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 2017

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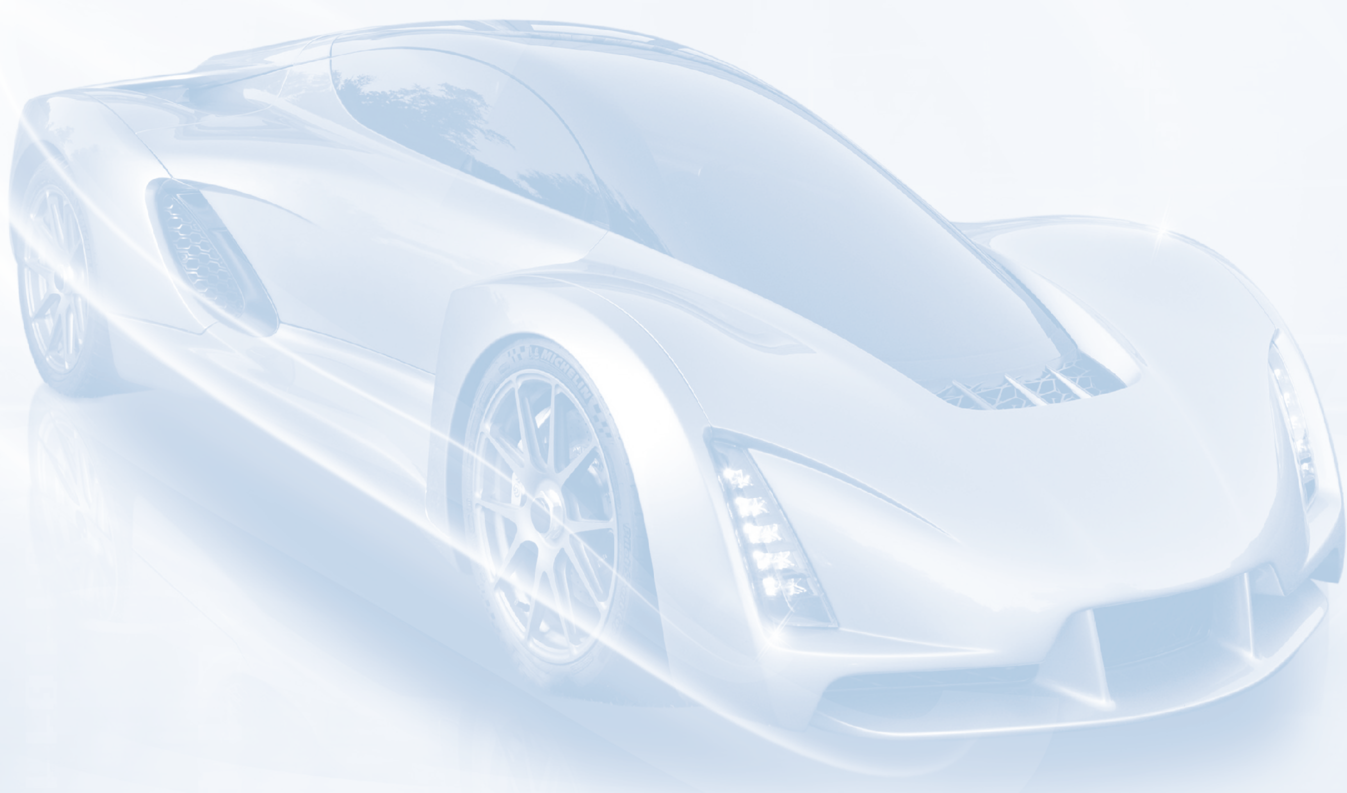

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ho King Fung, Eric *(Chairman)*
Mr. Ho Chi Kit *(Chief Executive Officer)*
Mr. Hiroyasu Koma

Non-executive Director

Mr. Zhang Jinbing *(Co-Chairman)*

Independent Non-executive Directors

Mr. Tam Ping Kuen, Daniel
Mr. Teoh Chun Ming
Mr. Heung Chee Hang, Eric

AUDIT COMMITTEE

Mr. Teoh Chun Ming *(Chairman)*
Mr. Tam Ping Kuen, Daniel
Mr. Heung Chee Hang, Eric

REMUNERATION COMMITTEE

Mr. Heung Chee Hang, Eric *(Chairman)*
Mr. Tam Ping Kuen, Daniel
Mr. Teoh Chun Ming

NOMINATION COMMITTEE

Mr. Ho King Fung, Eric *(Chairman)*
Mr. Teoh Chun Ming
Mr. Heung Chee Hang, Eric

INVESTMENT COMMITTEE

Mr. Ho King Fung, Eric *(Chairman)*
Mr. Ho Chi Kit
Mr. Teoh Chun Ming

CORPORATE GOVERNANCE COMMITTEE

Mr. Ho Chi Kit *(Chairman)*
Mr. Teoh Chun Ming
Mr. Hiroyasu Koma

COMPANY SECRETARY

Mr. Ng Tik Tsun

LEGAL ADVISORS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUTHORISED REPRESENTATIVES

Mr. Ho King Fung, Eric
Mr. Ng Tik Tsun

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
SMP Partners (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,

It is my honor to deliver the first statement as the Chairman of O Luxe Holdings Limited ("O Luxe" or the "Company" and together with its subsidiaries, the "Group") for the annual results of the year ended 30 September 2017 (the "Reviewing Year") and the future prospects.

BUSINESS REVIEW

The Group embarks on several significant new developments in 2017. Over the years, the Group has accumulated vast experience in the sales and management of and laid a solid foundation in the high-end jewellery and watches business, as well as established a favourable reputation and market position in the Asia Pacific region.

The Group continues to evaluate suitable areas to diversify our business with the aim to deliver sustainable returns to our shareholders. The Group announced the plan to acquire 85.5% shareholdings of an electric vehicle company, GLM Co., Ltd ("GLM") on 7 July 2017. On the same day, the Group also announced the introduction of a number of new investors, including Mr. Ho King Man Justin, Mr. Li Ka Shing, Ms. Solina Chau Hoi Shuen and T.C.L. Industries Holdings (H.K.) Limited. The acquisition, together with the new investors, provide a good foundation for us to vigorously develop our new electric vehicles businesses. The GLM acquisition was successfully completed after the approval in the Extraordinary General Meeting on 29 September 2017.

GLM is the first venture company which obtained the domestic license to manufacture electric sports cars in Japan, with primary focus on delivering powered electric vehicles and engineering solutions including chassis, power systems and vehicle control units to customers. GLM has a team of technical experts formed by veteran engineers from Toyota, Nissan, Mitsubishi and other major Japanese automobile manufacturers who possess plentiful experience and professional knowledge in automobile design, development, quality control and sales of automobile and currently focuses on high-end electric sports cars. The Group disposed the interest in Power Boom International Limited ("Power Boom International") at a cash consideration of HK$610 million, in which approximately HK$300 million will be used to develop the electric vehicle businesses.

During Reviewing Year, for the gold mining business, due to the relatively high investment requirement, the Group continued to take a prudent investment approach which resulted in less significant impact from this business. Following the acquisition of the entire interest in Rich Cypress Limited ("Rich Cypress"), the development of the tourism and industrial land situated in Shenyang of Liaoning Province in China was in stable progress. For the year ended 30 September 2017, the revenue to the Group was approximately HK$30.3 million.

PROSPECTS

The penetration rate of electric vehicles in the China passenger vehicle market remains low despite strong growth in sales volume of electric vehicles. We see the government incentives and regulatory changes to speed up the development and growth of the electric vehicles market in China.

CHAIRMAN'S STATEMENT

The Group proactively adopts a comprehensive approach to develop our electric vehicles business to capture the emerging market opportunities. In October 2017, the Group announced two significant investments in the electrical vehicle business. First, the Group signed a memorandum of understanding (the "MOU") with EV Power Holding Limited ("EV Power"), a leading electric vehicle charging solution and standard provider in Hong Kong and the PRC which we see as a good complement to our electric vehicle businesses. In addition, the Group entered into a non-binding MOU with Divergent Technologies, Inc. ("Divergent"), a company based in the Los Angeles, United States that principally engaged in the business of research, design, development, and production of 3D printed vehicle structures through the use of its proprietary software-hardware platform enabled by laser-based 3D metal printing ("3D Printing Technology"). Divergent has entered into strategic partnerships with Altran, SLM Solutions and PSA Group, to improve the competitiveness of its 3D Printing Technology and know-how in assisting the automotive and technology companies.

On 13 November 2017, the Group successfully subscribed the convertible promissory note of Divergent for an amount of US$10 million and on 21 November 2017, the Group subscribed 3,447,705 preferred shares of Divergent for an aggregate consideration of US$50 million and was entitled the right to appoint one director on the board of Divergent. Upon closing on 28 December 2017, the automatic conversion of the convertible note was triggered and the convertible note automatically converted into 690,349 preferred shares of Divergent, and the Group holds a total of approximately 27% of the fully diluted share capital of Divergent.

Further, under the respective agreement with Divergent, the Group can, at any time prior to 31 December 2019, to purchase from Divergent 2,271,436 shares of Series B-1 preferred stock of Divergent for an aggregate consideration of US$40 million. The Group believes that 3D Printing Technology will be essential for the rapidly expanding Chinese electric vehicle market, and will create substantial synergies with the Group's electric vehicle engineering service business.

Apart from seeking for targets with market leading technologies, the Group has made significant changes on management team and shareholding structure during October 2017 through inviting long-term investors and management to lead the development of the electric vehicle businesses. The Group successfully entered into employment contract with Mr. Ho Chi Kit, the former partner of a global leading private equity firm — CVC Capital Partner, as the Chief Executive Officer ("CEO") of the Group to take charge of the overall management, as well as merger and acquisition activities of the Group. Meanwhile as of 31 December 2017, Mr. Justin Ho King Man became the largest shareholder with 28.29% share capital of the Group through acquiring shares from Co-Chairman Mr. Zhang Jinbing. Further, Mr. Li Ka Shing, Chairman of TCL Corp., Mr. Li Dongsheng, and Capital Group, a sizeable U.S. investment company purchased approximately certain percentage of shares from the Co-Chairman, Mr. Zhang Jinbing respectively, laying a much stronger shareholding structure for the Group, and providing tremendous support for the Group in developing electrical vehicle businesses in APAC and worldwide in future.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers and partners for their trust and support to the Group. I also appreciate our management team for their contribution to the Group. We will, pragmatically develop our business, seize market opportunities and strive for the best return for our shareholders.

Ho King Fung, Eric
Chairman
O LUXE HOLDINGS LIMITED
Hong Kong
29 December 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The growth of GDP in the PRC in the second and the third quarters of calendar year 2017 were 6.9% and 6.8% respectively, showing a gradual recovery. According to the "2017 Worldwide Luxury Market Monitor" by Bain & Company, the growth of luxury goods market in China is expected to reach 15% in 2017 with a total market size of 20 billion euros. According to China Association of Automobile Manufacturers ("CAAM"), the sales volume of New Energy Vehicles (NEV), which included Pure Electric Vehicle and Plug-In Hybrid Vehicles, increased 53% year-on-year to 507 thousand units in 2016, making China the largest NEV market in the world.

The Chinese government has been proactively promoting electric vehicle ownership to reduce urban pollution. In September 2017, Ministry of Industry and Information Technology (MIIT) announced the "Measures for Parallel Administration of Corporate Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicle Enterprises". The new dual-credit system, which will be implemented from 1 April 2018, set new energy vehicle credit requirement which is tied to the annual production of NEV production and Internal Combustion Engine vehicle (ICE) production for carmakers in China. Carmakers who fail to comply must buy credits and face fines. Chinese government targets NEV ownership in China to reach 5 million units by 2020 and this new regulation would be another catalyst for carmakers in China to increase their investments in NEV production.

BUSINESS REVIEW

The Group's turnover in the domestic business for the year ended 30 September 2017 increased by 22% from approximately HK$361.8 million in 2016 to approximately HK$441.8 million, while interest income from the money lending business increased by 103% from approximately HK$30.7 million in 2016 to approximately HK$62.2 million. The securities investment segment recorded a loss of approximately HK$6.4 million compared to the loss of approximately HK$20.2 million in 2016. Loss attributable to shareholders for the Reviewing Year was HK$90.1 million compared to the loss of HK$5.2 million in the corresponding period of 2016.

On 12 October 2016, the Group successfully acquired the entire issued share capital of Rich Cypress (Note 37(a)(ii)), which indirectly holds (1) the entire interest in a tourism land parcel with a total site area of 64,621 square metres ("sqm") in Qipanshan development zone, Liaoning, Shenyang, China; (2) 61.52% interest of three parcels of industrial land with a total area of 19,096 sqm in Dadong District, Liaoning, Shenyang, China; and (3) 54.1% interest of a parcel of industrial land located at Dongmao Road, Dadong District, Shenyang, Liaoning, China. The consideration for the acquisition was RMB219,000,000 (approximately HK$252,792,000) and satisfied by cash.

During the Reviewing Year, the Group successfully seized the new policy opportunities and diversified into electric vehicle business by taking a series of prominent actions.

On 7 July 2017, the Company announced the acquisition of 85.5% shareholdings in an electric vehicle company, GLM, at a consideration of approximately HK$1,311 million (Note 37(a)(i)). GLM is principally engaged in the manufacturing and the sales of EVs and the provision of EV engineering solutions including chassis, power systems, and vehicle control units to EV manufacturers in Japan. GLM is the first venture company which obtained the domestic license to make electric sports cars, and formally started to sell EVs in October 2015.

On 28 September 2017, the resolutions in relation to the acquisition of GLM were passed by the shareholders of the Company at the extraordinary general meeting of the Company, marking the Group official entrance to the EV business. On 29 September 2017, the Group also announced that Ruby Charm Investment Limited (wholly owned by Mr. Justin Ho King Man), Ocean Dynasty Investments Limited (wholly owned by Mr. Li Ka Shing), Vivaldi International Limited (wholly owned by Ms. Solina Chau Hoi Shuen), and T.C.L. Industries Holdings (H.K.) Limited (wholly owned by TCL Corporation), had increased shareholdings and became major investors of the Group. This move enriched our shareholder base and laid a strong foundation for the Group in the further expansion into the electric vehicle business.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2017, Ocean Dynasty Limited and Vivaldi International Limited, held 5.50% and 3.64% of the Company's issued shares respectively.

On 29 June 2017, the Group has conditionally agreed to sell 60% of the equity interest in Power Boom, at a consideration of HK$610 million. Of which, approximately HK$300 million will be allocated to the development of the electrical vehicle business, among which (i) approximately HK$177 million will be used for the development of electric passenger vehicle and electric commercial vehicle; (ii) approximately HK$68 million will be used for the research and development of various components, especially the powertrains and common components for the development of electric passenger vehicles; (iii) approximately HK$33 million will be for the production, including the design of the production process of electric passenger vehicles and identifying semi knocked down logistics of electric commercial vehicle; (iv) approximately HK$16 million for the recruitment of additional 24 to 36 engineers for research and development and production; and (v) approximately HK$6 million for marketing activities, including participating in motor shows and events, in particular those prominent motor shows in Europe and China.

For the gold mining business, the production schedule of the gold mines has been delayed due to extensive time spent on (i) reviewing and negotiating the construction cost of the infrastructure of the mining facilities with the China mining institution, and (ii) revision of production plan in compliance with China safety regulations. The Group will cautiously evaluate the development and construction schedule of the gold mines and adjust development pace in appropriate time.

PROSPECTS AND OUTLOOK

The Group is well prepared to devote more resources to the development of electric vehicle business. Mr. Ho Chi Kit was appointed as the chief executive officer of the Group on 9 October 2017. His extensive experience in acquisitions and financing in Greater China and Asia Pacific region would be instrumental for our acquisitions and investment activities especially in the electric vehicle business.

The new regulation on the Corporate Average Fuel Consumption and New Energy Vehicle Credit in China would potentially increase NEV production in China which would also result in potentially higher demand for EV engineering services in China.

According to the "Electric Vehicle Charging Infrastructure Development Plan" issued by the National Energy Administration, the number of EV charging piles are expected to increase to 4.8 million units in China by 2020. On 9 October 2017, the Group entered into the MOU with EV Power, a leading charging service provider in Hong Kong and China, for subscribing preferred shares of EV Power of a total value of US$12,000,000, representing approximately 10% of the issued share capital of EV Power on a fully diluted basis immediately upon conversion into its ordinary shares. EV Power is principally engaged in the provision of electric vehicle charging solutions and standards in Hong Kong and China, providing public charging services, private electric vehicle charging services and citywide charging network.

To further strengthen the position in electric vehicle sector, the Group invested in Divergent, which provides innovative automobile manufacturing solutions. Divergent has entered into strategic partnerships with Altran, SML Solutions and PSA Group (Peugeot, Citroën, and DS), in order to profitably license its 3D Printing Technology and know-how to automotive and technology companies. 3D Printing Technology will be essential for the rapidly expanding Chinese electric vehicle market, and will create substantial synergy with the Group's electric vehicle engineering service business. As 3D printing technology can enables car manufacturers to produce lighter, more fuel-efficient, safer, more cost-effective and environmental friendly cars, and to replace the metal stamping and other technologies used in the traditional automotive industry, the technology significantly reduces the investments in car manufacturing and shortens the car development cycles in investment in vehicles, thus greatly reduces the car manufacturing costs.

The Group believes that the strengthened shareholding structure can provide tremendous support for the Group in developing its electric vehicle businesses. The Group will continue to operate its main business and develop electric vehicle business according to market situation. With the recovery of the economic environment in the PRC and Hong Kong, the Group will remain cautious in responding to market and economic changes and continuously look for new opportunities in the electric vehicle market for delivering greater returns to investors.

