new shares, credited as fully paid, at the issue price of HK$0.30 per share upon completion of the acquisition. Also, 12 October 2016, the Group successfully acquired the entire interest in Rich Cypress Limited, which indirectly hold 1) the entire interest of a parcel of land for tourism use with a total site area of 64,621 square metres in qipanshan development zone, Shenyang, Liaoning, the PRC, 2) 61.52% of three parcels of industrial land with a total area of 19,096 square metres in Dadong District, Shenyang, Liaoning, the PRC, and 3) 54.1% of a parcel of industrial land located at Dongmao Road, Dadong District, Shenyang, Liaoning, the PRC. The consideration for the acquisition is RMB219,000,000 and satisfied by cash.

For the gold mining business, the production schedule of the Chi Feng gold mines has been delayed due to an extensive time has been spent on (i) preparation of the Environmental Impact Assessment Report , (ii) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the PRC mining institution, and (iii) revision of production plan in compliance with the PRC safety regulation. The Group will continue to carry out such work as necessary to generate revenue contribution in the near future.

Looking forward, the challenging environment in PRC and Hong Kong luxury goods market is expected to persist, the Group will continue to exercise prudence in managing its expenditures and look for new investment opportunity to cope with existing market environment and constantly review the business strategy in a cautious manner.

Zhang Jinbing
Chairman
O LUXE HOLDINGS LIMITED
Hong Kong
30 December 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing Operations

For the year ended 30 September 2016, turnover of the Group increased by 11.3% year-on-year to approximately HK$392.5 million as compared to HK$352.8 million for the previous year. The turnover comprised sales of goods from domestic business of HK$361.8 million (2015: HK$345.5 million), interest income from the money lending business of HK$30.7 million (2015: HK$7.3 million), and dividend income from listed equity securities of HK$36,000 (2015: Nil).

The Group's gross profit amounted to HK$121.0 million, as compared to HK$86.8 million for the previous year. The increase was mainly attributable to the increase in interest income from the money lending business and the decrease in inventories written off by approximately HK$12.2 million for the year ended 30 September 2016. Loss attributable to shareholders for the year was HK$5.2 million as compared to HK$163.4 million for the previous year. The loss included impairment on contingent consideration receivable, and fair value loss on held-for-trading investments, totalling HK$33.3 million.

The loss from the change of fair value of contingent consideration receivable of HK$24.6 million has been recorded during the year as compared to the gain from the change of fair value of contingent consideration receivable of HK$53.3 million for the previous year, which is reflecting the change in possible profit compensation from the vendor for the year ended 30 September 2016. Details of the key assumptions used are set out in Note 21 to the consolidated financial statements.

For the year ended 30 September 2016, the Group recorded the fair value loss of HK$8.7 million (2015: HK$42.3 million) and loss of sales of approximately HK$11.5 million (2015: Nil) from the investment in securities business. The loss on held-for-trading investments was attributable to the turmoil in financial market since July 2015.

For the year ended 30 September 2016, selling and distribution expenses increased by 28.2% to approximately HK$40.1 million as compared to HK$31.3 million for the year ended 30 September 2015. The increase was mainly due to the increase of marketing activities in watches distribution business during the year. Administrative expenses increased by 13.1% to HK$46.9 million, compared with HK$41.5 million for the corresponding period of last year. The increase in administrative expenses was due to the share based payment of HK$1.6 million (2015: Nil) was recorded during the year, which was related to issuance of share options under the share option scheme of the Company on 19 July 2016.

Discontinued Operations

Loss from a deconsolidated subsidiary amounted to HK$27.8 million (2015: HK$40.2 million), which were in relation to the liquidation of Omas SRL in November 2015. Details of the loss from a deconsolidated subsidiary are set out in Note 14. Loss attributable to shareholders was approximately HK$27.4 million (2015: HK$36.3 million).

The loss attributable to shareholders from continuing and discontinuing operations was approximately HK$32.7 million (2015: HK$199.6 million).

Liquidity, Financial Resources and Gearing

Finance costs during the year under review amounted to HK$3.9 million as compared to HK$4.3 million for the corresponding period of last year.

As at 30 September 2016, the contingent consideration receivable amounted to approximately HK$39.2 million as compared to HK$63.8 million for the corresponding period of last year, which is in relation to the profits guarantee given by the vendor relating to acquisition of Sinoforce Group Limited.

The Group's net current assets decreased from HK$1,320.0 million to HK$757.0 million. The net current assets are comprised inventories of HK$328.7 million (2015: HK$278.5 million), trade and other receivables of approximately HK$95.0 million (2015: HK$129.2 million), loan and interest receivables of HK$260.8 million (2015: HK$206.9 million), and held-for-trading investment of HK$43.3 million (2015: HK$66.9 million).

At 30 September 2016, the cash and bank balances amounted to approximately HK$159.9 million (2015: HK$758.9 million) and current liabilities of approximately HK$130.7 million (2015: HK$125.6 million). The decrease in cash and bank balance of HK$599 million is mainly due to (i) increase of loan and interest receivables from the money lending business of HK$332.7 million during the year and (ii) deposit paid for the acquisition of Rich Cypress Limited of RMB219 million (approximately HK$254.2 million), which was completed on 12 October 2016.

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 442 days, 69 days and 58 days, respectively. Overall the turnover times were consistent and complied with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the year, the Group financed its operations and investing activities through a combination of operating cash inflows and interest bearing borrowings. The capital structure of the Company solely consists of share capital. As at 30 September 2016, shareholder equity in the Group amounted to HK$1,433.2 million (2015: HK$1,490.8 million).

The Group's total interest bearing bank borrowings as at 30 September 2016 amounted to approximately HK$40.6 million (2015: HK$61.1 million). The interest bearing bank borrowings were mainly used for working capital purpose and carried at commercial lending interest rates.

As at 30 September 2016, the Company has no significant contingent liabilities (2015: Nil).

In April 2015, the Board raised approximately HK$490.4 million before expenses, by issuing 1,634,514,070 offer shares at the subscription price of HK$0.3 per offer share. The open offer of the Company was on the basis of two offer share for every consolidated share held on the record date. Details of the open offer were set out in the Company's announcements dated 4 and 25 February 2015, and the Company's circular dated 27 February 2015.

The net proceeds from the open offer were approximately HK$487.2 million. As at 30 September 2016, the Group had used approximately HK$200 million towards purchase of inventories in existing and newly acquired brands, approximately HK$200 million in money lending business and approximately HK$87.2 million as the general working capital of the Group. As at 30 September 2016, all the proceeds from the open offer has been utilised.

Final Dividend

The directors do not recommend the payment of any dividend in respect of the year ended 30 September 2016 (2015: Nil).

Capital Management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners though the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends and new share issues as it sees fit and appropriate.

The Group monitors capital on the basis of the gearing ratio. As at 30 September 2016, the gearing ratio was 11.1% (2015: 10.3%). This ratio is calculated as total debt divided by total capital.

Capital Commitment

Details of capital commitment are set out in Note 41.

Material Acquisitions or Disposals

Save as disclosed below, there was no material acquisition or disposal of subsidiaries and associated companies by the Group for the year ended 30 September 2016.

On 16 May 2016, the Group entered into a sale and purchase agreement to acquire 60% of the interest of Power Boom International Limited and its subsidiary at a consideration of HK$588 million. The acquisition was approved in Extraordinary General Meeting of the Company held on 27 July 2016. The acquisition has not been completed and is subject to fulfillment of certain conditions precedent.

On 29 September 2016, the Group entered into a sale and purchase agreement to acquire the entire interest of Rich Cypress Limited and its subsidiary at a consideration of RMB219 million. The acquisition was completed on 12 October 2016.

Foreign Exchange Exposure

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

Employees and Remuneration Policies

As at 30 September 2016, the Group had a staff roster of 81 (2015: 87). The remuneration of employees was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year.

Pledge of Assets

Details of pledge of assets are set out in Note 39.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Jinbing, aged 44, was appointed as an executive Director and Chairman of the Company in January 2015. He founded China Golden Holdings Limited in 2006. He has extensive experience in corporate management. From 2004 to 2006, he worked as a general manager for Guangdong Copper Alloy Material Company Limited (廣東銅合金屬材料有限公司). Mr. Zhang graduated from Guangzhou Foreign Language Institute (廣州外國語學院) with a bachelor's degree of Arts in 1994. Mr. Zhang was an executive director of Synertone Communication Corporation (stock code: 1613), the shares of which are listed on the Stock Exchange, for the period from August 2012 to April 2014.

Mr. Ho King Fung, Eric, aged 39, is the Co-chairman of the Company. Mr. Ho was appointed as a director in November 2016. He has extensive experience in investment banking origination, capital markets and legal practice. Prior to joining the Company, he was an analyst at JP Morgan in 2000 and then was a solicitor at Linklaters between 2003 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and the head of Hong Kong and Macau Origination. Mr. Ho is a committee member of the Chinese People's Political Consultative Conference of Beijing, a role which he has been in since 2008. He is also the president of the Macau Money Exchangers' Association. Mr. Ho was awarded the Chinese Economics Elite Award in 2009. From April 2011 and April 2012, Mr. Ho was the non-executive director of United Energy Group Limited (HKSE Stock Code: 467). He has been appointed as an independent non-executive director of Nature Home Holding Company Limited (HKSE Stock Code: 2083) since May 2011. Mr. Ho has also been appointed as a non-executive director of AGTech Holdings Limited (HKSE Stock Code: 8279) from 23 May 2013 to 10 August 2016. And, Mr. Ho was the non-executive director of EPI Holdings Limited (Stock Code: 689) on 4 April 2013 and was re-designated as the non-executive chairman on 30 July 2013, and he resigned both positions on 19 October 2016. In Macau, Mr. Ho is the chairman of P&W Money Changer Limited and Jing Yang Company Limited. Mr. Ho graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree, majoring in Finance. Mr. Ho has also obtained his Bachelor of Laws degree from the University of New South Wales. He has been designated as a practicing solicitor in Hong Kong.

Mr. Wong Chi Ming, Jeffry ("Mr. Wong"), aged 58, was appointed as a Director in February 2002. He is also the Chief Executive Officer of the Company and the co-founder of the Group. Mr. Wong, with extensive experience in the jewellery industry in Hong Kong and extensive knowledge in the jewellery industry of the United States and Europe, is responsible for the overall strategic planning and policy making of the Group.

Mr. Yu Fei, Philip ("Mr. Yu"), aged 58, was appointed as a Director in April 2004. He obtained a Bachelor of Science degree from California State University, Los Angeles. Mr. Yu is responsible for the sales and marketing of the Group's products and has over 29 years of experience in trading businesses.

Non-Executive Director

Mr. Xiao Gang ("Mr. Xiao"), aged 46, was appointed as a non-executive Director in October 2015. He is a vice president and a legal director of Hengdeli Holdings Limited (stock code: 3389), the shares of which are listed on the Stock Exchange. Mr. Xiao has over 10 years of experience in legal and investment fields. For the period from 2001 to 2012, Mr. Xiao was a lawyer and a partner of Beijing Kangda Law firm in the PRC focusing on corporate and commercial matters and capital markets. Mr. Xiao obtained a Bachelor of Science in Engineering from Beijing Union University in 1992, and also holds a Master of Laws from University of International Business and Economics in the PRC. Mr. Xiao was admitted as a lawyer in the PRC in 2001.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Dr. Zhu Zhengfu ("Dr. Zhu"), aged 51, was appointed as an independent non-executive Director in May 2015. Dr. Zhu obtained the qualification of being an independent director in the PRC in 2002. Dr. Zhu is currently an independent director of E Fund Management Co., Ltd. (易方達基金管理有限公司), Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) (stock code: 2181) (the shares of which are listed on Shenzhen Stock Exchange), Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司) (stock code: 600048) (the shares of which are listed on Shanghai Stock Exchange) and Beijing Honggao Creative Construction Design Co., Ltd. (北京弘高創意建築設計股份有限公司) (stock code: 2504) (the shares of which are listed on Shenzhen Stock Exchange), and a company supervisor of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司) (stock code: 317) (the shares of which are listed on the Stock Exchange). Dr. Zhu is also a member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and the vice president of All China Lawyers Association (中華全國律師協會).

