

TREASURE CASTLE HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the period from June 27, 2011
(date of incorporation) to December 31, 2012

TREASURE CASTLE HOLDINGS LIMITED

DIRECTORS' REPORT

The directors submit their first report and the audited financial statements of the Company and the Group for the period from June 27, 2011 (date of incorporation) to December 31, 2012.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding.

The principal activities of the Company's subsidiaries are set out in note 11 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the period from June 27, 2011 (date of incorporation) to December 31, 2012 and the state of affairs of the Company and the Group at December 31, 2012 are set out in the attached audited financial statements.

The directors do not recommend the payment of a dividend in respect of the period from June 27, 2011 (date of incorporation) to December 31, 2012.

RESERVES

Movements in reserves during the period are set out in the consolidated statement of changes in equity.

FIXED ASSETS

Movements in fixed assets during the period are set out in note 10 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the period are set out in note 16 to the financial statements.

DIRECTORS

The directors of the Company during the period and up to the date of this report were: -

Fernside Limited	(Appointed on June 27, 2011 and resigned on August 11, 2011)
Mr. Lam Wai Kuen	(Appointed on August 11, 2011 and resigned on May 29, 2012)
Mr. Wagh Ashwin Ulhas	(Appointed on August 11, 2011)
Mr. Jai Sunder Waney	(Appointed on May 29, 2012)
Mr. Ooi Meng Tsui Joanne	(Appointed on May 29, 2012)

There being no provision in the Company's Articles of Association for the retirement of directors, all remaining directors continue in office.

TREASURE CASTLE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

In the opinion of the directors, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director had a material interest subsisted at the end of the period or at any time during the period, except as disclosed in the financial statements.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The first independent auditors, Messrs. Nexia Charles Mar Fan & Co., retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Chairman



Hong Kong, July 27, 2015

INDEPENDENT AUDITORS' REPORT

**To the Shareholders of
Treasure Castle Holdings Limited**
(Incorporated in Hong Kong with limited liability)

We have audited the annexed consolidated financial statements of Treasure Castle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and Company statements of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from June 27, 2011 (date of incorporation) to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)


**To the Shareholders of
Treasure Castle Holdings Limited**
(Incorporated in Hong Kong with limited liability)

Basis for qualified opinion

These consolidated financial statements have been prepared to cover a period from June 27, 2011 (date of incorporation) to December 31, 2012 and are therefore not in compliance with Sections 111(1), 122(1) and 122(2) of the predecessor Hong Kong Companies Ordinance (Cap. 32), which require audited accounts of a company be laid before the first annual general meeting not later than eighteen months of its incorporation.

Qualified opinion arising from failure to comply with the Hong Kong Companies Ordinance

Except for the matter described in the basis for qualified opinion paragraph, in our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2012 and of the Group's loss and cash flows for the period from June 27, 2011 (date of incorporation) to December 31, 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 32).



Nexia Charles Mar Fan & Co.
Certified Public Accountants

July 27, 2015

TREASURE CASTLE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

	<u>Note</u>	<u>HK\$</u>
Turnover	4	1,307,005
Cost of sales		<u>(963,691)</u>
Gross profit		343,314
Other revenue	5	4,282
Administrative expenses		<u>(16,128,407)</u>
Loss before taxation	6	(15,780,811)
Income tax	8	<u>-</u>
Loss and total comprehensive loss for the period		<u><u>\$(15,780,811)</u></u>

The annexed notes form an integral part of these financial statements.

TREASURE CASTLE HOLDINGS LIMITED

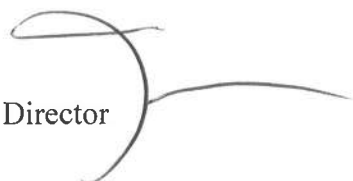
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	<u>Note</u>	<u>HK\$</u>
Non-current assets		
Fixed assets	10	333,362
Current assets		
Inventories	12	1,474,458
Trade and other receivables	13	32,887
Cash and bank balances		10,594,590
		12,101,935
Current liabilities		
Trade and other payables	14	275,059
Amount due to ultimate holding company	15	8,221,049
		<u>(8,496,108)</u>
Net current assets		3,605,827

NET ASSETS		\$3,939,189
		=====
Equity		
Share capital	16	1,300,000
Reserves	17	2,639,189
TOTAL EQUITY		\$3,939,189
		=====

Approved by the Board of Directors on July 27, 2015

Director



Director



The annexed notes form an integral part of these financial statements.