FINANCIAL REVIEW

Continuing operations

For the year ended 30 September 2017, the turnover of the Group increased by 39% year-on-year to approximately HK$545.5 million as compared to approximately HK$392.5 million last year. The turnover comprised of sales of goods from domestic business of approximately HK$441.8 million (2016: HK$361.8 million), interest income from the money lending business of approximately HK$62.2 million (2016: HK$30.7 million), and dividend income from listed equity securities of approximately HK$11.3 million (2016: HK$36,000). During the year, the Group experienced significant improvement in the domestic jewellery and watch segment and the money lending segment from the continuous recovery of domestic market and the successful marketing campaign of jewelry and watch business.

The Group's gross profit amounted to approximately HK$223.7 million for the year ended 30 September 2017, as compared to approximately HK$121.0 million of the last year. The gross profit margin increased to 41.0% (2016: 30.8%). The increase was mainly attributable to the increase in interest income from the money lending business, property rental income and dividend from listed equity securities for the year ended 30 September 2017.

Loss attributable to shareholders for the year ended 30 September 2017 was approximately HK$90.1 million, as compared to the loss attributable to shareholders of approximately HK$5.2 million in the last year. The loss for the Reviewing Year was mainly attributable to (i) the substantial decrease in fair value of the goodwill of a subsidiary of the Company which is principally engaged in property investment business for the year ended 30 September 2017; (ii) the decrease in fair value of contingent consideration receivable in connection with the profit guarantee receivable from the former owner of Sinoforce Group Limited, as disclosed in the circular of the Company dated 7 November 2014; (iii) the decrease in fair value of the gold mining rights of the Group for the year ended 30 September 2017; (iv) the increase in equity-settled share based expense for the year ended 30 September 2017; and (v) the increase in impairment loss on inventories of the jewellery business of the Group for the year ended 30 September 2017.

For the year ended 30 September 2017, the Group recorded (i) a fair value loss of approximately HK$27.3 million (2016: HK$8.7 million); (ii) gain on sales of approximately HK$9.6 million (2016: loss of HK$11.5 million) from the investment in securities business; and (iii) gain on fair value of investment properties of approximately HK$40 million (2016: Nil).

For the year ended 30 September 2017, selling and distribution expenses increased by 15% to approximately HK$46.1 million as compared to approximately HK$40.1 million for the year ended 30 September 2016. The increase in selling and distribution expenses was mainly due to the increase of marketing activities in watches distribution business during the year. Administrative expenses increased by 157% to approximately HK$120.3 million, as compared to approximately HK$46.9 million of the last year. The increase in administrative expenses was due to (1) the legal and professional fees of approximately HK$41.5 million (2016: HK$1.2 million) in relation to the acquisitions of 60% equity interest in Power Boom and 85.5% issued share capital of GLM and other potential investments; (2) equity-settled share-based payment of approximately HK$19.2 million (2016: 1.6 million) in relation to the share options granted on 19 July 2016 and 6 April 2017; and (3) the results of approximately HK$16.6 million for the six months consolidation of the accounts of Rich Cypress since 12 October 2016 following the acquisition of the entire share capital of Rich Cypress by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued Operations

For the year ended 30 September 2017, there is no gain/loss attributable to shareholders from discontinued operations (2016: loss of HK$27.4 million).

The loss attributable to shareholders from continuing and discontinuing operations was approximately HK$90.1 million (2016: HK$32.7 million).

Liquidity, Financial Resources and Gearing

As at 30 September 2017, the cash and bank balances of the Group amounted to approximately HK$302.1 million (2016: HK$159.9 million) has mainly denominated in Hong Kong Dollar, RMB and Japanese Yen. The increase of cash and bank balance was mainly due to (1) the net cash from operating activities of approximately HK$15.3 million, and (2) the remaining net proceeds of approximately HK$121 million from share subscription after payment of cash portion of total consideration and cash consideration payable in relation to the acquisition of GLM which was completed on 29 September 2017.

The current assets and current liabilities of the Group were approximately HK$2,366.2 million and HK$348.8 million respectively (2016: current assets of HK$887.8 million and current liabilities of HK$130.7 million). The net current assets are comprised of inventories of approximately HK$334.9 million (2016: HK$328.7 million), trade and other receivables of approximately HK$133.2 million (2016: HK$95.0 million), loans and interest receivables of approximately HK$270.3 million (2016: HK$260.8 million) and held-for-trading investment of approximately HK$25.4 million (2016: HK$43.3 million).

As at 30 September 2017, the contingent consideration receivable was approximately HK$1,000 as compared to HK$39.2 million of last year, which was related to the profit guarantee given by the vendor relating to acquisition of Sinoforce Group.

The Group's inventory turnover, trade receivables turnover and trade payables turnover periods were 376 days, 69 days and 62 days, respectively. Overall, the turnover ratios 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 Reviewing Year, the Group financed its operations and investing activities through a combination of (i) equity financing; (ii) operating cash inflows; and (iii) interest bearing borrowings. The capital structure of the Group solely consists of share capital. As at 30 September 2017, shareholder equity in the Group amounted to HK$3,393.3 million (2016: HK$1,433.4 million).

The Group's total interest bearing bank borrowings as at 30 September 2017 amounted to approximately HK$140.1 million (2016: HK$40.6 million) were mainly in RMB and Japanese Yen. The interest bearing bank borrowings were mainly used for working capital purpose and all of them are at commercial lending variable interest rates. The maturity profile is spread over a period, with approximately HK$105.8 million repayable within one year or on demand, approximately HK$13.7 million within third to fifth years and approximately HK$20.6 million beyond five years.

Finance costs during the Reviewing Year amounted to approximately HK$4.1 million as compared to approximately HK$3.9 million of last year. There was no material fluctuation in finance costs.

The Group monitors capital on the basis of the gearing ratio. As at 30 September 2017, the gearing ratio was 14.4% (2016: 11.1%). This ratio is calculated as total debt divided by total capital.

Contingent Liabilities

As at 30 September 2017, the Group had no significant contingent liabilities.

Pledge of Assets

Details of pledge of assets are set out in Note 44.

Final Dividend

The Board did not recommend the payment of any dividend in respect of the year ended 30 September 2017 (2016: 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 through 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.

During the year ended 30 September 2017, the Group had no arrangement nor entered into any contract to hedge its the financial interests.

Capital Commitment

Details of capital commitment are set out in Note 46.

Foreign Exchange Exposure

The Group's sales and purchases during the year ended 30 September 2017 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.

Material Acquisitions or Disposals

Save as disclosed below, there was no material acquisition or disposal of subsidiaries and associated companies or joint ventures by the Group for the year ended 30 September 2017.

On 29 September 2016, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Rich Cypress and its subsidiary at a consideration of RMB252.8 million. The acquisition was completed on 12 October 2016.

On 16 May 2016, the Group entered into a sale and purchase agreement to acquire 60% of the equity interest of Power Boom and its subsidiary at a consideration of HK$588 million. The acquisition was approved in the extraordinary general meeting of the Company held on 27 July 2016. The acquisition was completed on 11 May 2017.

On 7 July 2017, the Group entered into a sale and purchase agreement to acquire 85.5% of the issued share capital of the Japanese electric vehicle company, GLM at a consideration of JPY12,807,658,245 (equivalent to approximately HK$896,976,000), which were to be settled as to JPY7,855,450,135 (equivalent to approximately HK$550,152,000) by the allotment and issue of 670,918,575 ordinary shares of the Company (the "Consideration Share(s)") at the issue price of JPY11.7085 (equivalent to approximately HK$0.82) per Consideration Share and as to JPY4,952,208,110 (equivalent to approximately HK$346,825,000) in cash. The proposed acquisition was approved by shareholders of the Group at the extraordinary general meeting held on 28 September 2017. The acquisition was completed on 29 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

On 29 June 2017, the Group agreed to sell 60% of the equity interest in Power Boom, at a cash consideration of HK$610 million (Note 30). The proceeds from the disposal, net of directly attributable expenses, were estimated to be approximately HK$609 million. The Group will use approximately HK$200 million (equivalent to approximately 32.8% of the net proceeds from the disposal) to develop the Group's money lending business by expanding its loan portfolio upon completion, with a focus on providing corporate loans. Approximately HK$50 million (equivalent to approximately 8.2% of the net proceeds from the disposal) will be used to purchase the inventory of the distribution and wholesale of watches and jewellery products within six months after the completion of the disposal. Approximately HK$12 million (equivalent to approximately 2.0% of the net proceeds from the disposal) will be used for partial cash payment of the total consideration for the acquisition of GLM upon the completion of the disposal. Approximately HK$300 million (equivalent to approximately 49.3% of the net proceeds from the disposal) will focus on the development of electric automotive business. The remaining net proceeds of approximately HK$47 million will be allocated for general working capital for the Group's existing businesses to be utilised during the period of 12 months after completion and/or other suitable investment opportunities that may arise from time to time. As at the date of this report, a total sum of HK$370 million has been paid by the Purchaser to the Company as part payment of the consideration. The completion is expected to take place on or before 31 March 2018.

The Group issued another announcement on 9 October 2017 in relation to entering into a memorandum of understanding with EV Power, a large charging service provider, pursuant to which the Group intended to subscribe for preferred shares of EV Power in the total value of US$12 million, which represent approximately 10% of the issued share capital of EV Power on a fully diluted basis immediately upon conversion of its preferred shares into its ordinary shares. EV Power is principally engaged in the provision of electric vehicle charging solutions and standards in Hong Kong and the China, such as public charging services, private electric vehicle charging services and urban charging network. As of the date of this report, the Group did not have any definitive agreement to invest in EV Power. The investment in EV Power (if any) is expected to be financed by a combination of internal resource and borrowing, as the Group sees fit and appropriate.

On 25 October 2017, the Group entered into a non-binding memorandum of understanding with Divergent, a company located in the United States with proprietary software-hardware platform enabled by 3D metal printing technology and engaged in the business of research, design, development, and production of 3D printed vehicle structures. Subsequently, the Group formally invested the convertible note issued by Divergent for a principal amount of US$25 million and subscribed for 2,413,393 preferred shares of Divergent at consideration of US$35 million (the "Divergent Subscription") through a direct wholly-owned subsidiary, Global 3D Printing Co. Ltd.. The Group believes that the investment in Divergent will create substantial synergies with the Group's own automotive engineering services business.

On 28 December 2017, the completion of the Divergent Subscription successfully took place and the automatic conversion of the convertible note has been triggered. As at the date of this report, the Group holds a total of approximately 27% of the fully diluted share capital of Divergent.

Issue for cash of Listed Securities of the Company

On 7 July 2017, the Company entered into a subscription agreement with (i) Ocean Dynasty Investments Limited; (ii) Vivaldi International Limited; and (iii) T.C.L. Industries Holdings (H.K.) Limited (collectively, the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 570,731,706 ordinary shares of the Company (the "Subscription Share(s)") at the subscription price of HK$0.82 per Subscription Share (the "First Subscription"). The completion of the First Subscription took effect on 29 September 2017 and the Subscription Shares were allotted and issued to the Subscribers.

The net proceeds from the First Subscription was US$60 million (equivalent to approximately HK$468 million) and were mainly used for the payment of the cash consideration of acquiring equity interest in GLM.

On 16 and 17 December 2017, the Company and no less than six subscribers entered into the subscription agreements, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to issue to the subscribers, an aggregate of 250,904,000 new Shares at the subscription price of HK$1.5 per Share on the terms and subject to the conditions set out in the subscription agreements (the "Second Subscription").

The net proceeds from the Second Subscription were used for financing the aggregate consideration of US$35 million (equivalent to approximately HK$273 million) payable for the Divergent Subscription. The remaining net proceeds from the Second Subscription of approximately HK$103 million is intended to be used for general working capital and for future potential investment opportunities.

Further details of the First Subscription and Second Subscription are set out in the announcements of the Company dated 7 July 2017 and 17 December 2017 respectively.

Employees and Remuneration Policies

As at 30 September 2017, the Group had a staff roster of 215 (2016: 81). The related employees' costs for the year (including directors' emoluments) amounted to approximately HK$46.9 million (30 September 2016: HK$24.7 million). 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.

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 ended 30 September 2017.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ho King Fung, Eric, aged 40, joined the Company as an executive Director and the Co-Chairman of the Board on 1 November 2016. He was re-designated as the Chairman of the Board and was appointed as the chairman of the nomination committee (the "Nomination Committee") and investment committee (the "Investment Committee") of the Board with effect from 24 November 2017.

He has extensive experience in investment banking origination, capital markets and legal practice. He was an analyst at JP Morgan in 2000. He is a solicitor of the Hong Kong Special Administrative Region. He worked at Linklaters between 2003 and 2006 and his last position with Linklaters was associate solicitor. Between 2007 and 2010, he 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. He is a committee member of the Chinese People's Political Consultative Conference of Beijing, a role which he has held since 2008. He is also the president of the Macau Money Exchangers' Association. He was awarded the Chinese Economics Elite Award in 2009.

He has served as an independent non-executive director of Nature Home Holding Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2083), since May 2011. He was appointed as a non-executive director of EPI (Holdings) Limited, a company listed on the Stock Exchange (stock code: 689), in April 2013 and was re-designated as a non-executive chairman in July 2013, and he resigned from both positions in October 2016. He also served as a non-executive director of AGTech Holdings Limited, a company listed on the Stock Exchange (stock code: 8279), from May 2013 to August 2016. He is currently the chairman of P&W Money Changer Limited and Jing Yang Company Limited.

He graduated with a Bachelor of Commerce degree (majoring in Finance) and a Bachelor of Laws degree from the University of New South Wales in Australia.

Mr. Ho Chi Kit, aged 55, was appointed as an executive Director, the chairman of the corporate governance committee of the Board (the "Corporate Governance Committee") and a member of the Investment Committee with effect from 24 November 2017. He joined the Company as the chief executive officer of the Company on 9 October 2017 and is responsible for the overall management, business strategy and development, as well as merger and acquisition activities of the Group.

Mr. Ho Chi Kit has over 25 years of experience in the private equity industry. He joined CVC Asia Pacific Limited ("CVC") in 1999. During his time at CVC before he left in April 2017, he was a partner and he headed CVC's Greater China office in Beijing and was a member of CVC's board and investment committee. He had led buyout investment deals in Greater China and was responsible for sourcing, structuring, executing and supervising deals for CVC. He had completed numerous deals in Greater China, Japan, Korea and Southeast Asia regions and had gained in-depth knowledge in various sectors including branded consumer products, retail and distribution, education, healthcare services, food and beverages, financial services, telecommunications, environmental management, as well as various industrial sectors including automobile. He had also assisted CVC in raising four buyout funds at the total amount of over US$10 billion in Asia. Before he joined CVC, Mr. Ho served as an associate director in the investment team of Citicorp Capital Asia Limited from 1993 to 1995 and later as a senior investment director of Citicorp China Investment Management Limited from 1995 to 1999, focusing on investments in Greater China and Southeast Asia.

He served as a non-executive director of C.banner International Holdings Limited, a company listed on the Stock Exchange (stock code: 1028), for the period from June 2012 to September 2015. He was a non-executive director of Sun Hung Kai & Co. Ltd, a company listed on the Stock Exchange (stock code: 86), for the period from August 2013 to June 2015. He was the vice chairman of Zhuhai Zhongfu Enterprise Co., Ltd., a company incorporated in the People's Republic of China and listed on the Shenzhen Stock Exchange (stock code: 000659), for the period from November 2007 to February 2015.

He graduated with a Bachelor of Computer Science (Honours) degree from the University of Manitoba in Canada in 1986 and a Master of Business Administration degree from the University of British Columbia in Canada in 1988. He has been a Chartered Financial Analyst of the Association for Investment Management and Research of the United States of America since 1993 and a Chartered Financial Planner of the Institute of Financial Planners of Hong Kong since 2003. He was a board member of the Hong Kong Venture Capital Association for the period from September 2011 to August 2015 and he currently sits on its nomination committee, membership committee and organisation committee and has taught its professional private equity courses for many years.

Mr. Hiroyasu Koma, aged 40, was appointed as an executive Director and a member of the Corporate Governance Committee with effect from 24 November 2017. He is the founder and has been the chief executive officer of GLM Co., Ltd. ("GLM") since April 2010. GLM is a company principally engaged in the manufacturing and sales of electric vehicles, and in which the Company acquired 85.5% interest as announced by the Company on 29 September 2017. Mr. Koma was also the founder and chief executive officer of Koma Enterprise Co., Ltd from April 2000 to August 2013, which focused on providing business process outsourcing services to, amongst others, domestic and international consumer electronics company, publishing business, temporary musician agency business, temporary staff agency business, sales promotion business, investment business and IT service business.

He graduated with a Bachelor of Arts in Laws degree from Konan University in Japan in 2000 and a Master of Business Administration degree from Kyoto University in Japan in 2011. He won the first prize at the Kyoto KRP Technology & Business Contest 2012 and was a semi-finalist at of the Ernst & Young Entrepreneur of the Year 2013. He is currently a part-time lecturer in management of technology and venture business at the Kumamoto University in Japan.

Non-Executive Director

Mr. Zhang Jinbing, aged 46, was re-designated as the Co-Chairman of the Board and was re-designated as a non-executive Director with effect from 24 November 2017. He has extensive experience in corporate management. He was an executive Director of the Company for the period from January 2015 to 23 November 2017 and was the Chairman of the Company for the period from June 2015 to 23 November 2017. He was also an executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613), for the period from August 2012 to April 2014.

He is the founder and the director of China Golden Holdings Limited, a private company incorporated in Hong Kong and principally engaged in sundry trading (including hardware parts, car parts and PVC products). From 2004 to 2006, he worked as a general manager at Guangdong Copper Alloy Material Company Limited. Mr. Zhang graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994.