Dr. Li Yifei ("Dr. Li"), aged 51, was appointed as an independent non-executive Director in May 2015. Dr. Li has over 25 years of experience in management in the PRC. In 1993, Dr. Li founded China Guardian Auctions Co., Ltd. (中國嘉德國際拍賣有限公司), set up Guangzhou Huayi Enterprise Group Co., Ltd. (廣州華藝企業集團有限公司) and has been serving as its chairman of the board of directors since 1993. From 1985 to 1987, Dr. Li worked at the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外經濟貿易廳). Dr. Li served as a manager at Zhongnan Economic and Technology Development Co., Ltd (中南經濟技術發展公司) and Huatian Company of the China Council for the Promotion of International Trade (廣東省貿促會華天公司) from 1988 to 1990 and from 1990 to 1992 respectively. Dr. Li graduated from the School of Economics of Wuhan University (武漢大學) in 1985 and obtained a doctoral degree in economics from the School of Economics of Wuhan University in 2000. Dr. Li is currently the chairman of the board of directors of Guangzhou Huayi Enterprise Group Co., Ltd. (廣州華藝企業集團有限公司). Dr. Li is also a standing committee member of Guangdong Federation of Industry and Commerce (廣東省工商聯), committee member of the Guangdong Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), standing officer of Chinese Young Volunteers Association (中國青年志願者協會), the standing vice-president of Guangdong Hunan Chamber of Commerce (廣東省湖南商會), founder and president of Guangzhou Dayi Culture and Arts Fund (廣州市大藝文化藝術基金會) and the board of directors of Wuhan University (武漢大學).

Mr. Tam Ping Kuen, Daniel ("Mr. Tam"), aged 52, was appointed as an independent non-executive Director in May 2006. He is the founder of Daniel Tam & Co., Certified Public Accountants (Practising). Mr. Tam holds a Master of Financial Economics degree from the University of London and is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Company Secretary

Mr. Lau Chun Pong ("Mr. Lau"), aged 43, was appointed as the company secretary in November 2008. He is also the Financial Controller of the Group. He is responsible for the financial and accounting matters of the Group. Mr. Lau holds a Bachelor of Arts degree from University of California, Los Angeles and is an associate member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 15 years of experience in the field of finance, accounting and auditing. Mr. Lau is currently an independent non-executive director of China Longevity Group Company Limited (中國龍天集團有限公司) (stock code: 1863).

REPORT OF THE DIRECTORS

The directors ("Directors") of O LUXE HOLDINGS LIMITED ("Company") have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by geographical segments based on the location of customers and business segments for the year ended 30 September 2016 is set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2016 and the state of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 34 to 108 respectively.

The Board does not recommend the payment of final dividend to shareholders for the year ended 30 September 2016 (2015: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 30 September, 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 and 4 respectively of this Annual Report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

RELATIONSHIP WITH STAKEHOLDERS *(continued)*

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

A substantial portion of the operating assets of the Group are located in the PRC and the Group expects that a material portion of the turnover will continue to be derived from the operations in the PRC. The results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

Financial Risk

The financial risk management of the Group are set out in note 7 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 30 September 2016 and the financial position of the Group as at that date are set out on pages 34 to 108.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 1 March 2017 to 3 March 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 28 February 2017.

SUMMARY OF 5 YEARS' FINANCIAL INFORMATION

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for each of the 5 years ended 30 September 2016, prepared on the bases set out in the note below:

Results

	Year ended 30 September				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(As restated)		(As restated)	
Continuing operations					
Turnover	**392,502**	352,791	1,207,105	782,551	919,409
Profit (loss) from operating activities	**11,454**	(166,044)	(1,147,330)	(961,343)	116,779
Finance costs	**(3,875)**	(4,270)	(3,117)	(4,549)	(4,392)
Profit (loss) before taxation	**7,579**	(170,314)	(1,150,447)	(965,892)	112,387
Income tax (expense) credit	**(8,513)**	4,939	84,353	63,105	(35,917)
(Loss) profit for the year from continuing operations	**(934)**	(165,375)	(1,066,094)	(902,787)	76,470
Discontinued operations					
Loss for the year from a deconsolidated subsidiary	**(27,755)**	(40,246)	–	–	–
(Loss) profit for the year	**(28,689)**	(205,261)	(1,066,094)	(902,787)	76,470
Attributable to:					
Owners of the Company	**(32,673)**	(199,626)	(1,052,066)	(817,573)	83,158
Non-controlling interests	**3,984**	(5,995)	(14,028)	(85,214)	(6,688)
	(28,689)	(205,621)	(1,066,094)	(902,787)	76,470

Assets and Liabilities

	At 30 September				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(As restated)
Non-current assets	**732,707**	225,869	188,157	451,363	1,367,898
Current assets	**887,759**	1,445,534	1,082,246	1,922,965	1,977,526
Total assets	**1,620,466**	1,671,403	1,270,403	2,374,328	3,345,424
Current liabilities	**130,704**	125,616	109,608	277,284	292,721
Non-current liabilities	**28,644**	28,459	37,897	61,912	138,413
Total liabilities	**159,348**	154,075	147,505	339,196	431,134
Net assets	**1,461,118**	1,517,328	1,122,898	2,035,132	2,914,290

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares, and neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 43 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2016, the Company had distributable reserves of approximately HK$468,609,000 (2015: HK$465,427,000) calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. This includes the Company's share premium account of approximately HK$2,586,685,000 (2015: HK$2,586,685,000) which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for approximately 55% of the total sales for the year and the sales to the largest customer included therein amounted to approximately 9%.

Purchases from the Group's 5 largest suppliers accounted for approximately 99% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 47%.

None of the Directors, or any of their close associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers or 5 largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

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

Non-Executive Director

Mr. Xiao Gang

Independent Non-Executive Directors

Dr. Li Yifei
Dr. Zhu Zhengfu
Mr. Tam Ping Kuen, Daniel

In accordance with the Company's articles of association, Mr. Zhang Jinbing, Mr. Wong Chi Ming, Jeffry and Mr. Yu Fei, Philip will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 7–8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Jinbing, as executive director has entered into a service contract with the Company, his term of service commenced from 9 January 2015 for an initial period of 36 months and expired on 8 January 2018 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Ho King Fung, Eric, as executive director has entered into a service contract with the Company, his term of service commenced from 1 November 2016 for an initial period of 36 months and expired on 31 October 2019 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Wong Chi Ming, Jeffry, as executive director has entered into a service contract with the Company, his term of service commenced from 1 August 2002 for an initial period of 36 months and expired on 31 July 2005 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

Mr. Yu Fei, Philip as executive director has entered into a service contract with the Company, his term of service commenced from 2 April 2004 for an initial period of 24 months and expired on 1 April 2006 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment.

The existing service contracts of the executive directors will continue thereafter until terminated by either party giving not less than 3 months' notice in writing to the other party.

Same as disclosed above, no Director proposed to have a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions", no transactions, arrangements and contracts of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. There is no transactions, arrangements and contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries during the year. During the year, no transactions, arrangements and contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

PERMITTED INDEMNITY PROVISION

At no time during the financial year, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2016, the interests of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Director	Type of interests	Number of issued ordinary/ underlying shares held	Number of share options held (Note (c))	Total interests	Percentage of interest
Mr. Zhang Jinbing	Corporate (Note (a) & (b))	2,633,622,316	2,448,000	2,636,070,316	107.52%
Mr. Li Yifei	Personal (Note (b))	1,068,000	2,448,000	3,516,000	0.14%
Mr. Wong Chi Ming, Jeffry	Personal (Note (b))	–	2,448,000	2,448,000	0.10%
Mr. Yu Fei, Philip	Personal (Note (b))	–	2,448,000	2,448,000	0.10%
Mr. Xiao Gang	Personal (Note (b))	–	2,448,000	2,448,000	0.10%
Mr. Tam Ping Kuen, Daniel	Personal (Note (b))	–	2,448,000	2,448,000	0.10%
Mr. Zhu Zhengfu,	Personal (Note (b))	–	2,448,000	2,448,000	0.10%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS *(continued)*

Notes:

(a) The interest disclosed represents the 673,622,316 shares held by Prestige Rich Holdings Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Zhang Jinbing by virtue of Section 344(3) of the SFO. 1,960,000,000 shares will be issued and allotted to Golden Mega Holdings Limited, a wholly-owned subsidiary of Mr. Zhang Jinbing, upon completion of a sale and purchase agreement pursuant to which the Company conditionally agreed to purchase, and Golden Mega Holdings Limited conditionally agreed to sell, 600 issued shares of Power Boom International Limited (盛力國際有限公司) at the consideration of HK$588 million, which shall be satisfied by the Company by way of allotment and issue of 1,960,000,000 shares.

(b) All the interests disclosed above represent long positions in the shares of the Company.

(c) Details of share options held by directors are shown in the section of "Share Options".

Mr. Zhang Jinbing is the sole shareholder of Prestige Rich Holdings Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with the statutory minimum number of shareholders required for Hong Kong incorporated companies which was in force prior to 13 February 2004.

Save as disclosed above, as at 30 September 2016, none of the Directors, or their associate(s) had any interests or short positions in the shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 35 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year under review and up to date of this report, no Director of the Company or any of its subsidiaries is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), other than those business of which the Directors of the Company were appointed as Directors to represent the interest of the Company and/or the Group.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 35 to the consolidated financial statements.

Share Options

	Number of share options								
	As at 1 October 2015	Granted during the year	Lapsed/ Cancelled during the year	Exercise during the year	As at 30 September 2016	Date of grant	Exercise period	Exercise price per share HK$	Closing price of share immediate before date of grant HK$
Directors									
Mr. Zhang Jinbing	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Wong Chi Ming, Jeffry	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Yu Fei, Philip	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Xiao Gang	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Tam Ping Kuen, Daniel	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Li Yifei	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Mr. Zhu Zhengfu	–	2,448,000	–	–	2,448,000	19 July 2016	Note 1	0.65	0.65
Others									
Employees	–	26,524,272	–	–	26,524,272	19 July 2016	Note 1	0.65	0.65
Total	–	43,660,272			43,660,272				

Note 1: Subject to the rules of the share option Scheme, the options ("Options") are exercisable in the following manner for a period from the date of the acceptance of the options to 10 years from the date of grant:

Percentage of the Options that are vested and exercisable	Period for the exercise of the relevant Options
20%	From 19 July 2017 to 18 July 2026
Additional 20% (i.e. up to 40% in total)	From 19 July 2018 to 18 July 2026
Additional 20% (i.e. up to 60% in total)	From 19 July 2019 to 18 July 2026
Additional 20% (i.e. up to 80% in total)	From 19 July 2020 to 18 July 2026
Additional 20% (i.e. up to 100% in total)	From 19 July 2021 to 18 July 2026

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the share option scheme of the Group is 288,837,382, representing 11.78% of the issued shares of the Company as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, the following persons (other than the Directors) had interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Number of issued ordinary shares and underlying shares held	Aggregate percentage of interest
Golden Mega Holdings Limited	1,960,000,000 (Notes (a) and (c))	79.94%
Prestige Rich Holdings Limited	673,622,316 (Notes (b) and (c))	27.47%
Zhang Jinbing	2,636,070,316 (Notes (a), (b) and (c))	107.52%

Notes:

(a) 1,960,000,000 shares will be issued and allotted to Golden Mega Holdings Limited, a wholly-owned subsidiary of Mr. Zhang Jinbing, upon completion of a sale and purchase agreement pursuant to which the Company conditionally agreed to purchase, and Golden Mega Holdings Limited conditionally agreed to sell, 600 issued shares of Power Boom International Limited (盛力國際有限公司) at the consideration of HK$588 million, which shall be satisfied by the Company by way of allotment and issue of 1,960,000,000 shares.