TREASURE CASTLE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

	<u>Note</u>	<u>Share capital</u> HK\$	<u>Share premium</u> HK\$	<u>Accumulated losses</u> HK\$	<u>Total</u> HK\$
Issue of ordinary share upon incorporation	16(b)(i)	1	-	-	1
Issue of ordinary shares	16(b)(i)	999,999	-	-	999,999
Issue of preference shares	16(b)(ii)	300,000	18,420,000	-	18,720,000
Loss and total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(15,780,811)</u>	<u>(15,780,811)</u>
At December 31, 2012		<u>\$1,300,000</u>	<u>\$18,420,000</u>	<u>\$(15,780,811)</u>	<u>\$3,939,189</u>

The annexed notes form an integral part of these financial statements.

TREASURE CASTLE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

	<u>HK\$</u>
Cash flows from operating activities	
Loss before taxation	(15,780,811)
Adjustments for:	
Depreciation	<u>105,350</u>
	(15,675,461)
Changes in working capital:	
Increase in inventories	(1,474,458)
Increase in trade and other receivables	(32,887)
Increase in trade and other payables	<u>275,059</u>
<i>Net cash used in operating activities</i>	(16,907,747) -----
Cash flows from investing activities	
Purchase of fixed assets	<u>(438,712)</u>
<i>Net cash used in investing activities</i>	(438,712) -----
Cash flows from financing activities	
Proceeds from issue of shares	19,720,000
Advances from ultimate holding company (net)	<u>8,221,049</u>
<i>Net cash generated from financing activities</i>	27,941,049 -----
Net increase in cash and cash equivalents and cash and cash equivalents at end of period	\$10,594,590 =====
Analysis of balances of cash and cash equivalents	
Cash and bank balances	\$10,594,590 =====

TREASURE CASTLE HOLDINGS LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	<u>Note</u>	<u>HK\$</u>
Non-current assets		
Investments in subsidiaries	11	7,800 -----
Current assets		
Amount due from a subsidiary	11	2,185,806
Cash and bank balances		9,991,655
		12,177,461
Current liabilities		
Other payables	14	30,000
Amount due to ultimate holding company	15	8,221,049
		<u>(8,251,049)</u>
Net current assets		3,926,412 -----
NET ASSETS		<u>\$3,934,212</u> =====
Equity		
Share capital	16	1,300,000
Reserves	17	2,634,212
TOTAL DEFICIENCY IN EQUITY		<u>\$3,934,212</u> =====

Approved by the Board of Directors on July 27, 2015

Director 


Director

The annexed notes form an integral part of these financial statements.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

1. GENERAL

The Company is a private limited liability company incorporated in Hong Kong under the Hong Kong Companies Ordinance. The registered office of the Company is located at 18th Floor, Corporation Square, 8 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

At December 31, 2012, the directors consider Value Train Investments Limited, a company incorporated in Hong Kong, as the immediate and ultimate holding company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 11 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period from June 27, 2011 (date of incorporation) to December 31, 2012. Results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant inter-group transactions and balances are eliminated on consolidation.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the predecessor Hong Kong Companies Ordinance (Cap. 32). The consolidated financial statements have been prepared under the historical cost convention.

Accounting period

These consolidated financial statements have been prepared to cover a period from June 27, 2011 (date of incorporation) to December 31, 2012 and are therefore not in compliance with Sections 111(1), 122(1) and 122(2) of the predecessor Hong Kong Companies Ordinance (Cap. 32) which require audited accounts of a company be laid before the first annual general meeting not later than eighteen months of its incorporation. The directors are of the opinion that to prepare audited financial statements to comply with the above would involve expenses out of proportion to the value to members of the Company. The directors acknowledge their responsibilities for complying with the requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) with respect to accounting records and the preparation of financial statements.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost, less only impairment losses. Results of the subsidiaries are accounted for on the basis of dividends received or receivable during the period.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance costs, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Fixed assets (continued)

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following rates per annum:

Leasehold improvements	Over the lease term
Furniture, fixtures and equipment	20%
Computer equipment	33 ¹ / ₃ %

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate at the end of each reporting period.

The gain or loss arising from the disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit or loss.

(c) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank balances with maturity of three months or less from the date of acquisition.

(f) **Trade and other payables**

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial in which case they are stated at cost.

(g) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) **Preference share capital**

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(i) **Operating leases**

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as expenses in profit or loss on a straight-line basis over the respective lease terms.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Provision

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditure expected to be required to settle the obligation.