Independent Non-Executive Directors

Mr. Teoh Chun Ming, aged 47, was appointed as an independent non-executive Director, the chairman of the audit committee of the Board (the "Audit Committee") and a member of the remuneration committee of the Board ("Remuneration Committee"), Nomination Committee, Investment Committee and Corporate Governance Committee with effect from 24 November 2017.

He has over 20 years of accounting and finance experience. He obtained a Master of Professional Accounting degree from the Hong Kong Polytechnic University in 2005. He has been a fellow member of the Association of Chartered Certified Accountants since 2005, a fellow member of the Hong Kong Institute of Certified Public Accountants since 2010 and a fellow member of the Institute of Chartered Accountants in England and Wales since 2015.

DIRECTORS AND SENIOR MANAGEMENT

He has served as a non-executive director of Nature Home Holding Company Limited, a company listed on the Stock Exchange (stock code: 2083), since July 2012, upon the end of his term as its chief financial officer and company secretary commencing in September 2008 and March 2009 respectively. He previously served as an independent non-executive director of EPI (Holdings) Limited, a company listed on the Stock Exchange (stock code: 689), from January 2014 to October 2016. He has also served as the chief financial officer and company secretary of Joyer Auto HK Company Limited since July 2012.

Mr. Heung Chee Hang Eric, aged 50, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee with effect from 24 November 2017.

He has extensive experience in the legal field in Hong Kong. He qualified as a solicitor in Hong Kong in 1995 and has been a partner at Messrs. Tung, Ng, Tse & Heung since 2005. He also qualified as a Civil Celebrant of Marriages in Hong Kong in 2006. He has been an executive committee member of the Basic Law Institute of Hong Kong since 2015. He has been the legal adviser of The Association of the Hong Kong Members of Shandong's Chinese People's Political Consultative Conference Committees since 2012.

He has served as an independent non-executive director of China Environmental Resources Group Limited, a company listed on the Stock Exchange (stock code: 1130), since January 2015. He previously served as an independent non-executive director of Zhong Fa Zhan Holdings Limited, a company listed on the Stock Exchange (stock code: 475), from November 2011 to October 2017 and an independent non-executive director of Gold Tat Group International Limited, a company listed on the Stock Exchange (stock code: 8266), from August 2010 to March 2015.

He graduated with a Bachelor of Laws degree in England in 1991. He has been a director of Lions Clubs of Kwai Tsing since 2010 and an honorary director of Nanjing (H.K.) Association Limited since 2015. He has also been a member of the United Services Recreation Club Standing Disciplinary Committee since 2015 and an honorary president of the Hong Kong Guangxi Beihai City Friendship Association Limited since 2017.

Mr. Tam Ping Kuen, Daniel ("Mr. Tam"), aged 54, 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. Ng Tik Tsun, aged 39, is the Chief Financial Officer and Company Secretary of the Company. Mr. Ng joined our Company in 2016 and is responsible for our Group's strategic planning, corporate finance activities, oversight of financial reporting procedures, company secretary matters, internal controls and compliance with the requirements under the Listing Rules. Prior to joining our Group, Mr. Ng held a senior management position in SITC International Holdings Limited, a company listed on the Stock Exchange of Hong Kong (Stock code: 1308), and was responsible for financial management and financial reporting and was also a senior manager from Ernst & Young. Mr. Ng has over 15 years of experience in auditing, accounting and financial management. Mr. Ng graduated with a bachelor's degree in Accounting and Finance from De Montfort University of the United Kingdom with first class honour. He is a member of the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The directors ("Directors") of the 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 2017.

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 49 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 2017 is set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 September 2017 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 59 to 144 respectively.

The Board did not recommend the payment of any dividend to shareholders for the year ended 30 September 2017 (2016: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 30 September, 2017 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 and 5 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 2017 and the financial position of the Group as at that date are set out on pages 59 to 144.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 February 2018 to 28 February 2018 (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 21 February 2018.

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 2017, prepared on the bases set out in the note below:

Results

	Year ended 30 September				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(As restated)		(As restated)
Continuing operations					
Turnover	**545,533**	392,502	352,791	1,207,105	782,551
(Loss) profit from operating activities	**(88,142)**	11,454	(166,044)	(1,147,330)	(961,343)
Finance costs	**(4,118)**	(3,875)	(4,270)	(3,117)	(4,549)
(Loss) profit before taxation	**(92,260)**	7,579	(170,314)	(1,150,447)	(965,892)
Income tax (expense) credit	**(3,065)**	(8,513)	4,939	84,353	63,105
(Loss) profit for the year from continuing operations	**(95,325)**	(934)	(165,375)	(1,066,094)	(902,787)
Discontinued operations					
Loss for the year from a deconsolidated subsidiary	**–**	(27,755)	(40,246)	–	–
(Loss) profit for the year	**(95,325)**	(28,689)	(205,261)	(1,066,094)	(902,787)
Attributable to:					
Owners of the Company	**(90,108)**	(32,673)	(199,626)	(1,052,066)	(817,573)
Non-controlling interests	**(5,217)**	3,984	(5,995)	(14,028)	(85,214)
	(95,325)	(28,689)	(205,621)	(1,066,094)	(902,787)

REPORT OF THE DIRECTORS

SUMMARY OF 5 YEARS' FINANCIAL INFORMATION *(continued)*

Assets and Liabilities

	At 30 September				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,361,475**	732,707	225,869	188,157	451,363
Current assets	**2,366,206**	887,759	1,445,534	1,082,246	1,922,965
Total assets	**4,727,681**	1,620,466	1,671,403	1,270,403	2,374,328
Current liabilities	**348,855**	130,704	125,616	109,608	277,284
Non-current liabilities	**139,294**	28,644	28,459	37,897	61,912
Total liabilities	**488,149**	159,348	154,075	147,505	339,196
Net assets	**4,239,532**	1,461,118	1,517,328	1,122,898	2,035,132

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 35 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 ended 30 September 2017.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2017, the Company had distributable reserves of approximately HK$2,211,997,000 (2016: HK$468,609,000) 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$4,314,947,000 (2016: 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 78% of the total sales for the year and the sales to the largest customer included therein amounted to approximately 25%.

Purchases from the Group's 5 largest suppliers accounted for approximately 98% of the total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 38%.

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.

DIRECTORS

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

Executive Directors

Mr. Ho King Fung, Eric *(Chairman)*
Mr. Ho Chi Kit *(Chief Executive Officer)*
Mr. Hiroyasu Koma

Non-Executive Director

Mr. Zhang Jinbing *(Co-Chairman)*

Independent Non-Executive Directors

Mr. Tam Ping Kuen, Daniel
Mr. Teoh Chun Ming
Mr. Heung Chee Hang, Eric

In accordance with article 108(A) of the articles of association of the Company (the "Articles"), Mr. Ho King Kung, Eric, Mr. Zhang Jinbing and Mr. Tam Ping Kuen, Daniel shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and they being eligible, offer themselves for re-election at the AGM. In accordance with article 112 of the Articles, Mr. Ho Chi Kit, Mr. Hiroyasu Koma, Mr. Teoh Chun Ming and Mr. Heung Chee Hang, Eric shall retire from office at the AGM and they, being eligible, offers themselves for re-election at the AGM. Each of the retiring Directors will be subject to retirement by rotation and re-election at annual general meetings of the Company every three years.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ho King Fung, Eric, as an 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 will expire 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. Ho Chi Kit, as an executive Director has entered into a service contract with the Company. His term of service commenced from 24 November 2017 for an initial period of 36 months and will expire on 23 November 2020.

Mr. Hiroyasu Koma, as an executive Director has entered into a service contract with the Company. His term of service commenced from 24 November 2017 for an initial period of 36 months and will expire on 23 November 2020.

Mr. Zhang Jinbing, as a non-executive Director has entered into a service contract with the Company. His term of service commenced from 24 November 2017 for an initial period of 36 months and will expire on 23 November 2020.

Mr. Teoh Chun Ming, as an independent non-executive Director has entered into a service contract with the Company. His term of service commenced from 24 November 2017 for an initial period of 36 months and will expire on 23 November 2020.

Mr. Heung Chee Hang, Eric, as independent non-executive director has entered into a service contract with the Company. His term of service commenced from 24 November 2017 for an initial period of 36 months and will expire on 23 November 2020.

The existing service contracts of the 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.

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

Pursuant to the Articles, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty. The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

REPORT OF THE DIRECTORS

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

As at 30 September 2017, 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 ("Mr. Zhang")	Corporate and personal (Note (a) & (b))	2,000,102,316	1,968,000	2,002,070,316	35.36%
Mr. Ho King Fung, Eric	Personal (Note (b))	–	20,000,000	20,000,000	0.35%
Mr. Li Yifei	Personal (Note (b))	6,192,000	1,968,000	8,160,000	0.14%
Mr. Wong Chi Ming, Jeffry	Personal (Note (b))	–	1,968,000	1,968,000	0.03%
Mr. Xiao Gang	Personal (Note (b))	–	1,968,000	1,968,000	0.03%
Mr. Tam Ping Kuen, Daniel	Personal (Note (b))	480,000	1,968,000	2,448,000	0.04%
Mr. Zhu Zhengfu	Personal (Note (b))	60,000	1,968,000	2,028,000	0.04%

Notes:

(a) As at 30 September 2017, 1,999,622,316 Shares were held by Prestige Rich Holdings Limited ("Prestige Rich"), 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. Together with his direct interest as a beneficial owner of 480,000 Shares, Mr. Zhang was thus deemed to be interested in 2,000,102,316 Shares.

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

(c) Details of share options held by the Directors are shown in the section of "Share Option Scheme" below.

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

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 2017, 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

Save as disclosed under the section "Share Option Schemes" below, at no time during the year or at the end of the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 39 to the consolidated financial statements.

Share Options

	Date of grant	Number of share options: As at 1 October 2016	Granted during the year	Lapsed/ Cancelled during the year	Exercise during the year	As at 30 September 2017	Exercise period	Exercise price per share HK$	Closing price of share immediate before date of grant HK$
Directors									
Mr. Zhang Jinbing	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Ho King Fung, Eric	6 April 2017	–	20,000,000	–	–	20,000,000	Note 2	0.85	0.84
Mr. Wong Chi Ming, Jeffry	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Xiao Gang	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Tam Ping Kuen, Daniel	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Li Yifei	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Zhu Zhengfu	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Mr. Yu Fei, Philip	19 July 2016	2,448,000	–	–	(480,000)	1,968,000	Note 1	0.65	0.65
Others									
Employees	19 July 2016	26,524,272	–	–	(5,160,000)	21,364,272	Note 1	0.65	0.65
	6 April 2017	–	5,000,000	–	–	5,000,000	Note 2	0.85	0.84
Total		43,660,272	25,000,000	–	(8,520,000)	60,140,272			

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

Note 2: Subject to the rules of the share option scheme, the options granted to Mr. Ho King Fung, Eric and the employees are exercisable from 6 April 2017 to 5 April 2027.

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 280,317,382, representing 4.74% of the issued shares of the Company as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, 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 (Note (a))	Aggregate percentage of interest
Prestige Rich	1,999,622,316 (Note(b))	35.32%
Ruby Charm Investment Limited	400,000,000 (Note(c))	9.06%
Ho King Man Justin ("Mr. Ho")	400,000,000 (Note(c))	9.06%
Ocean Dynasty Investments Limited	311,619,512 (Note (d))	7.40%
Prime Tech Global Limited	311,619,512 (Note (d))	7.40%
Li Ka Shing ("Mr. Li")	311,619,512 (Note (d))	5.50%
Mayspin Management Limited	311,619,512 (Note (d))	5.50%
TCL Corporation	285,365,853 (Note (e))	5.04%

Notes:

(a) All the interests stated below represent long positions in the shares of the Company.

(b) Mr. Zhang directly holds 100% of the issued share capital of Prestige Rich. Therefore, Mr. Zhang is taken to be interested in the number of shares held by Prestige Rich pursuant to Part XV of the SFO.

(c) Information is extracted from the individual substantial shareholder notice filed by Mr. Ho on 11 July 2017 and the corporate substantial shareholder notice filed by Ruby Charm Investment Limited on 11 July 2017. Mr. Ho directly holds 100% of the issued share capital of Ruby Charm Investment Limited. Therefore, Mr. Ho is taken to be interested in the number of shares held by Ruby Charm Investment Limited pursuant to Part XV of the SFO.

(d) Information is extracted from (i) the individual substantial shareholder notice filed by Mr. Li on 3 October 2017; (ii) the corporate substantial shareholder notice filed by Mayspin Management Limited on 3 October 2017; (iii) the corporate substantial shareholder notice filed by Prime Tech Global Limited on 13 September 2017; and (iv) the corporate substantial shareholder notice filed by Ocean Dynasty Investments Limited on 13 September 2017. Mr. Li directly holds 100% of the issued share capital of Mayspin Management Limited, which in turn holds 100% of the issued share capital of Prime Tech Global Limited, which in turn holds 100% of the issued share capital of Ocean Dynasty Investments Limited. Therefore, Li Ka Shing, Mayspin Management Limited and Prime Tech Global Limited are taken to be interested in the number of shares held by Ocean Dynasty Investments Limited pursuant to Part XV of the SFO.

(e) Information is extracted from the corporate substantial shareholder notice filed by TCL Corporation on 3 October 2017.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Save as disclosed above, as at 30 September 2017, 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 2017 are set out in note 33 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 107 and 108.

REVIEW ON PROVISION OF FINANCIAL ASSISTANCE AND ADVANCES TO AN ENTITY

On 29 September 2016, the Company granted two loans of RMB120,000,000 each at interest rate of 12% per annum for a term of 36 months from the drawdown date to 廣州寶長勝貿易有限公司 and 貴州國鼎金實礦業有限公司 respectively, both of the loans were drawn on 29 September 2016. Details of the loans were disclosed in the announcements of the Company dated 27 January 2017. Both of the loans remain outstanding as at 30 September 2017.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the year ended 30 September 2017 are set out in note 50 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 26 January 2018, 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 2017, the following connected transaction undertaken by the Group which are included in the transactions set out in note 37(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 were 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.

CONNECTED TRANSACTIONS *(continued)*

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.

On 11 May 2017, the completion of the Acquisition (the "Completion") took place as all the conditions in relation to the Acquisition had been fulfilled or waived (as the case may be). As a result of the Completion, a total of 1,960,000,000 Consideration Shares were issued to the Vendor, and the Vendor and parties acting in concert with it (including Prestige Rich) became interested in a total of 2,633,622,316 Shares (representing approximately 59.70% of the issued share capital of the Company immediately after Completion).

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, 11 May 2017 and the circular of the Company 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 43 to the consolidated financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The Group and Hengdeli Holdings Limited ("Hengdeli") entered into a renewed cooperation agreement on 21 November 2016 for the supply of timepieces by the Group to Hengdeli (the "Renewed Cooperation Agreement"). 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.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transaction in note 43 to the consolidated financial statements and have confirmed that the connected transactions and continuing connected transaction 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.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

The auditors of the Company have reviewed the continuing connected transaction during the year as set out in note 43 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.

As set out in the Company's announcement dated 12 May 2017, Hengdeli have ceased to be the substantial shareholders and connected persons of the Company as from 11 May 2017. Accordingly, the transactions contemplated under the Renewed Cooperation Agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

During the year ended 30 September 2017, 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 except the following deviations:

The chief executive officer of the Company attended the 2017 annual general meeting of the Company held on 3 March 2017 (the "2017 AGM") to answer questions and collect views of shareholders. Though other directors of the Company were unable to attend 2017 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 of the Company attended the extraordinary general meetings (the "EGMs") held during the Reviewing Year while other directors were unable to attend the EGMs due to other business engagements. The company secretary and a representative of the relevant financial advisors had attended the EGMs to answer questions.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the 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 of the Company regarding any non-compliance with the Model Code during the Reviewing Year and they all confirmed that they have fully complied with the required standards set out in the Model Code.

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. Details of the Group's environmental policy are set out in the Environmental, Social and Governance Report contained in the annual report.

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 and discussed the annual results and the financial statements of the Group for the year ended 30 September 2017.

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
Ho King Fung, Eric
Chairman

Hong Kong
29 December 2017

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 2017, 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. Ho King Fung, Eric *(Chairman)* Mr. Ho Chi Kit *(Chief Executive Officer)* Mr. Hiroyasu Koma
Non-executive Director	:	Mr. Zhang Jinbing *(Co-Chairman)*
Independent Non-Executive Directors	:	Mr. Tam Ping Kuen, Daniel Mr. Teoh Chun Ming Mr. Heung Chee Hang, Eric

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 2017, a total of four (4) regular Board meetings, one (1) annual general meeting ("2017 AGM") and two (2) extraordinary general meetings ("EGMs") were held and the attendance of each Director is set out as follows:

	Number of meetings attended in the year ended 30 September 2017		
Name of directors	**Regular board meetings**	**2017 AGM**	**EGM**
Mr. Zhang Jinbing *(Chairman)*	3/4	0/1	0/2
Mr. Ho King Fung, Eric *(Co-Chairman)* *(Appointed on 1 November 2016)*	3/4	0/1	0/2
Mr. Wong Chi Ming, Jeffry *(resigned on 24 November 2017)*	4/4	1/1	2/2
Mr. Yu Fei, Philip *(resigned on 30 September 2017)*	3/4	0/1	0/2
Mr. Xiao Gang *(resigned on 24 November 2017)*	4/4	0/1	0/2
Mr. Tam Ping Kuen, Daniel	4/4	0/1	0/2
Dr. Li Yifei *(resigned on 24 November 2017)*	4/4	0/1	0/2
Dr. Zhu Zhengfu *(resigned on 24 November 2017)*	3/4	0/1	0/2

The Chief Executive Officer attended 2017 AGM to answer questions and collect views of shareholders. Though other directors were unable to attend 2017 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 EGMs to answer questions and collect views of shareholders, while other directors were unable to attend the EGM due to other business engagements. The company secretary and a representative of the relevant financial advisors had attended the EGMs to answer questions.