(b) Prestige Rich Holdings Limited is a controlled corporation of Mr. Zhang. Thus, he is deemed to be interested in the same parcel of shares.

(c) All the interests stated above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 September 2016, there was no person who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

INTEREST BEARING BANK LOANS

Particulars of interest bearing bank loans of the Group as at 30 September 2016 are set out in note 31 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 16 to the consolidated financial statements under "Staff costs" on pages 78 and 79.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the year ended 30 September 2016 are set out in note 45 to the consolidated financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 30 December 2016, the latest practicable date to ascertain such information prior to the issue of this annual report.

CONNECTED TRANSACTIONS

During the financial year ended 30 September 2016, the following connected transaction undertaken by the Group which are included in the transactions set out in note 45(b) to the consolidated financial statements.

On 16 May 2016, the Company (as purchaser), Golden Mega Holdings Limited (the "Vendor") and Mr. Zhang Jinbing (as guarantor to the Vendor) entered into a sale and purchase agreement (the "Agreement"), pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, 600 issued shares of Power Boom International Limited (盛力國際有限公司) at the Consideration of HK$588 million, which shall be satisfied by the Company by way of allotment and issue of 1,960,000,000 shares ("Consideration Share(s)") as consideration at the issue price of HK$0.30 per Consideration Share to the Vendor at completion (the "Acquisition"). The Consideration Shares will be issued by the Company under the specific mandate which has been approved by the independent shareholders at an extraordinary general meeting held on 27 July 2016.

Since the Vendor is wholly owned by Mr. Zhang, who is a director and substantial shareholder of the Company, by virtue of Mr. Zhang's interest in the Vendor, the Vendor is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company.

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

As at the date of this report, as some conditions set out in the Agreement had not been fulfilled, the long stop date of the Agreement has been extended to 31 March 2017.

Details of the above connected transaction can be found in the announcements of the Company dated 25 May 2016, 27 July 2016, 19 December 2016 and the circular dated 11 July 2016.

CONTINUING CONNECTED TRANSACTIONS

During the year, continuing connected transactions undertaken by the Group are included in the transactions set out in note 38 to the consolidated financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions in note 38 to the consolidated financial statements and have confirmed that the connected transactions and continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the year as set out in note 38 to the consolidated financial statements and confirmed that these transactions:

(i) were approved by the Board of Directors of the Company;

(ii) where applicable, were in accordance with the pricing policies of the Company;

(iii) had been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have not exceeded the caps stated in the relevant announcement.

CORPORATE GOVERNANCE

During the year ended 30 September 2016, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following deviations (Code Provision E.1.2):

The chief executive officer attended 2016 annual general meeting ("2016 AGM") to answer questions and collect views of shareholders. Though other directors were unable to attend 2016 AGM due to other business engagements, their representative, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

The chief executive officer attended an extraordinary general meeting held during the year while other directors cannot attend due to other business engagements but the company secretary and a representative of the relevant financial advisors had attended the meeting to answer questions at the meetings.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry on all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standards set out in the Model Code.

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 3 independent non-executive directors. The Company confirms that it has received an annual confirmation from each of the independent non-executive directors regarding his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all the existing independent non- executive directors to be independent.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilized. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the financial year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises the 3 independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2016.

AUDITOR

The consolidated financial statements have been audited by KTC Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

On behalf of the Board
O LUXE HOLDINGS LIMITED
Zhang Jinbing
Chairman

Hong Kong
30 December 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 30 September 2016, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. Zhang Jinbing *(Chairman)* Mr. Ho King Fung, Eric *(Co-Chairman)* *(Appointed on 1 November 2016)* Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)* Mr. Yu Fei, Philip
Non-executive Director	:	Mr. Xiao Gang
Independent Non-executive Directors	:	Mr. Tam Ping Kuen, Daniel Dr. Li Yifei Dr. Zhu Zhengfu

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS *(continued)*

During the financial year ended 30 September 2016, a total of 4 Board meetings, one annual general meeting ("2016 AGM") and one extraordinary general meeting ("EGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 30 September 2016 regular Board meetings	2016 AGM	EGM
Mr. Zhang Jinbing *(Chairman)*	3/4	0/1	0/1
Mr. Ho King Fung, Eric *(Co-Chairman)* *(Appointed on 1 November 2016)*	–	–	–
Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)*	3/4	1/1	1/1
Mr. Yu Fei, Philip	2/4	0/1	0/1
Mr. Xiao Gang *(Appointed on 5 October 2015)*	4/4	0/1	0/1
Mr. Tam Ping Kuen, Daniel	4/4	0/1	0/1
Dr. Li Yifei	4/4	0/1	0/1
Dr. Zhu Zhengfu	4/4	0/1	0/1

The Chief Executive Officer attended 2016 AGM to answer questions and collect views of shareholders. Though other directors were unable to attend 2016 AGM due to other business engagements, the company secretary and the auditors had attended the meeting to answer questions at the meeting.

The Chief Executive Officer attended the extraordinary general meeting held on 27 July 2016 while other directors cannot attend due to other business engagements but a representative of Optima Capital Limited, the financial adviser and New Spring Capital Limited, the independent financial adviser, had attended the meeting to answer questions at the meeting.

Some of the Board meetings for day-to-day operations of the Group were attended by executive directors and the attendance of executive directors is set out as follows:

Name of director	Number of other Board meetings attended in the year ended 30 September 2016
Mr. Zhang Jinbing *(Chairman)*	10/19
Mr. Ho King Fung, Eric *(Co-Chairman) (Appointed on 1 November 2016)*	0/19
Mr. Wong Chi Ming, Jeffry	19/19
Mr. Yu Fei, Philip	19/19

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of the report, Mr. Zhang Jinbing ("Mr. Zhang") is the Chairman while Mr. Wong Chi Ming, Jeffry is the chief executive officer.

Mr. Ho King Fung, Eric ("Mr. Ho") is the co-chairman of the Company. The Board wishes to state that Mr. Zhang and Mr. Ho have been serving clearly delineated functions within the Group. Mr. Zhang has continued to be the responsible person providing leadership to and overseeing the management of the Board, along with the responsibilities of the Chairman under the articles of association and the Listing Rules while Mr. Ho is primarily responsible for providing the overall leadership in the strategic development of the business of the Group. There is also a clear understanding by and expectation from the Board and within the Group as to the separation of roles and responsibilities between Mr. Zhang and Mr. Ho.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All independent non-executive directors and non-executive director are appointed for a specific term which may be extended as each and the Company may agree.

The current articles of association of the Company provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary of the Company.

The individual training record of each director received for the year ended 30 September 2016 is summarized below:

	Attending seminar(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. Zhang Jinbing	✓
Mr. Wong Chi Ming, Jeffry	✓
Mr. Yu Fei, Philip	✓
Mr. Xiao Gang *(Appointed on 5 October 2015)*	✓
Mr. Tam Ping Kuen, Daniel	✓
Dr. Li Yifei	✓
Dr. Zhu Zhengfu	✓

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, who have reviewed the consolidated financial statements for the year ended 30 September 2016. All of them have appropriate professional qualifications and one of them has accounting expertise. Mr. Tam Ping Kuen, Daniel is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Our Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the auditors relating to the annual and interim accounts, and monitoring the accounting and internal control system in use throughout the Group.

AUDIT COMMITTEE *(continued)*

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Three meetings were held for the year ended 30 September 2016. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 30 September 2016
Mr. Tam Ping Kuen, Daniel	3/3
Dr. Li Yifei	2/3
Dr. Zhu Zhengfu	3/3
Ms. Chu Wai Fan *(Resigned on 15 October 2015)*	0/3

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of the auditor as the external Auditor and approval of their remuneration; and

(c) review the financial statements for the relevant periods.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Mr. Tam Ping Kuen, Daniel is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Meeting of the Remuneration Committee shall be held at least once a year. Three meetings were held during the year ended 30 September 2016 concerning the determination of remuneration of the Directors.

REMUNERATION COMMITTEE *(continued)*

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 30 September 2016
Mr. Tam Ping Kuen, Daniel	3/3
Dr. Li Yifei	3/3
Dr. Zhu Zhengfu	3/3
Ms. Chun Wai Fan *(Resigned on 15 October 2015)*	1/3

A share option scheme, which serves as an incentive to attract, retain and motivate staff, has been adopted in the annual general meeting held on 1 March 2013. Details of the share option scheme are set out in the circular dated 17 January 2013. The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 17 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 31 March 2006 comprising the 3 independent non-executive directors. Mr. Tam Ping Kuen, Daniel is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the jewellery industry and/or other professional areas.

Meeting of the Nomination Committee shall be held at least once a year. Three meetings were held during the year ended 30 September 2016. Issues concerning revision of the structure, size and composition of the Board, the board diversity policy, were discussed.

NOMINATION COMMITTEE *(continued)*

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 30 September 2016
Mr. Tam Ping Kuen, Daniel	3/3
Dr. Li Yifei	3/3
Dr. Zhu Zhengfu	3/3
Ms. Chu Wai Fan *(Resigned on 15 October 2015)*	1/3

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1 September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 directors. Three of them are independent non-executive directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of nationality, professional background and skills.

INVESTMENT COMMITTEE

An investment committee of the Company (the "Investment Committee") was established on 7 March 2016 comprising Mr. Zhang Jinbing, Mr. Xiao Gang and Dr. Li Yifei. Mr. Zhang is currently the chairman of the Investment Committee. The terms of reference of the Investment Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The role and function of the Investment Committee mainly is to review investment project of the Company.

9 meeting(s) was/were held during the year ended 30 September 2016. Issues concerning certain investments were discussed.

The attendance of each member is set out as follows:

Name of members of Investment Committee	Number of meetings attended in the financial year ended 30 September 2016
Mr. Zhang Jinbing	5/9
Mr. Xiao Gang	9/9
Dr. Li Yifei	9/9

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board reviews the effectiveness of the Group's material internal controls and is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

AUDITORS' REMUNERATION

During the financial year ended 30 September 2016, the fees paid to the Company's auditors, KTC Partners CPA Limited, is set out as follows:

Services rendered	**Fees paid/payable (HK$'000)**
Audit services	1,900
Non-audit services (Note)	710

Note: the non-audit service is in relation to the services rendered for the major transaction of proposed acquisition by the Company in 2016.

COMPANY SECRETARY

Mr. Lau Chun Pong ("Mr. Lau") was appointed as the company secretary of the Company on 12 November 2008. The biographical details of Mr. Lau are set out under the section headed "Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lau has taken no less than 15 hours of relevant professional training during the financial year ended 30 September 2016.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Flat 302, 3/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to info@oluxe.com.hk for the attention of the company secretary.

SHAREHOLDERS' RIGHTS *(continued)*

— **Right to put forward proposals at general meetings**

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 64 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 113 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.oluxe.com.hk.

During the year ended 30 September 2016, there had been no significant change in the Company's constitutional documents whereas the articles of association has been amended for the purpose of establishing and facilitating the operation of a co-chairman structure for the Company in December 2016. Details of which has been disclosed in a circular dated 8 December 2016. The amendments have been approved in an EGM held on 23 December 2016.

INDEPENDENT AUDITOR'S REPORT

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

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TO THE SHAREHOLDERS OF
O LUXE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of O Luxe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 108, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong
30 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	9	**392,502**	352,791
Cost of sales		**(271,528)**	(265,994)
Gross profit		**120,974**	86,797
Other revenue and net gains	10	**8,987**	9,043
Change in fair value of contingent consideration receivable	21	**(24,593)**	53,277
Selling and distribution expenses		**(40,068)**	(31,266)
Administrative and other expenses		**(46,903)**	(41,481)
Amortisation of intangible assets	20	**(10,167)**	(26,803)
Fair value loss on held-for-trading investment		**(8,739)**	(42,316)
Impairment loss on goodwill	19	**–**	(79,317)
Reversal of impairment (impairment loss) on intangible assets	20	**24,017**	(31,388)
Impairment loss on trade and other receivables		**(532)**	(62,444)
Loss on sales of held-for-trading investment		**(11,522)**	–
Loss on deregistration of a subsidiary		**–**	(146)
Profit (loss) from operating activities	11	**11,454**	(166,044)
Finance costs	12	**(3,875)**	(4,270)
Profit (loss) before taxation		**7,579**	(170,314)
Income tax (expense) credit	13	**(8,513)**	4,939
Loss for the year from continuing operations		**(934)**	(165,375)
DISCONTINUED OPERATIONS			
Loss for the year from a deconsolidated subsidiary	14	**(27,755)**	(40,246)
Loss for the year		**(28,689)**	(205,621)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Loss for the year attributable to:			
— Owners of the Company			
Continuing operations		**(5,224)**	(163,364)
Discontinued operations		**(27,449)**	(36,262)
		(32,673)	(199,626)
— Non-controlling interests:			
Continuing operations		**4,290**	(2,011)
Discontinued operations		**(306)**	(3,984)
		3,984	(5,995)
		(28,689)	(205,621)
Loss per share from continuing and discontinued operations	15		
Basic		**1.33 cents**	11.80 cents
Diluted		**N/A**	N/A
Loss per share from continuing operations			
Basic		**0.21 cents**	9.66 cents
Diluted		**N/A**	N/A
Loss per share from discontinued operations			
Basic		**1.12 cents**	2.14 cents
Diluted		**N/A**	N/A
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(36,136)**	(27,807)
Exchange reserve released upon deconsolidation of a subsidiary		**6,454**	–
Other comprehensive expenses for the year		**(29,682)**	(27,807)
Total comprehensive expenses for the year		**(58,371)**	(233,428)
Total comprehensive expenses for the year attributable to:			
— Owners of the Company		**(61,645)**	(231,175)
— Non-controlling interests		**3,274**	(2,253)
		(58,371)	(233,428)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current Assets			
Property, plant and equipment	18	**4,843**	16,672
Goodwill	19	**29,555**	29,555
Intangible assets	20	**125,119**	115,871
Contingent consideration receivable	21	**39,178**	63,771
Deposits paid	22	**255,261**	–
Loan and interest receivables	23	**278,751**	–
		732,707	225,869
Current Assets			
Inventories	24	**328,689**	278,508
Trade and other receivables	25	**95,016**	129,183
Loan and interest receivables	23	**260,780**	206,870
Held-for-trading investment	26	**43,340**	66,869
Amount due from a shareholder of a subsidiary	27	**–**	5,165
Bank balances and cash	28	**159,934**	758,939
		887,759	1,445,534
Current Liabilities			
Trade payables	29	**43,431**	31,977
Other payables and accruals	30	**41,526**	27,128
Borrowings	31	**40,621**	61,060
Income tax payable		**5,126**	5,451
		130,704	125,616
Net Current Assets		**757,055**	1,319,918
Total Assets Less Current Liabilities		**1,489,762**	1,545,787
Non-current Liabilities			
Deferred tax liabilities	32	**28,644**	28,459
NET ASSETS		**1,461,118**	1,517,328
CAPITAL AND RESERVES			
Share capital	33	**245,177**	245,177
Reserves	34	**1,188,228**	1,245,670
Equity attributable to owners of the Company		**1,433,405**	1,490,847
Non-controlling interests		**27,713**	26,481
TOTAL EQUITY		**1,461,118**	1,517,328

The consolidated financial statements on pages 34 to 108 were approved and authorised for issue by the board of directors on 30 December 2016, and signed on its behalf by:

Zhang Jinbing	**Wong Chi Ming, Jeffry**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 October 2014	65,490	2,060,977	63,442	792	–	11	(1,096,548)	1,094,164	28,734	1,122,898
Total comprehensive expenses for the year	–	–	(31,549)	–	–	–	(199,626)	(231,175)	(2,253)	(233,428)
Issue of shares upon acquisition of subsidiaries	16,235	124,547	–	–	–	–	–	140,782	–	140,782
Issue of shares upon open offer	163,452	323,624	–	–	–	–	–	487,076	–	487,076
At 30 September 2015	245,177	2,509,148	31,893	792	–	11	(1,296,174)	1,490,847	26,481	1,517,328
Total comprehensive expenses for the year	–	–	(28,972)	–	–	–	(32,673)	(61,645)	3,274	(58,371)
Deconsolidation of a subsidiary (Note 14(b))	–	–	–	–	–	–	–	–	6,557	6,557
Recognition of equity-settled share-based payment (Note 35)	–	–	–	–	1,596	–	–	1,596	–	1,596
Purchase of non-controlling interest (Note 36)	–	–	–	–	–	–	2,607	2,607	(8,599)	(5,992)
At 30 September 2016	**245,177**	**2,509,148**	**2,921**	**792**	**1,596**	**11**	**(1,326,240)**	**1,433,405**	**27,713**	**1,461,118**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2016

	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax from continuing operations	**7,579**	(170,314)
Loss before income tax from discontinued operations	**(27,755)**	(49,264)
	(20,176)	(219,578)
Adjustments for:		
Allowances for inventories write-down	**4,039**	25,384
Amortisation of intangible assets	**10,167**	26,803
Change in fair value of contingent consideration receivable	**24,593**	(53,277)
Fair value loss on held-for-trading investment	**8,739**	42,316
Other payable written back	**(1,597)**	–
Depreciation of property, plant and equipment	**1,740**	4,540
Finance costs	**3,875**	4,270
Gain on disposal of property, plant and equipment	**–**	(2)
Loss on deregistration of subsidiaries	**–**	146
Impairment loss on goodwill	**–**	79,317
Impairment loss on trade and other receivables	**532**	64,715
(Reversal of) impairment loss on intangible assets	**(24,017)**	37,369
Impairment loss on property, plant and equipment	**–**	25,247
Loss on deconsolidation of a subsidiary	**24,664**	–
Expense recognised in respect of equity-settled share-based payments	**1,596**	–
Interest income	**(2,517)**	(2,175)
Property, plant and equipment written-off	**176**	80
Operating cash flows before movements in working capital	**31,814**	35,155
Increase in inventories	**(70,466)**	(88,366)
Decrease in trade and other receivables	**32,038**	494,240
Decrease (increase) in held-for-trading investments	**14,790**	(109,185)
Increase in loan and interest receivables	**(332,661)**	(206,870)
Increase (decrease) in trade payables	**14,438**	(45,128)
Increase (decrease) in other payables and accruals	**20,813**	(74,655)
Cash (used in) from operating activities	**(289,234)**	5,191
Income tax paid	**(5,467)**	(2,055)
Net cash (used in) from operating activities	**(294,701)**	3,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment from (advance to) a shareholder of a subsidiary	**5,165**	(3,187)
Interest received	**2,517**	2,175
Deposit for acquisition of a subsidiary	**(255,261)**	–
Net cash inflow from acquisition of subsidiaries	**–**	3,393
Net cash outflow from acquisition of non-controlling interest (Note 36)	**(5,992)**	–
Proceeds from disposal of property, plant and equipment	**–**	307
Purchases of property, plant and equipment	**(1,022)**	(1,912)
Net cash outflow arising on deconsolidation of a subsidiary (Note 14b)	**(760)**	–
Net cash (used in) from investing activities	**(255,353)**	776
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(3,875)**	(4,270)
Repayment of borrowings	**(98,651)**	(61,060)
New borrowings obtained	**81,242**	61,060
Proceeds from profit guarantee compensation	**–**	60,000
Proceeds from issue of open offer shares	**–**	487,076
Net cash (used in) from financing activities	**(21,284)**	542,806
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(571,338)**	546,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**758,939**	202,042
Effect of foreign exchange rate changes on balance of cash held in foreign currencies	**(27,667)**	10,179
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**159,934**	758,939

1. CORPORATE INFORMATION

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

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

The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$ for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong.

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

The Group discontinued its operation of export of manufactured jewellery products and writing instruments during the year ended 30 September 2016 as detailed in Note 14. This business segment has been presented as discontinued operations in accordance with HKFRS 5.

Other than the discontinued operations as described above, there were no significant changes in the Group's operations during the year.

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

Effect of adopting new standards, amendments/revises to standards and interpretation

There are no new standards, amendments/revises to standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are mandatory for the Group's financial year beginning on 1 October 2015.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[2]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendment to HKAS 7	Disclosure Initiative[5]
Amendment to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendment to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendment to HKAS 27	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general 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.

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

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 9 "Financial Instruments" *(continued)*

Key requirements of HKFRS 9 are described below:

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

  In relation to the impairment of financial assets, HKFRS 9 requires an expected credits 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 recognized.

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

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

HKFRS 15 "Revenue from contracts with customers"

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

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

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 15 "Revenue from contracts with customers" *(continued)*

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

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

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

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in Note 40. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Other than disclosed above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 30 September 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 September 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 September 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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

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

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

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

- Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 — inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 — inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

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

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

Change in the Group's ownership interests in exiting subsidiaries

Change in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounts for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

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

Revenue recognition

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

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

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

(iii) Dividend income is recognised at the time when the shareholders' right to receive the dividend have been established.

Leasing

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

The Group as lessee

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

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

Impairment on financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment on financial assets *(continued)*

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables and 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

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

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

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

Borrowing costs

Borrowing costs 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Mining rights

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Property, plant and equipment

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

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

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

Straight-line method:

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

During the year, the reducing-balance depreciation method used previously by some group entities for their plant and equipment was changed to straight-line depreciation method in order to be consistent with the Group's policy. The effect of the change in accounting estimate in the current year was an increase in depreciation charge of approximately HK$13,000.

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

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

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

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

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

Bank balances and cash

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

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

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations of the Group. Classification as a discontinued operation occurs upon disposal. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of profit and loss account, which comprises the post-tax profit or loss for the discontinued operation.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgment in applying accounting policies

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

Renewal of mining right permits

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

If the Group is unable to obtain approval for renewal upon their expiry, the carrying amount of the mining rights of approximately HK$96,054,000 (2015: HK$86,877,000) may be significant reduced, or it will write-off or write-down the carrying amounts of the mining rights, and significant impairment loss might be recognised.

Key sources of estimation uncertainty

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

(a) Impairment of receivables

The Group's management determines impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the end of the reporting period. An impairment loss of approximately HK$532,000 (2015: HK$64,715,000) was recognised in respect of trade and other receivables for the year ended 30 September 2016.

(b) Useful lives of property, plant and equipment

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

(c) Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates. No impairment loss was recognised in respect of property, plant and equipment for the year ended 30 September 2016 (2015: HK$25,247,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

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

The Group determines the estimated useful lives and related amortisation charges for the Group's intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as the contractual terms of intangible assets being purchased by the Group. As of 30 September 2016, the carrying amount of intangible assets with definite useful life is HK$29,065,000 (2015: HK$28,994,000), and amortisation of the intangible assets of HK$10,167,000 (2015: HK$26,803,000) was recognised for the year ended 30 September 2016.

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

The Group evaluates whether items of intangible assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on the higher of the fair value less cost and value in use calculations. These calculations require the use of estimates. A reversal of impairment loss of approximately HK$24,017,000 (2015: Impairment loss of HK$37,369,000) was recognised for the year ended 30 September 2016.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value. An allowance for inventory write-down of approximately HK$4,039,000 (2015: HK$25,384,000) was provided for the year.

(g) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 September 2016 was HK$29,555,000 (2015: HK$29,555,000). Further details of impairment loss calculation are set out in Note 19 to consolidated the financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(h) Fair value of contingent consideration receivable

The directors of the Company use their judgment in selecting appropriate valuation techniques for contingent consideration receivable. A probability model, which is commonly used by market practitioners, has been applied for estimating the fair value of contingent consideration receivable. The estimation of fair values of the contingent consideration receivable are derived after taking into account the input and parameters, such as the probabilities, discount rate and settlement date etc. Change in fair value of approximately HK$24,593,000 (2015: HK$53,277,000) was recognised for the year.