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

Name of directors	**Number of other board meetings attended in the year ended 30 September 2017**
Mr. Zhang Jinbing *(Chairman)*	11/15
Mr. Ho King Fung, Eric *(Co-Chairman) (Appointed on 1 November 2016)*	8/15
Mr. Wong Chi Ming, Jeffry *(resigned on 24 November 2017)*	15/15
Mr. Yu Fei, Philip *(resigned on 30 September 2017)*	11/15

CORPORATE GOVERNANCE REPORT

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

The corporate governance committee has been established since 24 November 2017 and 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. Ho King Fung, Eric ("Mr. Eric Ho") is the Chairman while Mr. Ho Chi Kit is the chief executive officer of the Company.

The Board wishes to state that Mr. Eric Ho and Mr. Ho Chi Kit have been serving clearly delineated functions within the Group. Mr. Eric Ho is primarily responsible for providing the overall leadership in the Board's affairs and in the strategic development of the business of the Group, along with the responsibilities of the Chairman under the articles of association and the Listing Rules while Mr. Ho Chi Kit is responsible for the overall management, business strategy and development, as well as merger and acquisition activities 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. Ho and Mr. Ho Chi Kit.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All non-executive Directors (including independent non-executive Directors) 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.

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 2017. All of them have appropriate professional qualifications and one of them has accounting expertise. Mr. Teoh Chun Ming 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.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. 2 meetings were held for the year ended 30 September 2017. 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 2017
Mr. Tam Ping Kuen, Daniel	2/2
Dr. Li Yifei	2/2
Dr. Zhu Zhengfu	1/2

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 and risk management system of the Group;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of the auditors as the external auditors 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. Heung Chee Hang, Eric 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. 2 meetings were held during the year ended 30 September 2017 concerning the determination of remuneration of the Directors.

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 2017
Mr. Tam Ping Kuen, Daniel	2/2
Dr. Li Yifei	2/2
Dr. Zhu Zhengfu	2/2

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. Ho King Fung, Eric 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. 2 meetings were held during the year ended 30 September 2017. Issues concerning revision of the structure, size and composition of the Board and 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 2017
Mr. Tam Ping Kuen, Daniel	2/2
Dr. Li Yifei	2/2
Dr. Zhu Zhengfu	2/2

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 7 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.

CORPORATE GOVERNANCE REPORT

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. Ho King Fung, Eric 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.

4 meeting(s) was/were held during the year ended 30 September 2017. 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 2017
Mr. Zhang Jinbing	4/4
Mr. Xiao Gang	3/4
Dr. Li Yifei	4/4

CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee of the Company (the "Corporate Governance Committee") was established on 24 November 2017 comprising Mr. Ho Chi Kit, Mr. Teoh Chun Ming and Mr. Hiroyasu Koma. Mr. Ho Chi Kit is currently the chairman of the Corporate Governance Committee.

The role and function of the Corporate Governance Committee mainly is to work with the Board on monitoring, reviewing, enhancing and establishing new corporate governance measures.

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 risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has not established an internal audit department and the Board is of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the internal audit function for the Group in order to meet its needs.

The Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group with the assistance of an independent internal control consultancy firm. The review report with examination results and relevant improvement recommendations were duly reported to the Audit Committee and the Board for them to assess control of the Group and the effectiveness of the risk management system and any material failings or weaknesses in the internal control system, and to take appropriate actions to remedy any of these failings or weaknesses in a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the failings and weaknesses have been duly addressed.

The Board considers that the risk management and internal control systems are effective and adequate and that the Group has complied with the code provisions relating to risk management and internal control of the CG Code.

AUDITORS' REMUNERATION

During the financial year ended 30 September 2017, 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	2,540
Non-audit services (Note)	690

Note: the non-audit service is in relation to the services rendered for the major transaction of proposed acquisition by the Company in 2017.

COMPANY SECRETARY

Mr. Lau Chun Pong ("Mr. Lau") was appointed as the company secretary of the Company on 12 November 2008 and resigned on 13 November 2017. Mr. Ng Tik Tsun ("Mr. Ng") was appointed as the company secretary of the Company on 13 November 2017. The biographical details of Mr. Ng 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 2017.

CORPORATE GOVERNANCE REPORT

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 an EGM.

SHAREHOLDERS' RIGHTS *(continued)*

— **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.

— **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.

A special resolution was passed at the extraordinary general meeting of the Company held on 23 December 2016 to approve the amendment of the articles of association of the Company for the purpose of establishing and facilitating the operation of a co-chairman structure for the Company. Details of which are set out in the announcement of the Company dated 10 November 2016 and the circular of the Company dated 8 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

O Luxe Holdings Limited and its subsidiaries (the "Group" or "We") are pleased to present our first Environmental, Social and Governance ("ESG") Report ("ESG Report"). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment in ensuring that our activities, at all levels, are economically, socially and environmentally sustainable.

The scope of this ESG Report covers the environmental and social performances of the principal operating activities of the Group which includes distribution of finely curated high-end jewellery and timepieces and money lending business spanning over the period from 1 October 2016 to 30 September 2017.

The ESG Report is prepared according to the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. With reference to the definition stated in the ESG Reporting Guide, the presentation of our ESG Report divides those aspects and key performance indicators ("KPI"), which are considered to be relevant and material to our Group's businesses and operations, into four subject areas: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Contribution. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report for reference. This report has been complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

The Group is determined to become a responsible enterprise, and is committed to perfecting its business. At the same time, the Group has been actively improving the local community and taking part in community activities. In order to define what are relevant and material to our business with respect to sustainability, the key is to understand what issues that our stakeholders concerned most. We define our stakeholders as people who affect our business or who are affected by our business. Our stakeholders include the shareholders, employees, clients, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. We are also committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group's sustainability issues, please contact us via info@oluxe.com.hk.

2. ENVIRONMENTAL PROTECTION

2.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or ordinances.

As a company that is principally engaged in the distribution of finely curated high-end jewellery and timepieces and money lending business, the Group does not own any manufacturing operation at the moment. Nevertheless, the Group is committed to actively minimizing the impact on our environment and implementing different measures to optimize the workplace.

The Group continues to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment. Recognising that a corporate citizen must be accountable for their industry's impacts on the environment, we are determined to take a proactive role in caring for the environment. We can help reduce the consumption of natural resources, minimise our discharges, wastes, greenhouse gas emissions, as well as other pollutants regulated under national laws and regulations, so as to build a sustainable future for our generations and their generations.

2.2. Electricity Consumption

We consider electricity consumption as a major source of our indirect greenhouse gas emission. In order to further raise the awareness of energy saving initiatives among all employees, the Group carried out a series of "reducing carbon footprint" activities including providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule, maintaining indoor temperature at an optimal level for comfort, installing LED lighting system in offices, encouraging employees to switch off IT devices, such as computers and monitors when not in use, setting office machines such as photocopiers and monitors to switch off automatically after office hours, encouraging employees to make the best use of modern telecommunication system so as to avoid unnecessary travel arrangement, putting up signage emphasizing the importance of energy conservation in offices.

2.3. Non-Hazardous Waste Management

In addition to energy saving initiatives, the Group has set out policies to use resources efficiently, including, paper, water and other raw materials, actively promoting other environmental friendly measures to endeavour to generate minimal non-hazardous waste (such as used paper) throughout our operation. All employees are encouraged to reduce paper usage by using double-sided papers and by a frequent use of electronic information systems for material sharing or internal administrative documents, as part of our environmental protection campaigns. We believe these initiatives reflect our commitment that we offer our clients the best quality of service with the least adverse impact on our planet.

2.4. The Environment and Natural Resources

The Group considers environmental protection and preserving natural resources as an indispensable component of our sustainable and responsible business, having established policies with respect to reducing impacts of operational activities on the environment, optimizing the use of natural resources and implementing environmental protection measures.

In the future, we will continue our commitment to environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Employment and Labour

Human capital has always been considered by the Group as the most important asset for our long-term operation and business development. Through providing a desirable workplace, continuous training schemes and prospective career opportunities to our employees, the Group has set itself in a good position to maintain a robust business performance and growth.

In relation to our employees located in Hong Kong, the Group safeguards the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and regulations relating to preventing child labour and forced labour. The Group also complies with relevant employment laws and regulations, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme ("MPF Scheme") for our eligible employees, Minimum Wage Ordinance, Employment Ordinance (Chapter 57 of the Laws of Hong Kong) ("EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

In the PRC, the Group participates welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the Social Insurance Law of the PRC, as well as housing provident fund contributions as prescribed by the Regulations on the Administration of Housing Fund.

3.2. Recruitment and Promotion

The Group, with an objective to uphold an open, fair, just and reasonable human resource policy, recruits its staff based on virtues, skill-sets and experience during the recruitment and promotion processes. The Group ensures all employees are equally treated in the process of recruitment, compensation, promotion and dismissal, regardless of race, gender, age, position, religion and physical condition. Believing that work experience and skill-sets of our staff members play an important role in maintaining our operation efficiency, the Group offers a competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees.

3.3. Health and Safety

Safety is always the first and primary mission throughout our operation. The Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries. During the reporting period, no incidents of health and safety standard violations were identified.

The Group is in compliance with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape.

3. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

3.3. Health and Safety *(continued)*

In order to strengthen employees' work safety awareness and to reduce number and severity of injuries and accidents, the Group has adopted health and safety policies. They cover various occupational safety matters, including prohibition of smoking in the workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in the working area, and follow-up actions for accidents or personal injuries. We require our employees to strictly adhere to and comply with such policies which are set out in our operating manual for employees.

Air purifiers are installed in areas where are relatively crowded such as conference and meeting rooms. There are ample space between workstations and clean and tidy common area such as corridors and pantry. Also, sufficient ventilation and lighting system are essential in our offices and workplaces. At each individual workstation, adjustable chairs and monitor screens for eye protection are provided.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

3.4. Development and Training

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways including internal training programs, comprehensive training for specific skill development, and courses for continuous professional development for relevant employees so as to ensure that they possess the appropriate qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

Moreover, the Group is convinced that sense of belonging and morale of the employees are always the key drivers to the Group's healthy growth. The Group therefore seeks to create a distinct corporate culture that advocates team work and collaboration. Regular and festival gatherings such as Mid-Autumn Festival and Chinese New Year dinners are organized during the reporting period to enhance the harmonious sprit of different levels of staff members throughout the Group. The Group believes that such a corporate culture will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

3.5. Labour Standards

The Group is fully aware that exploitation of child and forced labour violates human rights and international labour conventions. Therefore, the Group strictly complies with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

4. OPERATING PRACTICES

The Group, as part of the responsibility of an accountable corporate citizen, is determined to disseminate the pursuit of sustainability into our core business. As a result, the Group has developed a series of management systems and procedures in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

4.1. Corporate Policy of Supply Chain Management

Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts. We have developed a vendor and supplier selection mechanism in which we require our potential contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management systems and procedures in alignment with the Corporate Governance required by the HKEX.

4.2. Product Responsibility

With an aim to maintain good quality of product and service, the Group ensures that the products we offer are safe and of quality upon delivery. The Group complies with relevant laws and regulations in relation to advertising, e.g. the Hong Kong Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong), by ensuring that there is no false and misleading message in our advertisements and promotion activities.

In managing complaints and feedback from customers, various channels including telephone hotline and emails are set up in accordance with the corporate policies. Major issues will be further handled by the relevant personnel and senior management for identifying solution and hence resulting in operation improvement.

During the reporting period, no material complaints or claims on our products were received nor was our operation subject to any investigation by government authorities or relevant customer protection organisations.

4. OPERATING PRACTICES *(continued)*

4.3. Corporate Policy of Data Privacy

Throughout the operation, the Group unavoidably collects and holds personal information of individual customers. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that all personal data are securely kept and used exclusively for matters relating to our operation. We are committed to ensuring all collected personal data kept will be free of unauthorized or accidental access, processing, erasure or other use.

4.4. Corporate Policy of Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud, anti-bribery, anti-extortion and anti-money laundering with reference to the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong). All employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior. No concluded legal cases in relation to corruptive practices were brought against the Group or its employees during the reporting period.

Under the Group's policy, employees may report any concern in relation to accounting controls and audit matters to the Audit Committee without the threat of dismissal or retaliation. The Audit Committee will review each complaint and decide how the investigation should be conducted. During the reporting period, the Audit Committee identified no complaint from employees.

5. COMMUNITY INVESTMENT

The Group is committed to improving the society through continuous community involvement. We support the local community though different means including employee volunteering and personal donations. For instance, the Group actively supports the youth community in Hong Kong through financial contribution to KELY Support Group, a non-government funded organisation which provides support to youth in Hong Kong between the ages of 14 and 24 in Hong Kong from Chinese-speaking, Ethnic Minority and English-speaking backgrounds. The donation amount raised from the auction sale is HK$980,000. The Group supported the youth community and committed to providing a better environment for their growth.

In the coming future, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

SEHK ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure			
Information on:	(a) the policies; and	Section 2.1; 2.3	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		
KPI A1.1	Types of emissions and respective emissions data	–	The Group will disclose this data in the next reporting period.
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	–	The Group will disclose this data in the next reporting period.
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group will disclose this data in the next reporting period.
KPI A1.4	Total non-hazardous waste produced and intensity	–	The Group will disclose this data in the next reporting period.
KPI A1.5	Description of measures to mitigate emissions and results achieved	–	The Group will disclose this data in the next reporting period.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	–	The Group will disclose this data in the next reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Section 2.2	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	–	The Group will disclose this data in the next reporting period.
KPI A2.2	Water consumption in total and intensity	–	The Group will disclose this data in the next reporting period.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	–	The Group will disclose this data in the next reporting period.
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	The Group will disclose this data in the next reporting period.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Section 2.4	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	–	The Group will disclose this data in the next reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Section 3.1; 3.2	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Section 3.3	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Section 3.4	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Section 3.5	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Section 4.1	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Section 4.2; 4.3	
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Section 4.4	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Section 5	

INDEPENDENT AUDITOR'S REPORT

KTC Partners CPA Limited

Certified Public Accountants (Practising)

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

OPINION

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 59 to 144, which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

— Business combination and asset acquisition through acquisition of subsidiary

— valuation of goodwill

— valuation of intangible assets

— valuation of investment properties

— valuation of inventories

— impairment assessment of loan and interest receivables

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Business combination and asset acquisition through acquisition of subsidiary *Refer to significant accounting policies for business combination and acquisition of a subsidiary not constituting a business in Note 3 and in Note 37 to the consolidated financial statements.*	
The Group completed the acquisition of subsidiaries during the year. The acquisition constituted a business combination and asset acquisition for accounting purposes. The initial accounting for acquisitions requires the Group to identify the assets acquired and liabilities assumed and measure their amounts. Further, the consideration shares for the business combination is measured at the fair value at the acquisition date. In particular, an independent professional valuer (the "Valuer") was appointed by the Group to provide assistance in measuring the values of identifiable assets and liabilities and consideration shares. We considered this matter to be a key audit matter because of the significant impact of the acquisition on the consolidated financial statements, and the inherent judgement involved in estimating the value of the assets acquired and liabilities assumed and consideration shares.	Our audit procedures, among others, included: • evaluating management's assessment of the terms of the acquisition agreement; • understanding the valuation processes and methodology, significant assumptions adopted and key inputs used in the valuation of assets and liabilities and share consideration; • engaging an independent external expert to assist us in assessing the Valuer's work; • challenging the reasonableness of key assumptions based on our knowledge and understanding of the businesses of subsidiaries acquired and markets; • assessing the appropriateness of the methodology and the reasonableness of significant assumptions used by management in determining the value of assets acquired and liabilities assumed and consideration shares including fair value adjustments as at date of acquisition; • evaluating the competence, capabilities and objectivity of the Valuer; • examining the accounting entries for the business combination prepared by management and determine whether they were in accordance with HKFRS 3 (Revised) "Business Combination"; and • assessing the adequacy of the disclosures about these business combination in accordance with HKFRS 3 (Revised).

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Valuation of goodwill Refer to critical accounting judgements and key sources of estimation uncertainty in Note 4 and Note 20 to the consolidated financial statements. As at 30 September 2017, the Group's reported goodwill amounted to approximately HK$1,324,993,000, net of accumulated impairment losses of approximately HK$622,386,000. Impairment of goodwill is assessed by management by comparing the recoverable amount and carrying amount of the relevant cash generating units at the end of the reporting period. Significant judgement and assumptions were required by management of the Group in assessing the recoverable amounts of those cash generating units. The recoverable amounts are determined with reference to (i) the fair value less cost of disposal which require significant estimates by reference to the comparables selected; and (ii) the value in use of the relevant cash generating units, which required significant assumptions on discount rates and growth rates in order to derive the net present value of the discounted future cash flow analysis. Valuations prepared by independent professional valuer ("the Valuer") were obtained in respect of the fair value of the cash generating units in order to support management's estimates. We identified this area as a key audit matter as the carrying value of goodwill is significant to the consolidated financial statements and the management's impairment assessment of goodwill require the use of significant judgement and estimation.	Our audit procedures in relation to the management's impairment assessment of goodwill included: • Understanding the Group's key controls over the impairment assessment on goodwill; • Assessing the identification of the related cash generating units; • Assessing the arithmetical accuracy of the fair value less cost of disposal and value-in-use calculations; • Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy; • Engaging an independent external expert to assist us in assessing the Valuer's work; • Evaluating the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management, including discount rates and growth rates; • Testing the accuracy and evaluating the relevance of key inputs adopted in (i) the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the cash generating units; and (ii) market approach method for fair value less cost of disposal.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Valuation of intangible assets Refer to critical accounting judgements and key sources of estimation uncertainty in Note 4 and Note 21 to the consolidated financial statements. As at 30 September 2017, the Group's reported intangible assets amounted to approximately HK$64,844,000. Impairment of intangible assets is assessed by management by comparing the recoverable amount and carrying amount of the assets at the end of the reporting period. Significant judgement and assumptions were required by management of the Group in assessing the recoverable amounts of those assets. The recoverable amounts are determined with reference to (i) the fair value less cost of disposal which require significant estimates by reference to the comparables selected; and (ii) the value in use of the assets, which required significant assumptions on discount rates and growth rates in order to derive the net present value of the discounted future cash flow analysis. Valuations prepared by independent professional valuer ("the Valuer") were obtained in respect of the fair value of the assets in order to support management's estimates. We identified this area as a key audit matter as the carrying value of intangible assets is significant to the consolidated financial statements and the management's impairment assessment of intangible assets require the use of significant judgement and estimation.	Our audit procedures in relation to the management's impairment assessment of intangible assets included: • Understanding the Group's key controls over the impairment assessment on intangible assets; • Assessing the arithmetical accuracy of the fair value less cost of disposal and value-in-use calculations; • Obtaining the discounted future cash flow analysis approved by the management and checking its mathematical accuracy; • Engaging an independent external expert to assist us in assessing the Valuer's work; • Evaluating the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the methodology and the reasonableness of the key assumptions adopted by the management, including discount rates and growth rates; • Testing the accuracy and evaluating the relevance of key inputs adopted in (i) the discounted future cash flow model against historical performance of the Group, with reference to the future strategic plans of the Group in respect of the assets; and (ii) market approach method for fair value less cost of disposal.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to the significant accounting policies in Note 3 and in Note 19 to the consolidated financial statements. Management has estimated the fair value of the Group's investment properties to be approximately HK$452,822,000 as at 30 September 2017. Valuations prepared by external professional valuer (the "Valuer") were obtained in respect of the properties in order to support management's estimates. We have identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the valuations are dependent on certain key assumptions that require significant management judgement including unit market value of comparable properties.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding of the valuation process and significant assumptions and critical judgement areas from the management to assess if the investment approach meet the relevant accounting requirements and industry norms; • Engaging an independent external expert to assist us in assessing the Valuer's work; • Evaluating the appropriateness of the estimations used, in particular, the underlying assumptions and methodologies, based on our knowledge of the properties market of the relevant locations; and • Assessing the reasonableness of the key inputs used by the Valuer in the valuation model, including the market value of comparable properties in the PRC.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Valuation of inventories Refer to the significant accounting policies in Note 3 and Note 26 to the consolidated financial statements. We identified the valuation of inventories as a key audit matter due to its significance to the consolidated financial statements and the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on conditions and the marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and Note 26, the carrying amount of inventories is HK$334,941,000, net of allowance on obsolete and slow moving inventories of HK$11,846,000 as at 30 September 2017.	Our procedures in relation to assessing the valuation of the inventories included: • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management. • Testing the accuracy of the aging of the inventories listed in the system generated report to the purchase invoices on a sampling basis. • Discussing with the management on the basis of determining the NRV and evaluate the condition and marketability of the inventories. • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of loan and interest receivables *Refer to Note 25 to the consolidated financial statements*	
The Group has stepped into the money lending business since 2015. The Group recognised loan and interest receivables recorded initially at fair value and subsequently at amortised cost in the consolidated statement of financial position. As at 30 September 2017, the carrying amount of the loans and interest receivables were approximately HK$657,364,000. No impairment provision has been made over these balances. The impairment assessment on the loans and interest receivables require estimates and significant judgements to be applied by the management such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual loan or in aggregate, in a material change to the valuation. We identified this area as a key audit matter because of its significance to the consolidated financial statements and the management's assessment of loan and interest receivables require the use of judgement and estimates.	Our audit procedures in this area included, amongst others: • obtaining and reviewing a sample of loan agreements and agreeing to the principal amount, interest rates, maturity dates and other information to the Group's accounting records; • testing of controls designed and applied in the process of approving and granting of loans, subsequent monitoring of repayment status and loan extension, if any; • recalculation of loan interest income recognised on a sample basis; • obtaining direct confirmation of loan balances from the borrowers; and • reviewing subsequent settlement records and corroborating enquiring with the management about the reasons for not considering a provision against any unsettled past-due balances.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

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

Hong Kong
29 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
CONTINUING OPERATIONS			
Revenue	9	**545,533**	392,502
Cost of sales		**(321,869)**	(271,528)
Gross profit		**223,664**	120,974
Other revenue and net gains	10	**6,194**	8,987
Selling and distribution expenses		**(46,136)**	(40,068)
Administrative and other expenses		**(120,327)**	(46,903)
Amortisation of intangible assets	21	**(12,918)**	(10,167)
(Impairment loss)/reversal of impairment on intangible assets		**(47,066)**	24,017
Impairment loss on goodwill	20	**(86,806)**	–
Change in fair value of contingent consideration receivable	22	**(39,177)**	(24,593)
Gain on fair value changes of investment properties	19	**39,942**	–
Share of loss from associate	23	**(225)**	–
Impairment loss on other receivables		**(6,307)**	(532)
Fair value loss on held-for-trading investment		**(27,258)**	(8,739)
Gain/(loss) on sales of held-for-trading investment		**9,623**	(11,522)
Gain on disposal of subsidiaries	38	**18,655**	–
(Loss)/profit from operating activities	11	**(88,142)**	11,454
Finance costs	12	**(4,118)**	(3,875)
(Loss)/profit before taxation		**(92,260)**	7,579
Income tax expense	13	**(3,065)**	(8,513)
Loss for the year from continuing operations		**(95,325)**	(934)
DISCONTINUED OPERATIONS			
Loss for the year from a deconsolidated subsidiary	14	**–**	(27,755)
Loss for the year		**(95,325)**	(28,689)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
— Owners of the Company			
Continuing operations		**(90,108)**	(5,224)
Discontinued operations		**–**	(27,449)
		(90,108)	(32,673)
— Non-controlling interests:			
Continuing operations		**(5,217)**	4,290
Discontinued operations		**–**	(306)
		(5,217)	3,984
		(95,325)	(28,689)
Loss per share from continuing and discontinued operations	15		
Basic		**2.79 cents**	1.33 cents
Diluted		**2.79 cents**	1.33 cents
Loss per share from continuing operations			
Basic		**2.79 cents**	0.21 cents
Diluted		**2.79 cents**	0.21 cents
Loss per share from discontinued operations			
Basic		**N/A**	1.12 cents
Diluted		**N/A**	1.12 cents
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**5,206**	(36,136)
Exchange reserve released upon disposal of subsidiaries		**(17,782)**	–
Exchange reserve released upon deconsolidation of a subsidiary		**–**	6,454
Other comprehensive income for the year		**(12,576)**	(29,682)
Total comprehensive income for the year		**(107,901)**	(58,371)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(105,397)**	(61,645)
— Non-controlling interests		**(2,504)**	3,274
		(107,901)	(58,371)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Non-current Assets			
Property, plant and equipment	18	**63,243**	4,843
Investment properties	19	**452,822**	–
Goodwill	20	**1,324,993**	29,555
Intangible assets	21	**64,844**	125,119
Contingent consideration receivable	22	**–**	39,178
Interests in an associate	23	**5,863**	–
Deposits paid	24	**62,613**	255,261
Loan and interest receivables	25	**387,097**	278,751
		2,361,475	732,707
Current Assets			
Inventories	26	**334,941**	328,689
Trade and other receivables	27	**133,190**	95,016
Loan and interest receivables	25	**270,267**	260,780
Contingent consideration receivable		**1**	–
Held-for-trading investment	28	**25,362**	43,340
Bank balances and cash	29	**302,094**	159,934
		1,065,855	887,759
Assets associated with disposal group classified as held for sale	30	**1,300,351**	–
		2,366,206	887,759
Current Liabilities			
Trade payables	31	**66,250**	43,431
Other payables and accruals	32	**168,783**	41,526
Borrowings	33	**105,800**	40,621
Income tax payable		**7,956**	5,126
		348,789	130,704
Liabilities associated with disposal group classified as held-for-sale	30	**66**	–
Net Current Assets		**2,017,351**	757,055
Total Assets Less Current Liabilities		**4,378,826**	1,489,762
Non-current Liabilities			
Borrowings	33	**34,336**	–
Deferred tax liabilities	34	**104,958**	28,644
		139,294	28,644
NET ASSETS		**4,239,532**	1,461,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	**2017 HK$'000**	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**566,194**	245,177
Reserves	36	**2,827,092**	1,188,228
Equity attributable to owners of the Company		**3,393,286**	1,433,405
Non-controlling interests		**846,246**	27,713
TOTAL EQUITY		**4,239,532**	1,461,118

The consolidated financial statements on pages 59 to 144 were approved and authorised for issue by the board of directors on 29 December 2017, and signed on its behalf by:

Mr. Ho King Fung, Eric	**Mr. Ho Chi Kit**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

	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$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
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 39)	–	–	–	–	1,596	–	–	1,596	–	1,596
Purchase of non-controlling interest (Note 40)	–	–	–	–	–	–	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
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(90,108)**	**(90,108)**	**(5,217)**	**(95,325)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**2,493**	**–**	**–**	**–**	**–**	**2,493**	**2,713**	**5,206**
Release upon disposal of subsidiaries (Note 38)	**–**	**–**	**(17,782)**	**–**	**–**	**–**	**–**	**(17,782)**	**–**	**(17,782)**
Total comprehensive income for the year	**–**	**–**	**(15,289)**	**–**	**–**	**–**	**(90,108)**	**(105,397)**	**(2,504)**	**(107,901)**
Acquisition of subsidiaries (Note 37(a)(i) and (b))	**263,092**	**1,309,469**	**–**	**–**	**–**	**–**	**–**	**1,572,561**	**822,533**	**2,395,094**
Release upon disposal of subsidiaries	**–**	**–**	**–**	**(792)**	**–**	**–**	**792**	**–**	**–**	**–**
Dividend to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,496)**	**(1,496)**
Transfer during the year	**–**	**–**	**–**	**526**	**–**	**–**	**(526)**	**–**	**–**	**–**
Exercise of share option	**852**	**7,826**	**–**	**–**	**(3,140)**	**–**	**–**	**5,538**	**–**	**5,538**
Recognition of equity-settled share-based payment (Note 39)	**–**	**–**	**–**	**–**	**19,179**	**–**	**–**	**19,179**	**–**	**19,179**
Issue upon share subscription (Note 35)	**57,073**	**410,927**	**–**	**–**	**–**	**–**	**–**	**468,000**	**–**	**468,000**
	566,194	**4,237,370**	**(12,368)**	**526**	**17,635**	**11**	**(1,416,082)**	**3,393,286**	**846,246**	**4,239,532**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax from continuing operations	**(92,260)**	7,579
Loss before income tax from discontinued operations	**–**	(27,755)
	(92,260)	(20,176)
Adjustments for:		
Allowances for inventories write-down	**7,807**	4,039
Amortisation of intangible assets	**12,918**	10,167
Change in fair value of contingent consideration receivable	**39,177**	24,593
Gain on fair value changes of investment properties	**(39,942)**	–
Fair value loss on held-for-trading investment	**27,258**	8,739
Other payable written back	**–**	(1,597)
Depreciation of property, plant and equipment	**2,681**	1,740
Finance costs	**4,118**	3,875
Share of loss from associate	**225**	–
Gain on disposal of subsidiaries	**(18,655)**	–
Impairment loss on goodwill	**86,806**	–
Impairment loss on other receivables	**6,307**	532
Impairment/(reversal of) loss on intangible assets	**47,066**	(24,017)
Loss on deconsolidation of a subsidiary	**–**	24,664
Expense recognised in respect of equity-settled share-based payments	**19,179**	1,596
Interest income	**(556)**	(2,517)
Property, plant and equipment written-off	**335**	176
Loss on disposal of property, plant and equipment	**(103)**	–
Operating cash flows before movements in working capital	**102,361**	31,814
Increase in inventories	**(11,529)**	(70,466)
(Increase)/decrease in trade and other receivables	**(19,442)**	32,038
(Increase)/decrease in held-for-trading investments	**(9,280)**	14,790
Increase in loan and interest receivables	**(117,833)**	(332,661)
Increase in trade payables	**23,731**	14,438
Increase in other payables and accruals	**52,443**	20,813
Cash from/(used in) operating activities	**20,451**	(289,234)
Income tax paid	**(5,166)**	(5,467)
Net cash from/(used in) operating activities	**15,285**	(294,701)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment from a shareholder of a subsidiary	–	5,165
Interest received	556	2,517
Deposit paid for acquisition of subsidiaries	–	(255,281)
Net cash outflow from acquisition of subsidiaries (Note 37)	(323,599)	–
Net cash outflow from acquisition of non-controlling interest (Note 40)	–	(5,992)
Increase in deposit paid	(61,188)	–
Addition of investment properties	(2,847)	–
Purchases of property, plant and equipment	(9,990)	(1,022)
Net cash outflow arising on deconsolidation of a subsidiary (Note 14b)	–	(760)
Net cash inflow arising on disposal of subsidiaries (Note 38)	914	–
Investment in an associate	(6,359)	–
Advance from an associate	271	–
Net cash used in investing activities	(402,242)	(255,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(4,118)	(3,875)
Repayment of borrowings	(41,144)	(98,651)
New borrowings obtained	99,922	81,242
Issue of shares on subscription	468,000	–
Proceeds from exercise of share options	5,538	–
Dividends paid to non-controlling shareholders	(1,496)	–
Net cash from/(used in) financing activities	526,702	(21,284)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,745	(571,338)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	159,934	758,939
Effect of foreign exchange rate changes on balance of cash held in foreign currencies	2,415	(27,667)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	302,094	159,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

1. CORPORATE INFORMATION

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, property investment, securities investments and development, engineering, manufacturing and sales of electric vehicles and related components.

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 9. This business segment has been presented as discontinued operations in accordance with HKFRS 5.

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

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

The Group has adopted the following new standards and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ended 30 September 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvement Project	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

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:

Annual Improvement Project — HKFRS 12 (Amendments)	Annual Improvements 2014–2016 cycle[1]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Annual Improvement Project — HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014–2016 cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 9	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[2]
HKFRS 9	Amendments in relation to Prepayment Features with Negative Compensation[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15[2]
HKFRS 16	Leases[3]
HKAS 40 (Amendments)	Transfers of Investment Property[2]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

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"

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.

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 recognised.

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

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.

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"

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

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

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

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

The directors of the Company are currently in the process of evaluating the full impact of HKFRS 15 in the Group's consolidated financial statements. Management will make more detailed assessments of the impact over the next twelve months.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

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

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

HKFRS 16 "Leases" *(continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 September 2017, the Group has non-cancellable operating lease commitments of approximately HK$31,469,000 as disclosed in Note 45. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recognised 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assume by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

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

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

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

Investments in subsidiaries

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

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions or events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in an associate *(continued)*

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(iii) Rental income under operating lease is recognised on a straight-line basis over the terms of the relevant lease.

(iv) 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.

The Group as Lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the terms of the relevant lease.

Retirement benefit costs

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment on financial assets *(continued)*

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. 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 land and buildings	5% or over the remaining period of respective leases where shorter
Leasehold improvement	10%–20% or over the remaining period of respective leases where shorter
Furniture, fixtures and office equipment	20%–32%
Motor vehicles	15%–24%

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investments properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Properties under development

Properties under development are stated at the lower of cost/deemed cost and estimated net realisable value. Properties under development which are intended for sale in the ordinary course of business upon completion are classified as current assets.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

Non-current assets held-for-sale

Non-current assets and disposal group are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset (or disposal group) from being classified as held-for-sale if the delay of the completion of sale is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the non-current assets and disposal group.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal group) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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.

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$41,168,000 (2016: HK$96,054,000) 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 and loan 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$6,307,000 (2016: HK$532,000) was recognised in respect of trade and other receivables for the year ended 30 September 2017. No impairment loss was recognised for the loan receivables for the years ended 30 September 2017 and 30 September 2016.

(b) 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 2017, the carrying amount of intangible assets with definite useful life is HK$23,676,000 (2016: HK$29,065,000), and amortisation of the intangible assets of HK$12,918,000 (2016: HK$10,167,000) was recognised for the year ended 30 September 2017.

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

Key sources of estimation uncertainty *(continued)*

(c) 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$7,807,000 (2016: HK$4,039,000) was provided for the year. The carrying amount of inventories at 30 September 2017 was approximately HK$334,941,000 (2016: HK$328,689,000).

(d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost of disposal and 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, while the fair value less cost of disposal requires the Group to make an estimate by reference to the comparables of similar transactions completed or assets acquired. The carrying amount of goodwill at 30 September 2017 was HK$1,324,993,000 (2016: HK$29,555,000). Further details of impairment loss calculation are set out in Note 20 to consolidated the financial statements.

(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 the assets have been determined based on the higher of the fair value less cost of disposal and value in calculations. These calculations require the use of estimates. An impairment loss of approximately HK$47,066,000 (2016: Impairment loss of HJK$24,017,000) was recognised for the year ended 30 September 2017.

(f) 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 standardised SD of profit, discount rate and settlement date etc. Change in fair value of approximately HK$39,177,000 (2016: HK$24,593,000) was recognised for the year.

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

Key sources of estimation uncertainty *(continued)*

(g) Fair value of investment properties and fair value measurements and valuation processes

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in Note 19. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions.

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted priced in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs.