(i) Income taxes

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

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

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

(k) Share-Based Payment Compensation

The share-base payment expense is subject to the limitation of the option pricing model and the uncertainty in estimates used by management in the assumptions. The estimate include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

5. CAPITAL RISK MANAGEMENT

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

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

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

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

	2016 **HK$'000**	2015 HK$'000
Debts (Note i)	**40,621**	61,060
Bank balances and cash	**(159,934)**	(758,939)
Net cash	**(119,313)**	(697,879)
Equity (Note ii)	**1,433,405**	1,490,847
Net debt to equity ratio (Note iii)	**N/A**	N/A

Notes:

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

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

(iii) As the Group had a net cash position at 30 September 2016 and 2015, the Group's gearing ratio as at that date were not applicable.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets:		
Contingent consideration receivable (Note 21)	**39,178**	63,771
Fair value through profit and loss		
— Held-for-trading investment	**43,340**	66,869
Loan and receivables (including bank balances and cash)	**787,806**	1,092,232
	870,324	1,222,872
Financial liabilities:		
Financial liabilities at amortised cost	**110,734**	98,319

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(i) Foreign exchange risk

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

At 30 September 2016 and 2015, the group entities have no significant assets or liabilities denominated in currency other than the functional currency of the relevant group entities. Thus, the Group does not have any significant currency risk exposure.

(ii) Interest rate risk

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

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

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

Sensitivity analysis

As of 30 September 2016, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Company's loss for the year ended 30 September 2016 and accumulated losses by approximately HK$305,000 (2015: HK$458,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for the year ended 30 September 2015.

(iii) Other price risk

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

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

The Group's equity price risk is mainly concentrated on listed equity securities quoted on the Stock Exchange.

Sensitivity analysis

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

If the prices of the respective equity securities have been 5% higher/lower and all other variables were constant, the Group's loss for the year ended 30 September 2016 would decrease/increase by approximately HK$2,167,000 (2015: HK$2,792,000) as a result of the changes in fair values of held-for-trading investments.

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group has concentration of credit risk and has policies in place to ensure that the sales of products and loans are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

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

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

The Group's concentration of credit risk by geographical locations is mainly in the Asia (including PRC), which accounted for 100% (2015: 95%) of the total trade receivables as at 30 September 2016.

At 30 September 2016, the Group has concentration of credit risk as 29% (2015: 25%) of the total trade receivables and 26% (2015: 25%) of loan and interest receivables were due from the Group's largest customers.

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

Liquidity risk

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

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	At 30 September 2016		At 30 September 2015	
	On demand or less than 1 year and total undiscounted cash flow HK$'000	**Carrying amount HK$'000**	On demand or less than 1 year and total undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	**43,431**	**43,431**	31,977	31,977
Other payables	**26,682**	**26,682**	5,282	5,282
Borrowings	**42,837**	**40,621**	65,330	61,060
	112,950	**110,734**	102,589	98,319

Fair value

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

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

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

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

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value *(continued)*

Fair value hierarchy at 30 September:

On recurring basis

	Level 1		Level 2		Level 3		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Contingent consideration receivable	**–**	–	**–**	–	**39,178**	63,771	**39,178**	63,771
Financial assets held at FVTPL								
— Held-for-trading investments	**43,340**	66,869	**–**	–	**–**	–	**43,340**	66,869

During the years ended 30 September 2016 and 2015, there were no transfer between Level 1, 2 and 3.

8. SEGMENT INFORMATION

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

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

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

The operations for export of manufactured jewellery products and writing instruments were discontinued in the current year (see Note 14). The export segment was presented as discontinued operations of the Group during the year.

8. SEGMENT INFORMATION *(continued)*

(a) Segment revenues and results

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

For the year ended 30 September

	Discontinued operations		Continued operations											
	Exports		Domestic		Mining		Money lending		Securities investments		Subtotal		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
External sales	**–**	12,410	**361,796**	345,531	**–**	–	**30,670**	7,260	**36**	–	**392,502**	352,791	**392,502**	365,201
Segment results	**(27,755)**	(49,296)	**24,771**	(178,490)	**14,303**	(2,519)	**27,746**	3,648	**(20,224)**	(42,316)	**46,596**	(219,677)	**18,841**	(268,973)
Unallocated corporate income and expenses											**(39,017)**	49,363	**(39,017)**	49,395
Profit (loss) before taxation											**7,579**	(170,314)	**(20,176)**	(219,578)

Segment results represent the results earned by each segment without allocation of change in fair value of contingent consideration receivable, loss on deregistration of subsidiaries, central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the chief operating decision makers, being the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

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

At 30 September

	Discontinued operations		Continued operations											
	Exports		Domestic		Mining		Money lending		Securities investments		Subtotal		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS														
Segment assets	**–**	23,209	**475,115**	396,596	**96,892**	88,346	**540,987**	206,877	**43,340**	66,869	**1,156,334**	758,688	**1,156,334**	781,897
Unallocated segment assets													**464,132**	889,506
Total assets													**1,620,466**	1,671,403
LIABILITIES														
Segment liabilities	**–**	8,072	**77,854**	46,957	**3**	948	**28**	–	**4,161**	–	**82,046**	47,905	**82,046**	55,977
Unallocated segment liabilities													**77,302**	98,098
Total liabilities													**159,348**	154,075

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

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

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

8. SEGMENT INFORMATION *(continued)*

(c) Other segment information:

	Discontinued operations		Continued operations													
	Exports		Domestic		Mining		Money lending		Securities investments		Subtotal		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets																
Additions to non-current assets *(Note)*	**–**	754	**1,022**	75,772	**–**	–	**–**	–	**–**	–	**1,022**	75,772	**–**	49	**1,022**	76,575
Allowances for inventories write-down	**–**	(9,174)	**(4,039)**	(16,210)	**–**	–	**–**	–	**–**	–	**(4,039)**	(16,210)	**–**	–	**(4,039)**	(25,384)
Amortisation of intangible assets	**–**	–	**(10,167)**	(26,803)	**–**	–	**–**	–	**–**	–	**(10,167)**	(26,803)	**–**	–	**(10,167)**	(26,803)
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(24,593)**	53,277	**(24,593)**	53,277
Depreciation of property, plant and equipment	**–**	(2,147)	**(1,659)**	(2,256)	**–**	–	**–**	–	**–**	–	**(1,659)**	(2,256)	**(81)**	(137)	**(1,740)**	(4,540)
Gain on disposal of property, plant and equipment	**–**	–	**–**	2	**–**	–	**–**	–	**–**	–	**–**	2	**–**	–	**–**	2
Impairment loss on goodwill	**–**	–	**–**	(79,317)	**–**	–	**–**	–	**–**	–	**–**	(79,317)	**–**	–	**–**	(79,317)
Reversal of (impairment loss) on intangible assets	**–**	(5,981)	**10,269**	(30,238)	**13,748**	(1,150)	**–**	–	**–**	–	**24,017**	(31,388)	**–**	–	**24,017**	(37,369)
Fair value loss on held-for-trading investments	**–**	–	**–**	–	**–**	–	**–**	–	**(8,739)**	(42,316)	**(8,739)**	(42,316)	**–**	–	**(8,739)**	(42,316)
Impairment loss of trade and other receivables	**–**	(2,271)	**(532)**	(61,539)	**–**	–	**–**	–	**–**	–	**(532)**	(61,539)	**–**	(905)	**(532)**	(64,715)
Loss on sales of held-for-trading investment	**–**	–	**–**	–	**–**	–	**–**	–	**(11,522)**	–	**(11,522)**	–	**–**	–	**(11,522)**	–
Property, plant and equipment written off	**–**	(78)	**(67)**	–	**–**	(2)	**–**	–	**–**	–	**(67)**	(2)	**(109)**	–	**(176)**	(80)
Impairment loss on property, plant and equipment	**–**	(25,247)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(25,247)
Loss on deregistration of subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(146)	**–**	(146)
Bad debt recovered	**–**	–	**–**	803	**–**	–	**–**	–	**–**	–	**–**	803	**–**	–	**–**	803
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets																
Interest income	**–**	33	**2,509**	2,142	**8**	–	**–**	–	**–**	–	**2,517**	2,142	**–**	–	**2,517**	2,175
Interest expenses	**–**	–	**(3,875)**	(4,270)	**–**	–	**–**	–	**–**	–	**(3,875)**	(4,270)	**–**	–	**(3,875)**	(4,270)

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

8. SEGMENT INFORMATION *(continued)*

(d) Geographic information

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

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

The following table provides an analysis of the Group's revenue from external customers.

	Discontinued operations		Continuing operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Europe	**–**	12,410	**–**	–	**–**	12,410
Asia (including the PRC)	**–**	–	**392,502**	352,791	**392,502**	352,791
	–	12,410	**392,502**	352,791	**392,502**	365,201

The following table provides an analysis of the Group's non-current assets.

	Discontinued operations		Continuing operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Europe	**–**	10,806	**–**	–	**–**	10,806
Asia (including the PRC)	**–**	–	**693,529**	151,292	**693,529**	151,292
	–	10,806	**693,529**	151,292	**693,529**	162,098

Note: Non-current assets excluded contingent consideration receivable.

(e) Information about major customers

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

		2016	2015
		HK$'000	HK$'000
Customer A	Revenue generated from the domestic segment	**–**	39,562

9. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and are analysed as follows:

	2016 HK$'000	2015 HK$'000
Continuing operations		
Sales of goods	**361,796**	345,531
Interest income on loan financing	**30,670**	7,260
Dividend income from listed equity securities	**36**	–
	392,502	352,791

10. OTHER REVENUE AND NET GAINS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Other revenue:		
Bank interest income	**2,517**	2,142
Bad debts recovered	**–**	803
Gain on contingent consideration receivable (Note 21)	**–**	1,754
Income from customer services	**1,081**	2,721
Other payables written back	**1,597**	–
Sundry income	**3,792**	1,621
	8,987	9,041
Other net gain:		
Gain on disposal of property, plant and equipment	**–**	2
	8,987	9,043

11. PROFIT (LOSS) FROM OPERATING ACTIVITIES

Profit (loss) from operating activities is arrived at after charging:

	2016 HK$'000	2015 HK$'000
Continuing operations		
Auditor's remuneration	**1,971**	2,080
Cost of inventories sold	**267,489**	249,783
Inventories write-down (included in cost of sales)	**4,039**	16,210
Depreciation of property, plant and equipment	**1,740**	2,393
Minimum lease payments under operating leases on leasehold land and buildings	**9,219**	10,502
Property, plant and equipment written off	**176**	2

12. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interest expenses on bank loans	**3,875**	4,270

13. INCOME TAX EXPENSE (CREDIT)

	Discontinued operations		Continuing operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The income tax expense (credit) comprises:						
Current year						
— Hong Kong Profits Tax	**–**	–	**4,127**	3,057	**4,127**	3,057
— Overseas taxation	**–**	(6)	**–**	–	**–**	(6)
— PRC Enterprise Income Tax	**–**	–	**2,111**	2,771	**2,111**	2,771
— Over-provision in previous year:	**–**	–	**(1,096)**	(29)	**(1,096)**	(29)
	–	(6)	**5,142**	5,799	**5,142**	5,793
Deferred taxation	**–**	(9,012)	**3,371**	(10,738)	**3,371**	(19,750)
Income tax expense (credit) for the year	**–**	(9,018)	**8,513**	(4,939)	**8,513**	(13,957)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the two years ended 30 September 2016 and 2015.

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

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

13. INCOME TAX EXPENSE (CREDIT) *(continued)*

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

	2016 **HK$'000**	2015 HK$'000
Profit (loss) before taxation		
from continuing operations	**7,579**	(170,314)
from discontinued operations	**(27,754)**	(49,264)
	(20,175)	(219,578)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(3,202)**	(36,230)
Effect of different rates of subsidiaries operating in other jurisdictions	**(11,829)**	(10,421)
Tax effect of expenses not deductible for tax purpose	**23,802**	41,846
Unrecognised temporary difference	**866**	17
Tax effect of income not subject to tax purpose	**(53)**	(9,080)
One-off tax deduction	**(80)**	(60)
Tax effect of unused tax loss not recognised	**105**	–
Over-provision in previous years	**(1,096)**	(29)
Total	**8,513**	(13,957)

Detail of deferred taxation are set out in Note 32.

14. DISCONTINUED OPERATIONS

In October 2015, the Group ceased to provide financial support to Omas SRL ("Omas"), a 90.1% owned subsidiary of the Group incorporated in Italy. Because of insolvency, Omas ceased its operation and on 17 November 2015, a resolution was passed by the shareholders of Omas to get Omas dissolved and liquidated with effect from 1 December 2015, the date on which the control of Omas was lost.

This business segment is presented as discontinued operations in accordance with HKFRS 5.

(a) The loss for the year from the discontinued operation and deconsolidated subsidiary is analysed as follows:

	2016	2015
	HK$'000	HK$'000
Revenue	**–**	12,410
Cost of sales	**–**	(17,859)
Gross loss	**–**	(5,449)
Other revenue and net gains	**–**	41
Selling and distribution expenses	**–**	(3,637)
Administrative expenses	**(3,091)**	(6,720)
Impairment loss on intangible assets	**–**	(5,981)
Impairment loss on property, plant and equipment	**–**	(25,247)
Impairment loss on trade and other receivables	**–**	(2,271)
Operating loss	**(3,091)**	(49,264)
Loss on deconsolidation of a subsidiary (b)	**(24,664)**	–
Loss before taxation	**(27,755)**	(49,264)
Income tax credit	**–**	9,018
Loss for the year from a deconsolidated subsidiary	**(27,755)**	(40,246)

14. DISCONTINUED OPERATIONS *(continued)*

(a) (continued)

Cash flows for the year from the discontinued operation were as follows:

	2016 **HK$'000**	2015 HK$'000
Net cash outflows from operating activities	**(4,422)**	(10,908)
Net cash outflows from investing activities	**–**	(754)
Net cash inflows from financing activities	**4,422**	8,577
Net cash outflow	**–**	(3,085)

For the purpose of presenting the discontinued operation, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

(b) The loss on deconsolidation and the net cash outflow arising on deconsolidation of a subsidiary for the year ended 30 September 2016 were set out as below:

Loss on deconsolidation of subsidiary

	HK$'000
Property, plant and equipment	10,189
Inventories	9,537
Trade and other receivables	2,157
Bank balances and cash	760
Trade and other payables	(6,310)
Amount due to immediate holding company	(73,832)
Amount due to intermediate holding company	(6,063)
Deferred tax liabilities	(1,926)
	(65,488)
Non-controlling interest	6,557
Release of exchange reserves	6,454
Net liabilities of deconsolidated subsidiary attributable to the Group	(52,477)
Impairment loss on amount due from a deconsolidated subsidiary	77,141
Loss on deconsolidation of a subsidiary	24,664

14. DISCONTINUED OPERATIONS *(continued)*

(b) (continued)

Net cash outflow arising on deconsolidation of a subsidiary

	HK$'000
Cash and cash equivalents of a deconsolidated subsidiary	760

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2016 **HK$'000**	2015 HK$'000
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	**5,224**	163,364
— from discontinued operations	**27,449**	36,262
	32,673	199,626
Number of shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**2,451,771,000**	1,692,291,000

No adjustment has been made to basic loss per share amounts presented for the year ended 30 September 2016 and 2015 in respect of a dilution as the impact of the share options outstanding would decrease basic loss per share.

16. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**23,130**	20,389
Equity-settled share-based payment expense	**1,596**	–
Retirement benefit scheme contributions	**1,052**	844
	25,778	21,233

16. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year ended 30 September 2016, a total contribution of approximately HK$322,000 (2015: HK$397,000) was made by the Group in respect of this scheme.

PRC

The employees employed in PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. During the year ended 30 September 2016, a total contribution of approximately HK$730,000 (2015: HK$447,000) was made by the Group in respect of this scheme.

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

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

The emoluments paid or payable to each of the 8 (2015: 9) directors were as follows:

			2016		
	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Zhang Jinbing *(Chairman)*	–	2,574	23	94	2,691
Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)*	–	–	–	94	94
Mr. Yu Fei, Philip	100	–	–	94	194
Non-executive director					
Mr. Xiao Gang (appointed on 1 November 2015)	99	–	–	93	192
Independent non-executive directors					
Dr. Li Yifei	140	–	–	93	233
Mr. Tam Ping Kuen, Daniel	100	–	–	93	193
Dr. Zhu Zhengfu	140	–	–	93	233
Ms. Chu Wai Fan (resigned on 15 October 2015)	4	–	–	–	4
	583	2,574	23	654	3,834

17. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

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

17. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

During the year, no emoluments were paid by the Group to the directors or any of the 5 highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2015: Nil).

Of the five individuals with the highest emoluments in the Group, one (2015: one) was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2015: four) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowance and benefit in kind	**3,910**	4,010
Retirement benefits scheme contributions	**59**	72
	3,969	4,082

Their emoluments were within the following band:

	Number of employees 2016	2015
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	2
	4	4

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 October 2014	39,269	7,920	4,364	3,768	5,524	60,845
Exchange realignment	(4,627)	(247)	(407)	(323)	–	(5,604)
Additions	–	943	628	341	–	1,912
Additions through acquisition of subsidiaries	–	1,454	–	422	–	1,876
Disposals	–	(160)	(158)	(21)	–	(339)
Written off	–	–	(78)	(2)	–	(80)
At 30 September 2015	34,642	9,910	4,349	4,185	5,524	58,610
Exchange realignment	(1,978)	(414)	–	(18)	–	(2,410)
Additions	–	269	–	343	410	1,022
Written off	–	–	–	(913)	–	(913)
Deconsolidation of a subsidiary	(32,664)	–	(4,349)	(2,512)	–	(39,525)
At 30 September 2016	–	9,765	–	1,085	5,934	16,784
Accumulated depreciation and impairment losses						
At 1 October 2014	1,353	6,097	2,087	1,539	2,285	13,361
Exchange realignment	(572)	(221)	(208)	(175)	–	(1,176)
Provided for the year	1,252	1,795	775	236	482	4,540
Elimination on disposals	–	–	(32)	(2)	–	(34)
Impairment loss recognised	21,803	–	1,727	1,717	–	25,247
At 30 September 2015	23,836	7,671	4,349	3,315	2,767	41,938
Exchange realignment	(1,361)	(289)	–	(13)	(1)	(1,664)
Provided for the year	–	962	–	298	480	1,740
Elimination on written off	–	–	–	(737)	–	(737)
Elimination on deconsolidation of a subsidiary	(22,475)	–	(4,349)	(2,512)	–	(29,336)
At 30 September 2016	–	8,344	–	351	3,246	11,941
Carrying amount						
At 30 September 2016	–	1,421	–	734	2,688	4,843
At 30 September 2015	10,806	2,239	–	870	2,757	16,672

19. GOODWILL

	HK$'000
Cost	
At 1 October 2014	663,951
Acquisition of subsidiaries	79,317
At 30 September 2015	743,268
Released upon deconsolidation of a subsidiary	(138,133)
At 30 September 2016	605,135
Accumulated impairment losses	
At 1 October 2014	634,396
Recognised for the year	79,317
At 30 September 2015	713,713
Released upon deconsolidation of a subsidiary	(138,133)
At 30 September 2016	575,580
Carrying amount	
At 30 September 2016	29,555
At 30 September 2015	29,555

Impairment test:

Goodwill set out above has been allocated to the individual cash generating units ("CGU") as at 30 September 2016. The carrying amounts of goodwill (net of accumulated impairment losses) at the end of the reporting period allocated to these are as follows:

	2016 **HK$'000**	2015 HK$'000
Domestic — Other	**29,555**	29,555

19. GOODWILL *(continued)*

Domestic — Other

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

The recoverable amount of the domestic CGU was based on its value-in-use calculation using cash flow projections based on financial budgets approved by management covering the period of 5 years. Value in use in 2016 was determined in a similar manner as in 2015.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The pre-tax discount rate of 25.2% (2015: 26.1%) used reflects the specific risks relating to the CGUs. A growth rate of 3% (2015: 3% to 5%) was used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3% (2015: 3%). Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions. Based on the valuation report prepared by Grant Sherman, no impairment loss was recognised for the year (2015: Nil). The directors believe that any reasonably possible further change in key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

20. INTANGIBLE ASSETS

	Mining rights HK$'000 (Note i)	Distribution rights HK$'000 (Note ii)	Trademarks HK$'000 (Note iii)	Total HK$'000
Cost				
At 1 October 2014	351,173	54,924	45,607	451,704
Exchange realignment	(11,326)	(1,771)	(5,310)	(18,407)
Additions through acquisition of subsidiaries	–	72,787	–	72,787
At 30 September 2015	339,847	125,940	40,297	506,084
Exchange realignment	(16,864)	(2,638)	–	(19,502)
Deconsolidation of a subsidiary	–	–	(40,297)	(40,297)
At 30 September 2016	322,983	123,302	–	446,285
Accumulated amortisation and impairment losses				
At 1 October 2014	260,248	41,460	38,878	340,586
Exchange realignment	(8,428)	(1,555)	(4,562)	(14,545)
Provided for the year	–	26,803	–	26,803
Impairment loss recognised	1,150	30,238	5,981	37,369
At 30 September 2015	252,970	96,946	40,297	390,213
Exchange realignment	(12,293)	(2,607)	–	(14,900)
Provided for the year	–	10,167	–	10,167
Elimination on deconsolidation of a subsidiary	–	–	(40,297)	(40,297)
Impairment loss reversed	(13,748)	(10,269)	–	(24,017)
At 30 September 2016	226,929	94,237	–	321,166
Carrying amount				
At 30 September 2016	96,054	29,065	–	125,119
At 30 September 2015	86,877	28,994	–	115,871

20. INTANGIBLE ASSETS *(continued)*

Notes:

(i) The Group obtained the mining rights granted by 赤峰市國土資源局 for the exploration of gold mine in certain area in Inner Mongolia in the PRC as part of a business combination in prior years. No amortisation was provided for the years ended 30 September 2016 and 2015 as the gold mines are still in a development stage and no mining activities are conducted.

At 30 September 2016, the management has engaged Grant Sherman to carry out valuations on the mining rights for the purposes of an impairment review on the mining rights. As the future income stream was still uncertain, Grant Sherman adopted the market based approach, and the recoverable amount was determined based on the fair value less cost of disposal. Fair value less cost of disposal was based on comparable transaction price at which assets similar to that of the mining right is being acquired as available. Fair value less cost of disposal of mining rights falls within level 3 of the fair value hierarchy. There has been no change from the valuation technique used in prior year. Based on the valuation report, a reversal of impairment loss of approximately HK$13,748,000 (2015: Impairment loss of HK$1,150,000) was recognised for the year ended 30 September 2016, which is mainly due to increase in gold price.

(ii) The distribution rights consist of:

(a) The distribution rights were related to an exclusive distributor to use the Gucci Marks in connection with the marketing, distribution, advertising, promoting and sale of the products in Hong Kong, Macau and the PRC in accordance with the distribution agreement signed between Luxury Timepieces (HK) Limited and Shenzhen Qijingda. The distribution agreement was for a five year period commencing from 1 January 2011. Amortisation is provided by using the straight line method over its remaining useful life. During the year ended 30 September 2016, the distribution rights were fully amortised.