Changes to these assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in Note 19.

(h) PRC Corporate Income Tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences realise.

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

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

(j) 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 includes 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 33, 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:

	2017 **HK$'000**	2016 HK$'000
Debts (Note i)	**140,136**	40,621
Bank balances and cash	**(302,094)**	(159,934)
Net cash	**(161,958)**	(119,313)
Equity (Note ii)	**3,393,286**	1,433,405
Net debt to equity ratio (Note iii)	**N/A**	N/A

Notes:

(i) Debts comprise short-term and long-term bank borrowings as detailed in Note 33.

(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 2017 and 2016, the Group's gearing ratio as at that date were not applicable.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets:		
Contingent consideration receivable (Note 22)	**1**	39,178
Fair value through profit and loss		
— Held-for-trading investment	**25,362**	43,340
Loan and receivables (including bank balances and cash)	**1,079,332**	787,806
	1,104,695	870,324
Financial liabilities:		
Financial liabilities at amortised cost	**283,823**	110,734

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 deconsolidated 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 2017 and 2016, 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.

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

Market risk *(continued)*

(ii) Interest rate risk

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

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of borrowings and bank balances and cash of the Group are disclosed in Note 33 and 29 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 2017, 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 2017 and accumulated losses by approximately HK$988,000 (2016: HK$305,000).

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 2016.

(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.

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

Market risk *(continued)*

(iii) Other price risk *(continued)*

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 2017 would decrease/increase by approximately HK$1,268,000 (2016: HK$2,167,000) 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.

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 180 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% (2016: 100%) of the total trade receivables as at 30 September 2017.

At 30 September 2017, the Group has concentration of credit risk as 43% (2016: 29%) of the total trade receivables and 31% (2016: 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.

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

Liquidity risk

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

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

	At 30 September 2017				At 30 September 2016		
	On demand or less than 1 year and total undiscounted cash flow HK$'000	**Over 1 year HK$'000**	**Total undiscounted cash flow HK$'000**	**Carrying amount HK$'000**	On demand or less than 1 year and total undiscounted cash flow HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	**66,250**	**–**	**66,250**	**66,250**	43,431	43,421	43,431
Other payables	**77,437**	**–**	**77,437**	**77,437**	26,682	26,682	26,682
Borrowings	**105,800**	**34,535**	**140,335**	**140,136**	40,621	40,621	40,621
	249,487	**34,535**	**284,022**	**283,823**	110,734	110,734	110,734

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

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).

Fair value hierarchy at 30 September:

Disclosure of level in fair value hierarchy

	Level 1		Level 2		Level 3		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Contingent consideration receivable	**–**	–	**–**	–	**1**	39,178	**1**	39,178
Investment properties	**–**	–	**–**	–	**452,822**	–	**452,822**	–
Financial assets held at FVTPL								
— Held-for-trading investments	**25,362**	43,340	**–**	–	**–**	–	**25,362**	43,340

During the years ended 30 September 2017 and 2016, there were no transfer between Level 1, 2 and 3.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2017 and 2016:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

8. SEGMENT INFORMATION

Information reported to the Board, 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;
- Securities investments segment — trading of listed securities;
- Electric vehicle segment — manufacturing and sales of electric vehicle; and
- Property investment segment — investment properties to receive rental income.

The operations for export of manufactured jewellery products and writing instruments were discontinued in 2016 (see Note 9). The export segment was presented as discontinued operations of the Group during 2016.

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		Electric vehicle		Property investment		Mining		Money lending		Securities investments		Subtotal		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**HK$'000**	HK$'000
Segment revenue:																		
External sales	**–**	–	**441,757**	361,796	**–**	–	**30,308**	–	**–**	–	**62,178**	30,670	**11,290**	36	**545,533**	392,502	**545,533**	392,502
Segment results	**–**	(27,755)	**49,177**	24,771	**–**	–	**(38,946)**	–	**(55,342)**	14,303	**49,733**	27,746	**(6,345)**	(20,224)	**(1,723)**	46,596	**(1,723)**	18,841
Unallocated corporate income and expenses															**(90,537)**	(39,017)	**(90,537)**	(39,017)
(Loss) profit before taxation for the period															**(92,260)**	7,579	**(92,260)**	7,579

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

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		Electric vehicle		Property investment		Mining		Money lending		Securities investments		Subtotal		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**HK$'000**	HK$'000
ASSETS																		
Segment assets	**–**	–	**562,599**	475,115	**1,367,257**	–	**465,045**	–	**42,017**	96,892	**662,336**	540,987	**25,362**	43,340	**3,124,616**	1,156,334	**3,124,616**	1,156,334
Unallocated segment assets																	**1,603,065**	464,132
Total assets																	**4,727,681**	1,620,466
LIABILITIES																		
Segment liabilities	**–**	–	**152,916**	77,854	**61,563**	–	**48,767**	–	**3**	3	**21**	28	**–**	4,161	**263,270**	82,046	**263,270**	82,046
Unallocated segment liabilities																	**224,879**	77,302
Total liabilities																	**488,149**	159,348

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, assets held for sale and bank balances and cash.
- all liabilities are allocated to operating segments, other than borrowings, deferred tax liabilities, liabilities held for sale and income tax payable.

8. SEGMENT INFORMATION *(continued)*

(c) Other segment information:

	Discontinued operations		Continued operations																	
	Exports		Domestic		Electric vehicle		Property investment		Mining		Money lending		Securities investments		Subtotal		Unallocated		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**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)	**–**	–	**1,443**	1,022	**49,465**	–	**1,535**	–	**–**	–	**9,019**	–	**–**	–	**61,462**	1,022	**–**	–	**61,462**	1,022
Allowances for inventories write-down	**–**	–	**(7,807)**	(4,039)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7,807)**	(4,039)	**–**	–	**(7,807)**	(4,039)
Amortisation of intangible assets	**–**	–	**(12,918)**	(10,167)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(12,918)**	(10,167)	**–**	–	**(12,918)**	(10,167)
Change in fair value of contingent consideration receivable	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(39,177)**	(24,593)	**(39,177)**	(24,593)
Gain on fair value changes on investment properties	**–**	–	**–**	–	**–**	–	**39,942**	–	**–**	–	**–**	–	**–**	–	**39,942**	–	**–**	–	**39,942**	–
Depreciation of property, plant and equipment	**–**	–	**(1,785)**	(1,659)	**–**	–	**(580)**	–	**–**	–	**(235)**	–	**–**	–	**(2,600)**	(1,659)	**(81)**	(81)	**(2,681)**	(1,740)
Loss on disposal of property, plant and equipment	**–**	–	**(93)**	–	**–**	–	**(10)**	–	**–**	–	**–**	–	**–**	–	**(103)**	–	**–**	–	**(103)**	–
Impairment loss on goodwill	**–**	–	**–**	–	**–**	–	**(86,806)**	–	**–**	–	**–**	–	**–**	–	**(86,806)**	–	**–**	–	**(86,806)**	–
Reversal of (impairment loss) on intangible assets	**–**	–	**7,529**	10,269	**–**	–	**–**	–	**(54,595)**	13,748	**–**	–	**–**	–	**(47,066)**	–	**–**	–	**(47,066)**	24,017
Fair value loss on held-for-trading investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(27,258)**	(8,739)	**27,258**	(8,739)	**–**	–	**(27,258)**	(8,739)
Impairment loss of other receivables	**–**	–	**–**	(532)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(532)	**(6,307)**	–	**(6,307)**	(532)
Gain/(loss) on sales of held-for-trading investment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9,623**	(11,522)	**9,623**	(11,522)	**–**	–	**9,623**	(11,522)
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18,655**	–	**18,655**	–
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	**–**	–	**514**	2,509	**–**	–	**41**	–	**1**	8	**–**	–	**–**	–	**566**	2,517	**–**	–	**556**	2,517
Interest expenses	**–**	–	**(3,681)**	(3,875)	**–**	–	**(435)**	–	**–**	–	**–**	–	**–**	–	**(4,116)**	(3,875)	**(2)**	–	**(4,118)**	(3,875)

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, Hong Kong and Japan.

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	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Europe	**–**	–	**–**	–	**–**	–
Asia (including the PRC and Japan)	**–**	–	**545,533**	392,502	**545,533**	392,502
	–	–	**545,533**	392,502	**545,533**	392,502

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

	Discontinued operations		Continuing operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Europe	**–**	–	**–**	–	**–**	–
Asia (including the PRC and Japan)	**–**	–	**2,361,475**	693,529	**2,361,475**	693,529
	–	–	**2,361,475**	693,529	**2,361,475**	693,529

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:

		2017	2016
		HK$'000	HK$'000
Customer A	Revenue generated from the domestic segment	**66,702**	–
Customer B	Revenue generated from the domestic segment	**59,360**	–

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9. REVENUE

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

	2017 HK$'000	2016 HK$'000
Continuing operations		
Sales of goods	441,757	361,796
Interest income on loan financing	62,178	30,670
Property rental income	30,308	–
Dividend income from listed equity securities	11,290	36
	545,533	392,502

10. OTHER REVENUE AND NET GAINS

	2017 HK$'000	2016 HK$'000
Continuing operations		
Other revenue:		
Bank interest income	556	2,517
Income from customer services	2,920	1,081
Other payables written back	–	1,597
Sundry income	2,718	3,792
	6,194	8,987

11. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

(Loss)/profit from operating activities is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Continuing operations		
Auditor's remuneration	2,799	1,971
Cost of inventories recognised as an expense	307,638	267,489
Inventories write-down (included in cost of sales)	7,807	4,039
Depreciation of property, plant and equipment	2,681	1,740
Minimum lease payments under operating leases on leasehold land and buildings	9,534	9,219

12. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Continuing operations		
Interest expenses on borrowings	**4,118**	3,875

13. INCOME TAX EXPENSE

	Discontinued operations		Continuing operations		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
The income tax expense comprises:						
Current year						
— Hong Kong Profits Tax	**–**	–	**1,801**	4,127	**1,801**	4,127
— PRC Enterprise Income Tax	**–**	–	**5,802**	2,111	**5,802**	2,111
— Under/(over)-provision in previous year:	**–**	–	**14**	(1,096)	**14**	(1,096)
	–	–	**7,617**	5,142	**7,617**	5,142
Deferred taxation	**–**	–	**(4,552)**	3,371	**(4,552)**	3,371
Income tax expense for the year	**–**	–	**3,065**	8,513	**3,065**	8,513

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the two years ended 30 September 2017 and 2016.

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%.

Provision for the PRC EIT was made based on the estimated assessable profits calculated in accordance with the relevant income laws applicable to the subsidiaries operated in the PRC.

13. INCOME TAX EXPENSE *(continued)*

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

	2017 HK$'000	2016 HK$'000
(Loss)/profit before taxation		
from continuing operations	(92,260)	7,579
from discontinued operations	–	(27,755)
	(92,260)	(20,176)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	(15,223)	(3,202)
Effect of different rates of subsidiaries operating in other jurisdictions	(423)	(11,829)
Tax effect of expenses not deductible for tax purpose	27,195	23,802
Unrecognised temporary difference	567	866
Tax effect of income not subject to tax purpose	(4,394)	(53)
One-off tax deduction	(75)	(80)
Tax effect of unused tax loss not recognised	–	105
Tax effect of utilisation of tax loss not previously recognised	(4,596)	–
Under/(over)-provision in previous years	14	(1,096)
Total	(3,065)	8,513

Detail of deferred taxation are set out in Note 34.

14. DISCONTINUED OPERATIONS

During the year ended 30 September 2016, the Group lost control of Omas SRL ("Omas"), a 90.1% owned subsidiary of the Group incorporated in Italy, which was still through liquidation.

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:

	2017 **HK$'000**	2016 HK$'000
Revenue	–	–
Administrative expenses	–	(3,091)
Operating loss	–	(3,091)
Loss on deconsolidation of a subsidiary (b)	–	(24,664)
Loss before taxation	–	(27,755)
Income tax credit	–	–
Loss for the year from a deconsolidated subsidiary	–	(27,755)

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

	2017 **HK$'000**	2016 HK$'000
Net cash outflows from operating activities	–	(4,422)
Net cash inflows from financing activities	–	4,422
Net cash outflow	–	–

14. DISCONTINUED OPERATIONS *(continued)*

(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

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:

	2017	2016
	HK$'000	HK$'000
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	**90,108**	5,224
— from discontinued operations	**–**	27,449
	90,108	32,673
Number of shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**3,228,589,000**	2,451,771,000

No adjustment has been made to basic loss per share amounts presented for the year ended 30 September 2017 and 2016 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)

	2017	2016
	HK$'000	HK$'000
Salaries and other benefits	**27,702**	23,130
Equity-settled share-based payment expense	**19,179**	1,596
Retirement benefit scheme contributions	**2,267**	1,052
	49,148	25,778

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 (2016: 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 2017, a total contribution of approximately HK$359,000 (2016: HK$322,000) was made by the Group in respect of this scheme.

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

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 2017, a total contribution of approximately HK$1,908,000 (2016: HK$730,000) 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 (2016: 8) directors were as follows:

			2017		
	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)* (redesignated as Co-Chairman and non-executive director on 24 November 2017)	–	2,574	18	429	3,021
Mr. Ho King Fung, Eric *(Co-Chairman)* (appointed on 1 November 2016) (appointed as Chief Executive Officer on 9 October 2017 and redesignated as Chairman on 24 November 2017)	–	1,117	17	9,740	10,874
Mr. Wong Chi Ming, Jeffry *(Chief Executive Officer)* (resigned on 24 November 2017)	–	–	–	429	429
Mr. Yu Fei, Philip (resigned on 30 September 2017)	100	–	–	429	529
Non-executive director					
Mr. Xiao Gang (resigned on 24 November 2017)	100	–	–	429	529
Independent non-executive directors					
Dr. Li Yifei (resigned on 24 November 2017)	100	–	–	429	529
Mr. Tam Ping Kuen, Daniel	100	–	–	429	529
Dr. Zhu Zhengfu (resigned on 24 November 2017)	100	–	–	429	529
	500	3,691	35	12,743	16,969

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: 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 (2016: Nil).

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

Of the five individuals with the highest emoluments in the Group, two (2016: one) was a director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2016: four) individuals are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowance and benefit in kind	**6,914**	3,910
Retirement benefits scheme contributions	**52**	59
	6,966	3,969

Their emoluments were within the following band:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	4

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold 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 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
Exchange realignment	–	110	–	(40)	67	137
Additions	–	4,812	–	4,934	773	10,519
Disposals	–	–	–	(17)	(508)	(525)
Acquisition of subsidiaries	42,512	7	194	3,983	4,247	50,943
At 30 September 2017	42,512	14,694	194	9,945	10,513	77,858
Accumulated depreciation and impairment losses						
At 1 October 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
Exchange realignment	–	112	–	55	(87)	80
Provided for the year	–	1,177	–	562	942	2,681
Elimination on disposals	–	–	–	(16)	(71)	(87)
At 30 September 2017	–	9,633	–	952	4,030	14,615
Carrying amount						
At 30 September 2017	42,512	5,061	194	8,993	6,483	63,243
At 30 September 2016	–	1,421	–	734	2,688	4,843

The freehold land and buildings with carrying amounting approximately HK$42,512,000 (2016: Nil) is situated in Japan.

At 30 September 2017, the Group's freehold land and buildings with an aggregate net carrying amount of approximately HK$42,512,000 were pledged to secure long term bank loans with a principle amount of approximately HK$20,602,000 (Note 33).

19. INVESTMENT PROPERTIES

At Fair Value	2017 HK$'000	2016 HK$'000
At 1 October	–	–
Acquisition of subsidiaries (Note 37(a)(ii))	400,196	–
Additions during the year	2,847	–
Exchange adjustments	9,837	–
Gain on fair value changes	39,942	–
At 30 September	452,822	–

The fair value measurements for all of the Group's investment properties are categorised as level 3. There were no transfers into or out of Level 3 during the year.

The above investment properties are situated in PRC under short to medium term leases to earn rentals or for capital appreciation purpose.

The fair value of the Group's investment properties at 30 September 2017 has been arrived at on the basis of a valuation carried out on that date by Grant Sherman Appraisal Limited ("Grant Sherman"), a qualified professional independent valuer not connected with the Group. Grant Sherman has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at direct comparison, based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject properties.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

19. INVESTMENT PROPERTIES *(continued)*

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of input	HK$'000
Investment properties				
The land parcel and various buildings erected thereon located at No. 6 Gou, Xiuhu North Bank, Qipanshan Development Zone, Shenyang City, Liaoning Province, PRC	Comparison approach	Price per square meter	Increase	108,268
Investment properties				
The land parcels and various buildings erected thereon located at No. 20 Dongmao Road, Dadong District, Shenyang City, Liaoning Province, PRC	Comparison approach	Price per square meter	Increase	284,366 (Note)
Investment properties				
The land parcels and an office building erected thereon located at No. 20 Dongmao Road, Dadong District, Shenyang City, Liaoning Province, PRC	Comparison approach	Price per square meter	Increase	60,188
Total				452,822

Note: The amount included several buildings comprising eleven warehouses, kiosks and sales office buildings with total gross floor area of approximately 18,872.3 square meters, of which the Group had not yet obtained the Building Ownership Certificates. The market value of these buildings as at 30 September 2017 is renminbi ("RMB") 97,200,000 (equivalent to approximately HK$114,263,000).

Certain investment properties with carrying amount of HK$20,102,000 as at 30 September 2017 are pledged against short-term bank borrowings (see Note 33) granted to the Group.