(b) The distribution rights were acquired as part of a business combination last year relating to an exclusive right of the products of "GIRARD-PERREGAUX" and "JEANRICHARD" (collectively, the "Brands") in Hong Kong, Macau, the PRC and Taiwan in accordance with the distribution agreement signed between Sowind SA and Swiss Mechanical Times (Hong Kong) Limited. The distribution agreement was for a two year period commencing from 31 December 2014 assuming it would be renewable for further two years. Amortisation is provided by using straight line method over its remaining life. The management engaged Grant Sherman to carry out valuation on the distribution right for impairment review purpose. Grant Sherman adopted Multiperiod Excess Earnings Method ("MPEEM") of an income based approach using expected cash flow projection based on financial budgets, approved by management covering the period of 2.3 years up to the expiry of the distribution agreement. Based on the valuation report prepared by Grant Sherman, its recoverable amount is greater than its carrying amount and accordingly, a reversal of impairment loss of approximately HK$10,269,000 was recognised during the year ended 30 September 2016 (2015: Impairment loss of HK$30,238,000). The reason for the reversal is mainly due to an increase in future income stream in anticipation of an increase in demand for luxury goods.

The major factors leading to a significant impairment loss being recognised for the year ended 30 September 2015 is mainly attributed to a significant decrease in the future income streams resulting from:

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

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

Key assumptions used in the calculation of value of the distribution rights were discount rate, growth rate and budgeted revenue. The discount rate of 18.4% (2015: 19.1%) used reflects the specific risks relating to the cash-generating units. Budgeted revenue has been based on past experience and future expectations in the light of anticipated economic and market conditions.

20. INTANGIBLE ASSETS *(continued)*

Notes: *(continued)*

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

Due to the liquidation of Omas, the carrying amount of trademark was fully impaired for the year ended 30 September 2015 and deconsolidated from the consolidated financial statements for the year ended 30 September 2016.

21. CONTINGENT CONSIDERATION RECEIVABLE

At fair value	Notes	HK$'000
At 1 October 2014	(i)	118,246
Compensation from profit guarantee	(i)	(120,000)
Gain on contingent consideration receivable	(i)	1,754
Acquisition of subsidiary	(ii)	10,494
Change in fair value		53,277
At 30 September 2015		63,771
Change in fair value		(24,593)
At 30 September 2016		39,178

(a) The gains or loss for contingent consideration receivable measured at fair value on level 3 held as at 30 September 2016 amounted to approximately HK$24,593,000 (2015: HK$53,277,000).

(b) The total gains or losses recognised in profit or loss are presented as change in fair value in contingent consideration receivable in the consolidated statement of profit or loss and other comprehensive income.

21. CONTINGENT CONSIDERATION RECEIVABLE *(continued)*

Notes:

(i) The fair value of contingent consideration receivable is related to the acquisition of Omas Int'l and its former owner's profit guarantee for Omas Int'l's total net profits of HK$120,000,000 for three financial years ended 31 December 2012, 2013 and 2014. As the vendor of Omas Int'l had not achieved the profit target, a compensation of HK$120,000,000 was obtained and a gain of approximately HK$1,754,000 (see Note 10) was therefore recognised from the difference arising upon settlement.

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

The arrangement of the profit guarantee compensation requires the former owner of Sinoforce Group to guarantee the Group that the total net profits of Sinoforce Group after tax for the financial years ended 31 December 2015, 2016 and 2017 shall not be less than HK$69 million. If the total net profits fail to meet in the sum of HK$69,000,000 by 31 December 2017, the former owner shall have the option either: (i) to compensate the Group on the shortfall to the total net profits in cash based on the formula (amount of compensation = (HK$69,000,000 – actual net profits) x 2), or (ii) to have the actual number of the consideration shares to be released to the former owner or its nominee(s) by the escrow agent on the payment date downward adjusted in accordance with the formula (adjusted number of consideration shares = actual net profits/ HK$69,000,000 x 1,623,529,411 shares).

The fair value of the contingent consideration receivable at 30 September 2016 and 2015 are based on the valuations performed by Grant Sherman, using a Monte Carlo simulation.

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

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

	2016	**Effect on fair value for increase of inputs**	2015	Effect on fair value for increase of inputs
Profit guarantee amount	**HK$69,000,000**		HK$69,000,000	
Inputs into Monte Carlo simulation				
Standardised SD of profit	**61%**	**Increase**	49.7%	Increase
Discount rate	**0.44%**	**Decrease**	0.53%	Decrease
Time to settlement date	**1.67**	**Decrease**	2.67	Decrease

22. DEPOSITS PAID

	2016 **HK$'000**	2015 HK$'000
Deposit paid for acquisition of a subsidiary (Note)	**254,193**	–
Rental deposit	**1,068**	–
	255,261	–

Note: The deposit was paid for the acquisition of the entire issued share capital of Rich Cypress Limited to an independent third party, details of which are set out in Note 45(a). The acquisition was completed in October 2016. The deposit is interest-free and unsecured.

23. LOAN AND INTEREST RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Loan and interest receivables from money lending business	**539,531**	206,870
Current portion included in current assets	**(260,780)**	(206,870)
Amounts due after one year included in non-current assets	**278,751**	–

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

The customers are obliged to settle the amounts according to the terms set out in relevant contracts. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The loan receivables charged interests at contract rates ranging approximately 12%–21.6% (2015: 12%–21.6%) per annum and was entered with contractual maturity within 6–36 months.

The directors of the Company consider that the fair values of loan and interest receivables are not materially different from their carrying amounts.

23. LOAN AND INTEREST RECEIVABLES *(continued)*

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

	2016 **HK$'000**	2015 HK$'000
Current	**260,780**	206,870
1 to 3 years	**278,751**	–
	539,531	206,870

The ageing analysis of loans and interests receivables based on due date at the end of the reporting period is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**539,531**	206,870

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

24. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Finished goods	**328,689**	278,508

The cost of inventories recognised as an expense includes approximately HK$4,039,000 (2015: HK$25,384,000) in respect of write-downs of inventory to net realisable value. The business strategy was changed and some inventories sold at less than net realisable value which included in cost of sales for the year.

25. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**69,182**	118,610
Less: Impairment loss recognised	**(706)**	(69,668)
	68,476	48,942
Deposits	**5,976**	6,284
Prepayment and other receivables	**14,779**	48,063
Amount due from a deconsolidated subsidiary (Note i)	**6,307**	–
Amount due from a related party (Note ii)	**–**	60,000
	27,062	114,347
Less: Impairment loss recognised	**(522)**	(34,106)
	26,540	80,241
	95,016	129,183

Notes:

(i) The amount is interest free, unsecured and without fixed repayment terms.

(ii) The amount represented the outstanding balance of the profit guarantee compensation due from Hengdeli International Company Limited (see Note 21(i)) and was interest free, unsecured and fully settled during the year ended 30 September 2016.

Certain trade receivables with carrying amount of HK$24,111,000 (2015: HK$18,667,000) as at 30 September 2016 are pledged against short-term bank borrowings (see Note 31 and Note 39) granted to the Group.

Included in the trade receivables are amounts due from related parties amounting to HK$4,018,000 (2015: HK$3,304,000). The amounts are unsecured, interest-free and have payment terms in accordance with the normal course of business.

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

25. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2016	2015
	HK$'000	HK$'000
1–30 days	**42,204**	39,791
31–60 days	**9,756**	4,248
61–90 days	**2,393**	1,687
Over 90 days	**14,123**	3,216
	68,476	48,942

At 30 September 2016 and 2015, the analysis of trade receivables that were neither past due nor impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**1–30 days**	**31–60 days**	**61–90 days**	**Over 90 days**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 September 2016	**68,476**	**42,204**	**9,756**	**2,393**	**106**	**14,017**
At 30 September 2015	48,942	39,791	4,248	1,687	3,185	31

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

25. TRADE AND OTHER RECEIVABLES *(continued)*

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

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

	2016 **HK$'000**	2015 HK$'000
At the beginning of the year	**69,668**	37,441
Exchange realignment	**(37)**	(28)
Recognised for the year	**–**	32,255
Written off as uncollectible	**(66,654)**	–
Elimination on deconsolidation of a subsidiary	**(2,271)**	–
At the end of the year	**706**	69,668

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

	2016 **HK$'000**	2015 HK$'000
At the beginning of the year	**34,106**	1,659
Exchange realignment	**(10)**	(13)
Recognised for the year	**532**	32,460
Written off as uncollectible	**(34,106)**	–
At the end of the year	**522**	34,106

26. HELD-FOR-TRADING INVESTMENT

At fair value	**2016** **HK$'000**	2015 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**43,340**	66,869

The fair value of the above investment was determined based on the quoted market bid prices at the close of business at the end of reporting period.

The investment with carrying amount of approximately HK$43,340,000 (2015: Nil) as at 30 September 2016 is pledged against other payables of approximately HK$4,079,000 (2015: Nil) for margin finance granted to the Group (see Note 30).

27. AMOUNT DUE FROM A SHAREHOLDER OF A SUBSIDIARY

The amount was unsecured, interest free and settled during the year ended 30 September 2016.

28. BANK BALANCES AND CASH

For the two years ended 30 September 2016 and 2015, bank balances represented short-term deposits with a maturity of three months or less. The interest rates ranged from 0.01% to 6% per annum (2015: 0.01% to 6% per annum).

At 30 September 2016, the Group's bank balances and cash denominated in RMB amounted to approximately RMB78,083,000, equivalent to approximately HK$90,623,000 (2015: RMB564,194,000, equivalent to approximately HK$688,993,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

29. TRADE PAYABLES

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

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

	2016 HK$'000	2015 HK$'000
1–30 days	**31,521**	31,975
31–60 days	**11,848**	–
61–90 days	**15**	2
Over 90 days	**47**	–
	43,431	31,977

30. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Accruals	**14,844**	20,515
Amounts due to related companies (Note i)	**16,650**	3,043
Other payables (Note ii)	**10,032**	2,239
Provision	**–**	1,331
	41,526	27,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

30. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(i) The amounts due to Hengdeli Holding Limited and its associates ("Hengdeli Group") is interest free, unsecured and repayable on demand.

(ii) Included in other payables as at 30 September 2016 was an amount due to a security broker of approximately HK$4,079,000 (2015: Nil) which bears interest of 6% per annum and repayable on demand. The amount is secured by held-for-trade investment of approximately HK$43,340,000 (see Note 26) for margin finance facilities up to HK$20,000,000 granted to the Group.

31. BORROWINGS

	2016 **HK$'000**	2015 HK$'000
Secured bank loans	**40,621**	61,060

At 30 September 2016 and 2015, total current bank loans were repayable as follows:

	2016 **HK$'000**	2015 HK$'000
Carrying amounts repayable:		
On demand or within one year	**40,621**	61,060

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

	2016 **HK$'000**	2015 HK$'000
Trade receivables (see Note 25)	**24,111**	18,667

Bank loans bear interest at variable rates by reference to the People's Bank of China's lending rate, ranging from 4% to 8% per annum (2015: 5% to 7% per annum).

32. DEFERRED TAX LIABILITIES

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

	Intangible assets HK$'000	Leasehold buildings HK$'000	Total HK$'000
At 1 October 2014	28,035	9,862	37,897
Fair value adjustments arising from acquisition of subsidiaries	12,010	–	12,010
Exchange realignment	(990)	(708)	(1,698)
Credit to profit and loss	(12,639)	(7,111)	(19,750)
At 30 September 2015	26,416	2,043	28,459
Exchange realignment	(1,143)	(117)	(1,260)
Deconsolidation of a subsidiary (Note 14)	–	(1,926)	(1,926)
Charge to profit and loss	3,371	–	3,371
At 30 September 2016	28,644	–	28,644

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

33. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK$'000
Authorised:		
At 1 October 2014 (HK$0.01 each)	10,000,000	100,000
Share consolidation (Note ii)	(9,000,000)	–
	1,000,000	100,000
Increased (Note ii)	9,000,000	900,000
At 30 September 2015 and 2016 (HK$0.1 each)	10,000,000	1,000,000
Issued and fully paid:		
At 1 October 2014	6,549,041	65,490
Issues of shares by acquisition of subsidiaries (Note i)	1,623,529	16,235
Share consolidation (Note ii)	(7,355,313)	–
Issue of shares upon open offer (Note iii)	1,634,514	163,452
At 30 September 2015 and 2016	2,451,771	245,177

Notes:

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

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

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

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

34. RESERVES

	Share premium HK$'000 (Note i)	Exchange reserve HK$'000 (Note ii)	Statutory reserve HK$'000 (Note iii)	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2014	2,060,977	63,442	792	–	11	(1,096,548)	1,028,674
Total comprehensive expenses for the year	–	(31,549)	–	–	–	(199,626)	(231,175)
Issue of shares upon acquisition of subsidiaries	124,547	–	–	–	–	–	124,547
Issue of shares upon open offer	323,624	–	–	–	–	–	323,624
At 30 September 2015	2,509,148	31,893	792	–	11	(1,296,174)	1,245,670
Total comprehensive expenses for the year	–	(28,972)	–	–	–	(32,673)	(61,645)
Recognition of equity-settled share-based payment (Note 35)	–	–	–	1,596	–	–	1,596
Purchase of non-controlling interests (Note 36)	–	–	–	–	–	2,607	2,607
At 30 September 2016	2,509,148	2,921	792	1,596	11	(1,326,240)	1,188,228

Notes:

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

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

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

35. SHARE OPTIONS

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

Details of the New Scheme are:

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

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

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

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

Details of options granted under the New Scheme are as follows:

Date of grant	No. of options	Exercise period	Exercise price per share (Note) HK$
19 July 2016	8,732,054	From 19 July 2017 to 18 July 2026	$0.65
19 July 2016	8,732,054	From 19 July 2018 to 18 July 2026	$0.65
19 July 2016	8,732,054	From 19 July 2019 to 18 July 2026	$0.65
19 July 2016	8,732,054	From 19 July 2020 to 18 July 2026	$0.65
19 July 2016	8,732,056	From 19 July 2021 to 18 July 2026	$0.65

Note: The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

35. SHARE OPTIONS *(continued)*

The following table discloses movements of the Company's share options held by employees (including directors) during the year:

	Outstanding at 1 October 2015	Granted during the year	Outstanding at 30 September 2016
Directors	–	17,136,000	17,136,000
Eligible employees	–	26,524,272	26,524,272
	–	43,660,272	43,660,272
Exercisable at the end of year			–

For the share options granted on 19 July 2016, the management has engaged Grant Sherman to carry out valuations on the fair value of the share options. The fair value was determined by using a binomial option pricing model. The inputs into the model were as follows:

Share price on the date of grant	HK$0.65
Exercise price	HK$0.65
Expected volatility	75.93%
Expected life	10 years
Risk-free rate	1.45%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous ten years.

Based on Grant Sherman's valuation report, the total fair value of the share option is valued at approximately HK$18,351,000.

The Group recognised the expense of approximately HK$1,596,000 for the year ended 30 September 2016 in relation to share options granted by the Company.

36. PURCHASE OF NON-CONTROLLING INTERESTS

During the year, the Group acquired 5.1% equity interest in a owned subsidiary (Shenzhen Qijingda Trading Company Limited) from the non-controlling shareholder at total cash consideration of approximately HK$5,992,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Cash considerations	5,992
Less: Share of net assets in the subsidiary acquired	(8,599)
Gain on acquisition recognised directly in equity	2,607

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2015, a total number of 1,623,529,411 ordinary shares of the Company were issued as the consideration for acquisition of subsidiary. There were no significant non-cash transactions during the year ended 30 September 2016.

38. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

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

	2016 **HK$'000**	2015 HK$'000
Sales of goods	**45,906**	42,501
Purchases of goods	**–**	1,128
Profit guarantee compensation received	**–**	120,000
Rental expense	**615**	–
Sundry income	**1,702**	–
Management fee expense	**1,402**	–

Note:

On 19 August 2015, the Group and Hengdeli Group entered into the Renewed Cooperation Agreement in respect of sales of goods for renewal of the Cooperation Agreements which was expired on 30 September 2015. The Renewed Cooperation Agreement was effective on 1 October 2015 and expired on 30 September 2016. Details of the Renewed Cooperation Agreement are set out in the announcement of the Company dated 19 August 2015 and the circular dated 9 September 2015.

Since the above Cooperation Agreement was expired on 30 September 2016, the Group and Hengdeli Group entered into another Renewed Cooperation Agreement on 21 November 2016. On 23 December 2016, a resolution was passed by the independent shareholders of the Company to rectify and approve the Renewed Cooperation Agreement with effect from 20 December 2016 for a term expiring up to 30 September 2017. Details of the Renewed Cooperation Agreement are set out in the Company's announcement and circular dated 21 November 2016 and 8 December 2016 respectively.

Hengdeli Group is the major shareholder of the Company. The cooperation agreement for the sale of goods in Hengdeli's stores, allows the Group to make use of Hengdeli's extensive and quality distribution networks and its vast experiences in operating and managing retail outlets for luxury jewellery products in order to promote and distribute the products of the Group. Operation expenses of the retail stores are borne by Hengdeli while the Group bears the costs of inventory.

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

(b) Key management compensation

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

39. PLEDGE OF ASSETS

As the ended of reporting period, the following assets of the Group were pledged to secure credit facilities granted to the Group.

	2016	2015
	HK$'000	HK$'000
Trade receivables (Note 25)	**24,111**	18,667
Held-for-trading investment (Note 26)	**43,340**	–
	67,451	18,667

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2016	2015
	HK$'000	HK$'000
Within 1 year	**6,691**	8,452
In 2 to 5 years, inclusive	**9,741**	6,097
After 5 years	**15,877**	–
	32,309	14,549

41. CAPITAL COMMITMENT

	2016	2015
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment		
– authorised but not contracted for	**3,416**	–
– contracted for but not provided	**4,584**	–
	8,000	–

42. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2016 (2015: Nil).

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current Assets		
Investments in subsidiaries	**77,737**	77,737
Current Assets		
Prepayments, deposits and other receivables	**3,892**	–
Amounts due from subsidiaries	**781,983**	738,849
Bank balances and cash	**17,029**	60,985
Tax recoverable	**50**	28
	802,954	799,862
Current Liabilities		
Amounts due to subsidiaries	**409,617**	409,649
Other payables and accruals	**2,465**	2,523
	412,082	412,172
Net Current Assets	**390,872**	387,690
Total Assets Less Current Liabilities	**468,609**	465,427
NET ASSETS	**468,609**	465,427
CAPITAL AND RESERVES		
Share capital	**245,177**	245,177
Reserves	**223,432**	220,250
TOTAL EQUITY	**468,609**	465,427

Zhang Jinbing
Director

Wong Chi Ming, Jeffry
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Reserves

	Share premium HK$'000 (Note i)	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2014	2,138,514	–	(1,110,059)	1,028,455
Total comprehensive expenses for the year	–	–	(1,256,376)	(1,256,376)
Issue of shares upon acquisition of subsidiaries	124,547	–	–	124,547
Issue of shares upon open offer	323,624	–	–	323,624
At 30 September 2015	2,586,685	–	(2,366,435)	220,250
Total comprehensive income for the year	–	–	1,586	1,586
Recognition of equity-settled share-based payment (Note 35)	–	1,596	–	1,596
At 30 September 2016	2,586,685	1,596	(2,364,849)	223,432

Note:

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

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

44. SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 September 2016 and 2015 are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company 2016	2015	Principal activities
Directly held					
Ming Fung Investment Holdings Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	100%	Investment holding
Indirectly held					
Master Will Limited	Hong Kong	Ordinary HK$2	100%	100%	Provision of administrative services
Shenzhen Qijingda Trading (HK) Company Limited	Hong Kong	Ordinary HK$1,000,000	100%	94.9%	Wholesale of watches
Shenzhen Qijingda Trading Company Limited (深圳市琪晶達貿易有限公司)	PRC	RMB 100,000,000@	100%	95%	Retail and wholesale of watches
Omas SRL (In liquidation)	Italy	Ordinary EUR1,000,000	–	90.1%	Manufacturing and trading of writing instruments
Chi Feng Guo Jin Mining Company Limited (赤峰國金礦業有限公司)	PRC	RMB5,000,000#	60.6%	60.6%	Mining
Swiss Mechanical Times (Hong Kong) Limited	Hong Kong	HK$10,000	100%	100%	Wholesale of watches
Chance Achieve Limited	Hong Kong	HK$1	100%	100%	Money lending
Marvel Bloom Limited	BVI	Ordinary US$1,000	100%	100%	Money lending

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

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

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

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

44. SUBSIDIARIES *(continued)*

The following table shows information of subsidiary that has non-controlling interest ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	Chi Feng Guo Jin Mining Company Limited	
	2016	2015
Principal place of business/country of incorporation	**PRC**	
% of ownership interests/voting rights held by NCI	**60.6%/39.4%**	60.6%/39.4%
	HK$'000	HK$'000
At 30 September:		
Non-current assets	**96,058**	86,881
Current assets	**1,365**	1,566
Non-current liabilities	**(23,849)**	(21,546)
Current liabilities	**(9,883)**	(11,269)
Net assets	**63,691**	55,632
Accumulated NCI	**25,094**	21,919
Year ended 30 September:		
Revenue	**–**	–
Reversal of impairment loss (impairment loss) on intangible assets	**13,748**	(1,150)
Profit (loss)	**10,909**	(2,195)
Total comprehensive expenses	**(2,850)**	(2,003)
Profit (loss) allocated to NCI	**4,298**	(865)
Dividends paid to NCI	**–**	–
Net cash generated from (used in) operating activities	**136**	(1,158)
Net cash used in investing activities	**–**	–
Net cash generated from financing activities	**292**	965
Net increase (decrease) in cash and cash equivalents	**428**	(193)

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 September 2016, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire the entire issued share capital of Rich Cypress Limited ("Rich Cypress") at a cash consideration of RMB219,000,000 (equivalent to approximately HK$254,193,000) (the "Acquisition"). Rich Cypress and its subsidiaries (together referred to as the "Rich Cypress Group") are principally engaged in property investment and owns a parcel of land, the villas and complex buildings in Shenyang, Liaoning, the PRC. The Group had paid deposit of RMB219,000,000 (equivalent to approximately HK$254,193,000) to the vendor (see Note 16) in respect the Acquisition.

On 12 October 2016, the Acquisition was completed as the conditions precedent to the completion had been fulfilled. Details of the Acquisition are set out in the Company's announcements dated 29 September 2016 and 12 October 2016.

As at the date of approval for issuance of the consolidated financial statements, the initial accounting for the above business combination is incomplete as the fair value assessment of goodwill and intangible assets, if any, of Rich Cypress Group had not been finalised and therefore, no financial information of Rich Cypress Group as at the completion date could be disclosed.

(b) On 16 May 2016, the Group entered into a conditional sale and purchase agreement (the "Agreement") with a connected party to acquire a 60% equity interest in Power Boom International Limited (the "Target Company") at a consideration of HK$588 million which will be satisfied by the issue and allotment of 1,960,000,000 consideration shares at the issue price of HK$0.3 per consideration share in the Company (the "Proposed Acquisition"). Pursuant to the Agreement, completion is conditional upon fulfillment of certain conditions by 31 December 2016 (the "Long Stop Date"). Upon completion of the acquisition of a 78% equity interest in a property development company, 廣州僑誼房產開發有限公司 (Guangzhou Qiao Yi Property Development Company Limited), the Target Company will indirectly own property for development in Guangzhou, the PRC.

The Proposed Acquisition constituted a major transaction of the Company under Chapter 14 of the Listing Rules. As the vendor of the Target Company, which is wholly owned by Mr. Zhang Jinbing, is a connected person, the Proposed Acquisition also constitutes a connected transaction of the Company. Details of the Proposed Acquisition are set out in the Company's announcement and circular dated 25 May 2016 and 11 July 2016 respectively.

The Proposed Acquisition was approved by independent shareholders of the Company at the extraordinary general meeting held on 27 July 2016. On 19 December 2016, the Group and the vendor entered into the second supplemental agreement to extend the Long Stop Date from 31 December 2016 to 31 March 2017. As at the date of approval of the consolidated financial statements, the Proposed Acquisition has not been completed and is subject to fulfillment of certain conditions precedent. The directors are in the progress of assessing the financial impact of the Proposed Acquisition to the Group.