20. GOODWILL

	HK$'000
Cost	
At 1 October 2015	743,268
Released upon deconsolidation of a subsidiary	(138,133)
At 30 September 2016	605,135
Acquisition of subsidiaries (Note 22(a)(i) and (ii))	1,382,244
At 30 September 2017	1,987,379
Accumulated impairment losses	
At 1 October 2015	713,713
Released upon deconsolidation of a subsidiary	(138,133)
At 30 September 2016	575,580
Recognised for the year	86,806
At 30 September 2017	622,386
Carrying amount	
At 30 September 2017	1,324,993
At 30 September 2016	29,555

Impairment test:

Goodwill set out above has been allocated to the individual cash generating units ("CGU") as at 30 September 2017. The carrying amounts of goodwill (net of accumulated impairment losses) at the end of the reporting period allocated to these are as follows:

	2017 **HK$'000**	2016 HK$'000
Domestic — Jewellery and watches	**29,555**	29,555
Property investment	**–**	–
Electric vehicle	**1,295,438**	–

20. GOODWILL *(continued)*

Domestic — Jewellery and Watches

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 2017 was determined in a similar manner as in 2016.

Key assumptions used in the calculation of value-in-use were discount rate, growth rate and budgeted revenue. The pre-tax discount rate of 27.2% (2016: 25.2%) used reflects the specific risks relating to the CGUs. A growth rate of 3% (2016: 3%) was used. Cash flow, beyond the five-year were projected by using a steady growth rate of 3% (2016: 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 (2016: Nil).

The Board believes 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.

Property investment

The goodwill associated with Rich Cypress Limited arose when that business was acquired by the Group on 12 October 2016 (Note 22(a)(ii)).

The recoverable amount of property investment CGU was based on the fair value less cost of disposal using the valuation model under market approach. Fair value less cost of disposal of this CGU falls within level 3 of fair value hierarchy. Based on the valuation report prepared by Grant Sherman, the carrying amount of goodwill of approximately HK$86,806,000 was fully impaired for the year ended 30 September 2017.

The Board believes 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.

Electric vehicle

The goodwill associated with GLM Co., Ltd. arose when that business was acquired by the Group on 29 September 2017 (Note 22(a)(i)).

The recoverable amount of electric vehicle CGU was based on the fair value less cost of disposal using company transactions method under market approach. Fair value less cost of disposal of this CGU falls within level 3 of fair value hierarchy. Based on the valuation prepared by an external independent professional valuer, Consulting Group Limited ("Consulting Group"), no impairment was recognised for the year ended 30 September 2017.

The Board believes 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.

21. 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 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
Exchange realignment	4,160	651	–	4,811
At 30 September 2017	327,143	123,953	–	451,096
Accumulated amortisation and impairment losses				
At 1 October 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 reversed	(13,748)	(10,269)	–	(24,017)
At 30 September 2016	226,929	94,237	–	321,166
Exchange realignment	4,451	651	–	5,102
Provided for the year	–	12,918	–	12,918
Impairment loss/(reversed)	54,595	(7,529)	–	47,066
At 30 September 2017	285,975	100,277	–	386,252
Carrying amount				
At 30 September 2017	41,168	23,676	–	64,844
At 30 September 2016	96,054	29,065	–	125,119

21. 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 2017 and 2016 as the gold mines are still in a development stage and no mining activities are conducted.

As of 30 September 2017, the management has engaged a new independent professional valuer, Mining Group Limited ("Mining Group"), to carry out a valuation on the mineral asset for the purpose of an impairment review on the mineral asset. As the future income stream is still uncertain, Mining Group adopted the market based approach, and the recoverable amount of the mineral asset is determined to be the fair value less cost of disposal of the mineral asset. Fair value less cost of disposal is based on comparable transaction price at which other similar mineral assets are transacted, subject to availability. Fair value less cost of disposal of the mineral asset falls within level 3 of the fair value hierarchy. Based on the valuation report, an impairment loss of approximately HK$54,595,000 (2016: reversal of impairment loss of HK$13,748,000) is recognised for the year ended 30 September 2017. There has been no change from the valuation principles adopted by previous valuer in past year. However, after considering the status of the mineral asset on 30 September 2017, valuers of Mining Group adopted modifications to selection criteria in completing this valuation and professional judgement in concluding the value of the mineral assets. This leads to the new assessment of impairment loss.

(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 1.3 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$7,529,000 was recognised during the year ended 30 September 2017 (2016: reversal of Impairment loss of HK$10,269,000). 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.

Key assumptions used in the calculation of value of the distribution rights were discount rate, growth rate and budgeted revenue. The discount rate of 18.5% (2016: 18.4%) 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.

(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 and deconsolidated from the consolidated financial statements for the year ended 30 September 2016.

22. CONTINGENT CONSIDERATION RECEIVABLE

At fair value	HK$'000
At 1 October 2015	63,771
Change in fair value	(24,593)
At 30 September 2016	39,178
Change in fair value	(39,177)
At 30 September 2017	1

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).

(a) The loss for contingent consideration receivable measured at fair value on level 3 held as at 30 September 2017 amounted to approximately HK$39,177,000 (2016: HK$24,593,000), which is mainly due to a very high probability of the achievement of the profit guarantee.

(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.

The fair value of the contingent consideration receivable at 30 September 2017 and 2016 are based on the valuations performed by Grant Sherman, using a Monte Carlo simulation.

The profit guarantee relating to the acquisition of Sinoforce Group, Monte Carlo simulation is 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.

22. CONTINGENT CONSIDERATION RECEIVABLE *(continued)*

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.

	2017	**Effect on fair value for increase of inputs**	2016	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	**59.5%**	**Increase**	61%	Increase
Discount rate	**0.50%**	**Decrease**	0.44%	Decrease
Time to settlement date	**0.67**	**Decrease**	1.67	Decrease

23. INTERESTS IN AN ASSOCIATE

	Note	**2017 HK$'000**	2016 HK$'000
Cost of investment in an associate		**6,359**	–
Less: Share of loss		**(225)**	–
		6,134	–
Amount due to an associate	(a)	**(271)**	–
		5,863	

(a) The amount is unsecured, interest-free and repayable on demand.

(b) At 30 September 2017, the Group had interests in the following associate:

Name of associate	**Place of incorporation/ establishment and operations**	**Paid-up share/ registered capital**	**Proportion of ownership interest held**	**Principal activities**
新景鐘錶行有限公司 (Sun King Watch Limited*)	Macau	MOP13,100,000	50%	Retail of watches

* For identification purpose only

23. INTERESTS IN AN ASSOCIATE *(continued)*

Summarised financial information of the associate is presented below:

	2017 **HK$'000**	2016 HK$'000
Current assets	**12,271**	–
Non-current assets	**36**	–
Current liabilities	**(39)**	–
Net assets	**12,268**	–
Group's share of the net assets of the associate	**6,134**	–
Revenue	**647**	–
Net loss	**(450)**	–
Group share of loss of an associate	**(225)**	–

24. DEPOSITS PAID

	2017 **HK$'000**	2016 HK$'000
Deposit paid for acquisition of a subsidiary (Note)	**–**	254,193
Deposit paid for acquisition of properties	**61,187**	–
Rental deposit	**1,068**	1,068
Others	**358**	–
	62,613	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, and the acquisition was completed on 12 October 2016. The deposit is interest-free and unsecured.

25. LOAN AND INTEREST RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan and interest receivables from money lending business	**657,364**	539,531
Current portion included in current assets	**(270,267)**	(260,780)
Amounts due after one year included in non-current assets	**387,097**	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 8%–15.6% (2016: 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.

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:

	2017 HK$'000	2016 HK$'000
Current	**270,267**	260,780
1 to 3 years	**387,097**	278,751
	657,364	539,531

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**657,364**	539,531

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.

26. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**334,941**	328,689

The cost of inventories recognised as an expense includes approximately HK$7,807,000 (2016: HK$4,039,000) 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.

27. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**98,327**	69,182
Less: Impairment loss recognised	**(715)**	(706)
	97,612	68,476
Deposits	**4,006**	5,976
Prepayment and other receivables	**32,101**	14,779
Amount due from a deconsolidated subsidiary (Note)	**6,307**	6,307
	42,414	27,062
Less: Impairment loss recognised	**(6,836)**	(522)
	35,578	26,540
	133,190	95,016

Note: As the deconsolidated subsidiary is still through liquidation, the directors of the Company consider that this receivable could not be recoverable and therefore provided an impairment loss of approximately HK$6,307,000 for the year ended 30 September 2017.

Certain trade receivables with carrying amount of HK$14,586,000 (2016: HK$24,111,000) as at 30 September 2017 are pledged against short-term borrowings granted to the Group.

Included in the trade receivables are amounts due from related parties amounting to HK$Nil (2016: HK$4,018,000). 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 180 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.

27. 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:

	2017	2016
	HK$'000	HK$'000
1–30 days	**45,669**	42,204
31–60 days	**21,321**	9,756
61–90 days	**294**	2,393
Over 90 days	**30,328**	14,123
	97,612	68,476

At 30 September 2017 and 2016, 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 2017	**97,612**	**65,242**	**5,838**	**5,248**	**12,684**	**8,600**
At 30 September 2016	68,476	42,204	9,756	2,393	106	14,017

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

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

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

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**706**	69,668
Exchange realignment	**9**	(37)
Written off as uncollectible	**–**	(66,654)
Elimination on deconsolidation of a subsidiary	**–**	(2,271)
At the end of the year	**715**	706

27. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2017 **HK$'000**	2016 HK$'000
At the beginning of the year	**522**	34,106
Exchange realignment	**7**	(10)
Recognised for the year	**6,307**	532
Written off as uncollectible	**–**	(34,106)
At the end of the year	**6,836**	522

28. HELD-FOR-TRADING INVESTMENT

At fair value	**2017** **HK$'000**	2016 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**25,362**	43,340

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.

No investment (2016: HK$43,340,000) as at 30 September 2017 is pledged against other payables (2016: HK$4,079,000) for margin finance granted to the Group (see Note 32).

29. BANK BALANCES AND CASH

For the two years ended 30 September 2017 and 2016, 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 (2016: 0.01% to 6% per annum).

At 30 September 2017, the Group's bank balances and cash denominated in RMB amounted to approximately RMB120,551,000, equivalent to approximately HK$141,713,000 (2016: RMB78,083,000, equivalent to approximately HK$90,623,000). 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.

30. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 29 June 2017, the Company and Clever Trade Investment Limited (the "Purchaser") entered into an agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing a 60% equity interest in the Company's subsidiary, Power Boom International Limited ("Power Boom"), at a cash Consideration of HK$610 million (the "Proposed Disposal").

30. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE *(continued)*

The Proposed Disposal has not been completed as at 30 September 2017, as additional time was required for the fulfillment of certain conditions to the agreement. On 29 December 2017, the Company and the Purchaser entered into the second supplemental agreement to further extend the long stop date to 31 March 2018. To demonstrate the good faith in proceeding with the Disposal, a total sum of HK$370 million has been paid by the Purchaser to the Company as at the date of the second supplemental agreement as part payment of the consideration. Details are set out in the Company's announcement on 29 December 2017.

Management plans to complete the Proposed Disposal within the next 12 months starting from 30 September 2017. As such, the assets and liabilities of Power Boom and its subsidiaries (the "Disposal Group") were classified as held for sale as at 30 September 2017. The net proceeds of the Proposed Disposal are expected to exceed the net carrying amount of assets and liabilities and accordingly, no impairment loss has been recognised.

(i) Assets and liabilities of disposal group held for sale

As at 30 September 2017, the Disposal Group comprised the following assets and liabilities.

	2017 **HK$'000**	2016 HK$'000
Property under development	**1,300,000**	–
Bank and cash balances	**351**	–
Total assets classified as held for sales	**1,300,351**	–
Accruals and other payables	**(66)**	–
Total liabilities clarified as held for sale	**(66)**	–

31. 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:

	2017 **HK$'000**	2016 HK$'000
1–30 days	**57,361**	31,521
31–60 days	**7,078**	11,848
61–90 days	**345**	15
Over 90 days	**1,466**	47
	66,250	43,431

32. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Accruals	**17,842**	14,844
Amounts due to former related companies (Note i)	**150**	16,650
Amount due to a former shareholder of a subsidiary	**4,723**	–
Other payables (Note ii)	**146,068**	10,032
	168,783	41,526

Notes:

(i) The amounts due to Hengdeli Holding Limited and its associates ("Hengdeli Group") is interest free, unsecured and repayable on demand. Hengdeli Group was ceased to be a related party on 11 May 2017.

(ii) Included in other payables as at 30 September 2017 was an amount due to a security broker of approximately HK$Nil (2016: HK$4,079,000 bearing interest of 6% per annum and repayable on demand). The amount is secured by held-for-trade investment of approximately HK$Nil (see Note 28) for margin finance facilities up to HK$20,000,000 granted to the Group.

33. BORROWINGS

	Note	2017 HK$'000	2016 HK$'000
Secured bank loans — short term	(a)	**64,656**	40,621
Unsecured bank loan — long term	(b)	**13,734**	–
Secured bank loan — long term	(c)	**20,602**	–
Secured other borrowings — short term	(d)	**41,144**	–
		140,136	40,621

At 30 September 2017 and 2016, total current bank loans were repayable as follows:

	2017 HK$'000	2016 HK$'000
Carrying amounts repayable:		
On demand or within one year	**105,800**	40,621
In the second to third years	**–**	–
In the third to fifth years, inclusive	**13,734**	–
Beyond five years	**20,602**	–
	140,136	40,621

33. BORROWINGS *(continued)*

Note:

(a) The short term secured 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 (2016: 4% to 8% per annum). The bank loans were secured by certain of the Group's trade receivable and certain investment properties as disclosed in Note 27 and 19 respectively.

(b) The long term unsecured bank loan bears interest from 0.4% to 5.65% per annum (varies with level of earnings before interest, taxes, depreciation and amortisation) and is repayable in 2020.

(c) The long term secured bank loan is secured by the Group's land and buildings with an aggregate net carrying amount of HK$45,512,000 (see Note 18), bears interest of 2.1% below Japan prime rate per annum and is repayable in 2036.

(d) The short term secured other borrowing bear interest rate at variable rates by reference to the Loan Prime Rate minus 0.385% to plus 2.66% per annum. The other borrowing was secured by certain of the Group's trade receivable as disclosed in Note 27.

34. DEFERRED TAX LIABILITIES

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

	Intangible assets HK$'000	Leasehold buildings HK$'000	Investment properties HK$'000	Total HK$'000
At 1 October 2015	26,416	2,043	–	28,459
Exchange realignment	(1,143)	(117)	–	(1,260)
Deconsolidation of a subsidiary (Note 14)	–	(1,926)	–	(1,926)
Credit to profit and loss	3,371	–	–	3,371
At 30 September 2016	28,644	–	–	28,644
Exchange realignment	(75)	–	1,699	1,624
Acquisition of a subsidiaries (Note 37(a)(i) and (ii))	–	2,179	77,063	79,242
Charge to profit and loss	(14,537)	–	9,985	(4,552)
At 30 September 2017	14,032	2,179	88,747	104,958

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

35. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK$'000
Authorised:		
At 1 October 2015 and 30 September 2016 and 2017 (HK$0.1 each)	10,000,000	1,000,000
Issued and fully paid:		
At 1 October 2015 and 30 September 2016	2,451,771	245,177
Exercise of share options	8,520	852
Share subscription (Note i)	570,732	57,073
Issues of shares by acquisition of subsidiaries (Note ii)	2,630,919	263,092
At 30 September 2017	5,661,942	566,194

Notes:

(i) On 7 July 2017, the Company and independent third parties (the "Subscribers") entered into a subscription agreement, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 570,731,706 shares at the price of HK$0.82 per share. The subscription was completed on 29 September 2017. The net proceeds from the subscription were approximately HK$468,000,000 and was used for the payment of cash portion of total consideration and cash consideration payable under the Target Share Consideration in relation to the acquisition of GLM Co., Ltd.. Details are set out in the announcement of the Company dated 7 July 2017.

(ii) On 11 May 2017, the Company issued 1,960,000,000 consideration shares at a price determined with reference to the fair value of the assets acquired for acquisition of 60% of equity interest in Power Boom (see Note 37(b)).

On 29 September 2017, the Company issued 670,918,575 consideration shares at a quoted market price of HK$1.67 and cash in JPY4,952,208,110 (equivalent to approximately HK$346,825,000) for acquisition of 85.5% of the issued share capital and all outstanding share options in GLM Co., Ltd. (see Note 37(a)(i)).

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

36. 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 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 39)	–	–	–	1,596	–	–	1,596
Purchase of non-controlling interests (Note 40)	–	–	–	–	–	2,607	2,607
At 30 September 2016	2,509,148	2,921	792	1,596	11	(1,326,240)	1,188,228
Loss for the year	–	–	–	–	–	(90,108)	(90,108)
Exchange differences arising on translation of foreign operations	–	2,493	–	–	–	–	2,493
Release upon disposal of subsidiaries	–	(17,782)	–	–	–	–	(17,782)
Total comprehensive income for the year	–	(15,289)	–	–	–	(90,108)	(105,397)
Acquisition of subsidiaries (Note 37(a)(i) and (b))	1,309,469	–	–	–	–	–	1,309,469
Release upon disposal of subsidiaries	–	–	(792)	–	–	792	–
Dividend to non-controlling interests	–	–	–	–	–	–	–
Transfer during the year	–	–	526	–	–	(526)	–
Exercise of share option	7,826	–	–	(3,140)	–	–	4,686
Recognition of equity-settled share-based payment (Note 39)	–	–	–	19,179	–	–	19,179
Issue upon share subscription (Note 35)	410,927	–	–	–	–	–	410,927
	4,237,370	(12,368)	526	17,635	11	(1,416,082)	2,827,092

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.

37. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business

(i) Acquisition of GLM Co., Ltd. ("GLM")

On 7 July 2017, the Group (the purchaser) entered into a sale and purchase agreement with several independent third parties (the vendors) to acquire 85.5% of the issued share capital and all outstanding share options of GLM at the total consideration of JPY12,807,658,245 (equivalent to approximately HK$896,976,000). The total consideration was settled as to JPY7,855,450,135 (equivalent to approximately HK$550,152,000) by the allotment and issue of 670,918,575 consideration shares at the issue price of JPY11.7085 (equivalent to approximately HK$0.82) per share and as to JPY4,952,208,110 (equivalent to approximately HK$346,825,000) in cash. The acquisition was completed on 29 September 2017, which is also the acquisition date for accounting purpose. The fair value of the consideration shares of approximately HK$964,202,000 was determined by reference to the published closing price of HK$1.67 at the completion date and the lock-up period of the consideration shares issued to the vendors. GLM is principally engaged in the development, manufacturing and sale of electric vehicles ("EV"), and the provision of EV engineering solution in Japan.

The identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	49,465
Deposit	358
Inventories	7,483
Other receivables, prepayments and deposits	14,513
Cash and cash equivalents	10,155
Trade payables	(15)
Other payables and accruals	(27,212)
Interest-bearing bank and other borrowings	(34,335)
Deferred tax	(2,179)
Total identifiable net assets acquired	18,233
Non-controlling interest	2,644
Consideration	1,311,027
Less: Fair value of net assets acquired	(18,233)
Goodwill (Note 20)	1,295,438
Total purchase consideration satisfied by:	
Issuance of new shares	964,202
Cash consideration paid	346,825
	1,311,027
Net cash outflow arising on acquisition:	
Cash consideration paid	346,825
Less: Cash and cash equivalents acquired	(10,155)
	336,670

37. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Acquisition of business *(continued)*

(i) Acquisition of GLM Co., Ltd. ("GLM") *(continued)*

Goodwill arising on the acquisition of GLM in the current year is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer, Consulting Group, to carry out a valuation on the fair value of the consideration shares and the net identifiable assets acquired as at date of acquisition.

Since the acquisition date, GLM has not contributed any revenue and profit or loss after income tax to the Group. If the acquisition had occurred on 1 October 2016, consolidated revenue and consolidated loss after income tax of the Group from continuing operation for the year ended 30 September 2017 would have been approximately HK$565,883,000 and HK$ 201,210,000 respectively.

(ii) Acquisition of Rich Cypress Limited ("Rich Cypress")

On 29 September 2016, the Group (the purchaser) entered into a sale and purchase agreement with an independent third party (the vendor) to acquire the entire issued share capital of Rich Cypress at an aggregate cash consideration of RMB219,000,000 (equivalent to approximately HK$252,792,000). The acquisition was completed on 12 October 2016, which is also the acquisition date for accounting purpose. Rich Cypress is principally engaged in property investment in the PRC.

The identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Investment properties	400,196
Property, plant and equipment	1,478
Inventories	47
Trade receivables	2,568
Prepayments, deposits and other receivables	7,755
Cash and bank balances	12,720
Other payables and accruals	(47,600)
Other borrowing	(5,772)
Tax payables	(379)
Deferred tax liabilities	(77,063)
Total identifiable net assets acquired	293,950
Non-controlling interests	127,964
Consideration	252,792
Less: Fair value of net assets acquired	(293,950)
Goodwill (Note 20)	86,806
Total purchase consideration satisfied by:	
Cash consideration paid	252,792
Net cash outflow arising on acquisition:	
Cash consideration paid	252,792
Less: Cash and cash equivalents acquired	(12,720)
	240,072

37. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Acquisition of business *(continued)*

(ii) Acquisition of Rich Cypress Limited ("Rich Cypress") *(continued)*

Goodwill arising on the acquisition of Rich Cypress in the current year is determined on the fair value of the net identifiable assets acquired. The management of the Company has engaged an independent professional valuer, Grant Sherman, to carry out a valuation on the fair value of the net identifiable assets acquired as at date of acquisition.

Since the acquisition date, Rich Cypress has contributed revenue of approximately HK$30,308,000 and a profit after income tax of approximately HK$37,005,000 to the Group. If the acquisition had occurred on 1 October 2016, consolidated revenue and consolidated loss after income tax of the Group from continuing operations for the year ended 30 September 2017 would have been approximately HK$545,533,000 and HK$95,325,000 respectively.

(b) Acquisition of assets and liabilities through acquisition of subsidiary

Acquisition of Power Boom

On 16 May 2016, the Group entered into a conditional sale and purchase agreement with a connected party to acquire a 60% equity interest in Power Boom at a consideration of HK$588 million which was 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 acquisition was completed on 11 May 2017. The principal assets of Power Boom are property for development in Guangzhou, the PRC.

The directors of the Company are of the opinion that the acquisition of Power Boom is a purchase of net assets which does not constitute a business combination for accounting purpose as Power Boom is engaged in the early stage of property development. The measurement of consideration paid in the form of consideration shares is determined by reference to the fair value of the net assets acquired at the completion date of acquisition. The management of the Company has engaged an independent professional valuer, Grant Sherman, to carry out a valuation on the fair value of the net identifiable assets acquired as at date of acquisition.

The identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	HK$'000
Net assets acquired:	
Property under development	1,300,000
Bank balances and cash	351
Accruals and other payables	(66)
Non-controlling interest	(691,926)
	608,359
Consideration	608,359
Total purchase consideration satisfied by:	
Issuance of new shares	608,359
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	(351)
	(351)

38. GAIN ON DISPOSAL OF SUBSIDIARIES

On 21 February 2017, the Group entered into a sale and purchase agreement to dispose of its entire equity in its subsidiaries, Maxbonus Investments Limited ("Maxbonus"), 莎梵蒂珠寶貿易（上海）有限公司 ("莎梵蒂"), and Perfect Glory International Limited ("Perfect Glory") to an independent third party at a consideration of HK$1,000,000. The principal activities of Maxbonus, 莎梵蒂and Perfect Glory are investment holdings and trading of jewellery products. The disposal was completed on 22 February 2017. The net assets of subsidiaries were as follows:

	HK$'000
Net assets disposed of	
Other receivables	35
Plant and equipment	6
Bank balances and cash	86
	127
Cash consideration received	1,000
Less: Net assets acquired	(127)
Release of exchange reserves	17,782
Gain on disposal of subsidiaries	18,655
Net cash inflow arising on disposal	914

39. 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

39. SHARE OPTIONS *(continued)*

(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:

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**43,660,272**	**0.65**	43,660,272	0.65
Granted during the year	**25,000,000**	**0.85**	–	–
Exercised during the year	**(8,520,000)**	**0.65**	–	–
Outstanding at the end of the year	**60,140,272**	**0.73**	43,660,272	0.65

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
6 April 2017	25,000,000	10 years from the date of grant	$0.84

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.

The weighted average closing share price at the date immediately before the date on which the options were exercised during the year ended 30 September 2017 was HK$1.09.

Where share options are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture

39. SHARE OPTIONS *(continued)*

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

Year ended 30 September 2017	**Outstanding at 1 October 2016**	**Exercised during the year**	**Granted during the year**	**Outstanding at 30 September 2017**
Directors	17,136,000	(3,360,000)	20,000,000	33,776,000
Eligible employees	26,524,272	(5,160,000)	5,000,000	26,364,272
	43,660,272	(8,520,000)	25,000,000	60,140,272
Exercisable at the end of year				25,212,054

Year ended 30 September 2016	Outstanding at 1 October 2015	Exercised during the year	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				–

39. SHARE OPTIONS *(continued)*

For the share options granted on 19 July 2016 and 6 April 2017, the management has engaged Grant Sherman to carry out valuations on the fair value of the share options. The fair value were determined by using a binomial option pricing model. The inputs into the model were as follows:

Date of grant	**6 April 2017**	19 July 2016
Share price on the date of grant	**HK$0.84**	HK$0.65
Exercise price	**HK$0.84**	HK$0.65
Expected volatility	**75.58%**	75.93%
Expected life	**10 years**	10 years
Risk-free rate	**2.24%**	1.45%
Expected dividend yield	**0%**	0%

The fair value of the share options depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of share options.

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$30,191,000 (2016: HK$18,351,000).

The Group recognised the expense of approximately HK$19,179,000 for the year ended 30 September 2017 (2016: HK$1,596,000) in relation to share options granted by the Company.

40. PURCHASE OF NON-CONTROLLING INTERESTS

During the year 30 September 2016, the Group acquired 5.1% equity interest in an 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

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2017, the Group had the following non-cash transactions:

(i) As detailed in Note 37(a)(i) and (b), a total number of 2,630,919,000 ordinary shares of the Company were issued as consideration for the acquisition of subsidiaries.

(ii) The Company settled the consideration of approximately HK$252,792,000 for acquisition of subsidiary by the deposit paid in 2016 (Note 37(a)(ii)).

41. MAJOR NON-CASH TRANSACTIONS *(continued)*

There were no major non-cash transactions during the year ended 30 September 2016.

42. DIVIDEND

No dividend was paid or proposed for the year ended 30 September 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

43. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

- In addition to 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:

	2017 **HK$'000**	2016 HK$'000
Sales of goods	**15,799**	45,906
Rental expense	**387**	615
Sundry income	**–**	1,702
Management fee expense	**938**	1,402

Note:

The Group and Hengdeli Group entered into a 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.

As set out in the Company's announcement dated 11 May 2017, Hengdeli Group have ceased to be the substantial shareholders and connected persons of the Company as from 11 May 2017. Accordingly, the transactions contemplated under the Agreement no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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.

- As stated in Note 37(b), the Group acquired 60% equity interest in Power Boom at a consideration of HK$588 million from a company, wholly owned by Mr. Zhang Jinbing, which constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. Details of this connection transactions are set out in the Company's announcement from dated 25 May 2016, 27 July 2016, 19 December 2016 and 11 May 2017 and the circular dated 11 July 2016.

- **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.

44. PLEDGE OF ASSETS

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

	2017 HK$'000	2016 HK$'000
Property, plant and equipment (Note 18)	42,512	–
Investment properties (Note 19)	20,102	–
Trade receivables (Note 27)	14,586	24,111
Held-for-trading investment (Note 28)	–	43,340
	77,200	67,451

45. 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:

	2017 HK$'000	2016 HK$'000
Within 1 year	7,894	6,691
In 2 to 5 years, inclusive	11,485	9,741
After 5 years	12,090	15,877
	31,469	32,309

46. CAPITAL COMMITMENT

	2017 HK$'000	2016 HK$'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

47. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2017 (2016: Nil).

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current Assets		
Investments in subsidiaries	**1,388,765**	77,737
Current Assets		
Prepayments, deposits and other receivables	**232**	3,892
Amounts due from subsidiaries	**1,099,392**	781,983
Bank balances and cash	**123,766**	17,029
Tax recoverable	**–**	50
	1,223,390	802,954
Current Liabilities		
Amounts due to subsidiaries	**394,386**	409,617
Other payables and accruals	**5,750**	2,465
Tax payable	**22**	–
	400,158	412,082
Net Current Assets	**823,232**	390,872
Total Assets Less Current Liabilities	**2,211,997**	468,609
NET ASSETS	**2,211,997**	468,609
CAPITAL AND RESERVES		
Share capital	**566,194**	245,177
Reserves	**1,645,803**	223,432
TOTAL EQUITY	**2,211,997**	468,609

Mr. Ho King Fung, Eric
Director

Mr. Ho Chi Kit
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

48. 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 2015	2,586,685	–	(2,366,435)	250,220
Total comprehensive expenses for the year	–	–	1,586	1,586
Recognition of equity-settled share-based payment (Note 39)	–	1,596	–	1,596
At 30 September 2016	2,586,685	1,596	(2,364,849)	223,432
Total comprehensive income for the year	–	–	(321,930)	(321,930)
Issue of shares upon acquisition of subsidiaries (Note 37)	1,309,509	–	–	1,309,509
Recognition of equity-settled share-based payment (Note 39)	–	19,179	–	19,179
Exercise of share option	7,826	(3,140)	–	4,686
Issue upon share subscription (Note 35)	410,927	–	–	410,927
At 30 September 2017	4,314,947	17,635	(2,686,779)	1,645,803

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.

49. SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 September 2017 and 2016 are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company 2017	2016	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%**	100%	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%**	100%	Retail and wholesale of watches
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
GLM Co., Ltd.	Japan	JPY 52,500	**85.5%**	–	Manufacturing and sale of electric vehicle
Shenyang Storage and Transportation Group Logistic Co., Ltd.	PRC	RMB30,425,099	**61.52%**	–	Property investment
Shenyang Dongmao Paper Trading Centre Co., Ltd.	PRC	RMB8,262,601	**54.08%**	–	Property investment

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.

49. 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.

(a) Chi Feng Guo Jin Mining Company Limited

	2017	2016
Principal place of business/country of incorporation	PRC	
% of ownership interests/voting rights held by NCI	39.4%/39.4%	39.4%/39.4%
	HK$'000	HK$'000
At 30 September:		
Non-current assets	41,172	96,054
Current assets	883	1,365
Non-current liabilities	(8,111)	(23,849)
Current liabilities	(10,244)	(9,883)
Net assets	23,700	63,687
Accumulated NCI	9,338	25,093
Year ended 30 September:		
Revenue	–	–
(Impairment loss)/reversal of impairment loss on intangible assets	(54,595)	13,748
(Loss)/profit	(39,699)	10,909
Total comprehensive income	(39,991)	(2,850)
(Loss)/profit allocated to NCI	(15,641)	4,298
Dividends paid to NCI	–	–
Net cash (used in)/generated from operating activities	(833)	136
Net cash used in investing activities	–	–
Net cash generated from financing activities	361	292
Net (decrease)/increase in cash and cash equivalents	(461)	428

49. SUBSIDIARIES *(continued)*

(b) Shenyang Storage and Transportation Group Logistic Co., Ltd.

	2017	2016
Principal place of business/country of incorporation	**PRC**	
% of ownership interests/voting rights held by NCI	**38.48%/38.48%**	N/A
	HK$'000	HK$'000
At 30 September:		
Non-current assets	**224,822**	–
Current assets	**19,503**	–
Non-current liabilities	**–**	–
Current liabilities	**(8,548)**	–
Net assets	**235,777**	–
Accumulated NCI	**90,727**	–
Year ended 30 September:		
Revenue	**23,800**	–
Profit	**1,916**	–
Total comprehensive income	**2,366**	–
Profit allocated to NCI	**1,648**	–
Dividends paid to NCI	**1,496**	–
Net cash generated from operating activities	**4,787**	–
Net cash used in investing activities	**–**	–
Net cash used in financing activities	**(3,400)**	–
Net increase in cash and cash equivalents	**1,387**	–

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 9 October 2017, the Group signed a non-binding memorandum of understanding (the "MOU") with EV Power Holding Limited ("EV Power"), a large electric vehicle charging solution and standard provider in Hong Kong and PRC for the purpose of creating synergy effect with the electric vehicle business of the Group. Pursuant to the MOU, EV Power intended to issue and allot and the Company intended to subscribe for the preferred shares of EV Power in the total value of US$12,000,000. Details of the MOU are set out in the Company's announcement dated 9 October 2017.

(b) On 24 October 2017, the Group entered into a non-binding MOU in relation to an investment in a company, Divergent Technologies, Inc ("Divergent") based in the United States principally engaged in the business of research, design, development, and production of 3D printed vehicle structures through use of its proprietary software-hardware platform enabled by laser-based 3D metal printing. Details of the MOU are set out in the Company's announcement dated 25 October 2017.

On 13 November 2017, the Group invested US$10,000,000 (equivalent to approximately HK$78,000,000) in the convertible promissory note from Divergent, details of which are set out in the Company's announcement dated 14 November 2017.

On 21 November 2017, the Group entered into a subscription agreement with Divergent on the subscription of 3,447,705 Preferred Shares of Divergent for a consideration of US$50 million, details of which are set out in the Company's announcement dated 22 November 2017.

On 15 December 2017, the Group entered into a mutual agreement with Divergent to delay the closing until on or before 28 December 2017, or such other date no later than 3 January 2018, in accordance with (1) the amended convertible note of which the principal amount is amended from US$10 million to US$25 million (the "Amended Convertible Note"); and (2) the amended subscription agreement (the "Amended Subscription Agreement") of which the number of shares to be acquired is amended from 3,447,705 Divergent Preferred Shares to 2,413,393 Divergent Preferred Shares, and the aggregate consideration of the subscription payable upon closing is amended from US$50 million to US$35 million. Details of the Amended Convertible Note and Amended Subscription Agreement are set out in the Company's announcement dated 15 December 2017.

On 27 December 2017 (Pacific Time), all the conditions precedent of the Amended Subscription Agreement have been fulfilled and the completion successfully took place and the automatic conversion of the Amended Convertible Note has been triggered. Upon closing, the amended convertible note has been automatically converted into 1,725,403 Divergent Preferred Shares. The Group holds a total of approximately 27% of the fully diluted share capital of Divergent on 28 December 2017.

(c) On 16 and 17 December 2017, the Company and no less than six subscribers entered into the subscription agreements, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to issue to the subscribers, an aggregate of 250,904,000 new shares at the subscription price on the terms and subject to the conditions set out in the subscription agreements. Details of the subscription are set out in the Company's announcement dated 17 December 2017.

(d) On 9 and 16 October 2017, the Company offered to grant 50,000,000 and 4,000,000 share options to subscribe for one ordinary share of HK$0.10 each in the Company to Mr. Ho Chi Kit, chief executive officer and eligible employee of the Company, respectively. The estimated fair value of the options granted are HK$53,180,000. Details of the share options granted are set out on the Company's announcements dated 9 October 2017 and 16 October 2017 respectively.