(k) Translation of foreign currencies

The consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency (foreign currency) and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of these foreign entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at exchange rates ruling at the end of the reporting period and, their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) **Income tax**

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 period. Taxable profit differs from net profit as reported in consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(m) **Employee benefits**

(i) **Salaries, bonuses and leave benefits**

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage allowance and other costs to the Group of non-monetary benefits are recognised when they accrue to employees. Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Retirement benefits

Retirement benefits are provided to eligible employees of the Group. Hong Kong employees enjoy retirement benefits under the Mandatory Provident Fund with defined contributions. The employer's monthly contribution to the scheme is at a rate of 5% of an employee's monthly relevant income with a maximum of HK\$1,250 (HK\$1,000 prior to June 1, 2012). The cost of the scheme is charged to profit or loss for the period concerned and the assets of the scheme are held separately from those of the Group.

The pension schemes covering the Group's employees overseas are defined contribution schemes at various funding rates, and are in accordance with the local practices and regulations. The cost of all these schemes is borne by local authority and the assets of all these schemes are held separately from those of the Group.

(n) Revenue recognition

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

(o) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person: -

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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.

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties (continued)

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

- (i) The entity and the Group 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 Group or an entity related to the Group.
- (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).

4. TURNOVER

Turnover represents the invoiced value of goods sold less returns during the period.

5. OTHER REVENUE

	<u>Group</u> HK\$
Exchange gain	\$4,282 =====

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012**

6. LOSS BEFORE TAXATION

The loss before taxation is arrived at after charging/(crediting):

	<u>Group</u> HK\$
Auditors' remuneration	\$100,000 =====
Cost of inventories (note 12)	\$1,646,889 =====
Salaries and other costs	1,545,470
Contributions to retirement schemes	<u>45,362</u>
Staff costs (including directors' remuneration (note 7))	\$1,590,832 =====
Operating lease charges on land and buildings	\$682,500 =====
Depreciation	\$105,350 =====
Exchange gain	\$(4,282) =====

7. DIRECTORS' REMUNERATION

Particulars of directors' remuneration disclosed pursuant to Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows: -

	<u>Group</u> HK\$
Directors' fees	-
Salaries, allowances and benefits in kind	560,000
Retirement scheme contributions	<u>8,750</u>
	\$568,750 =====

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

8. INCOME TAX

No provision for Hong Kong profits tax has been made since the Group has no assessable profit for the period.

No provision for US profits tax has been made since the Group's subsidiary in U.S.A. has no assessable profit for the period.

The income tax for the period can be reconciled to the loss before taxation per consolidated statement of comprehensive income as follows:

	<u>Group</u> HK\$
Loss before taxation	\$(15,780,811) =====
Notional tax on loss before taxation, calculated at Hong Kong profits tax rate of 16.5%	(2,603,834)
Tax effect of non-deductible expenses	22,456
Tax effect of non-taxable income	(707)
Tax effect of unrecognised temporary differences	(29,107)
Tax loss not recognised	<u>2,611,192</u>
Income tax	\$ - =====

At December 31, 2012, no deferred tax asset has been recognised in respect of tax losses of approximately HK\$15,819,000 due to the unpredictability of the future profit streams. The tax losses do not expire under the current tax legislation.

9. LOSS FOR THE PERIOD

The loss for the period attributable to equity holders of the Company includes a loss of HK\$15,785,788, which has been dealt with in the financial statements of the Company.

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
DECEMBER 31, 2012

10. FIXED ASSETS

<u>Group</u>	<u>Leasehold improvements</u> HK\$	<u>Furniture, fixtures and equipment</u> HK\$	<u>Computer equipment</u> HK\$	<u>Total</u> HK\$
<u>Cost</u>				
Additions and at December 31, 2012	<u>138,480</u>	<u>94,965</u>	<u>205,267</u>	<u>438,712</u>
<u>Accumulated depreciation</u>				
Charge for the period and at December 31, 2012	<u>29,068</u>	<u>16,407</u>	<u>59,875</u>	<u>105,350</u>
<u>Net book value</u>				
At December 31, 2012	<u>\$109,412</u> =====	<u>\$78,558</u> =====	<u>\$145,392</u> =====	<u>\$333,362</u> =====

11. INTERESTS IN SUBSIDIARIES

	<u>Company</u> HK\$
Unlisted shares, at cost	
Additions and at December 31, 2012	17,800
<u>Less: Impairment loss</u>	<u>(10,000)</u>
	<u>\$7,800</u> =====
Amount due from a subsidiary	17,825,806
<u>Less: Impairment loss</u>	<u>(15,640,000)</u>
	<u>\$2,185,806</u> =====

In June 2011, the Company has established a wholly-owned subsidiary, Timeless Capital Limited, and invested capital of HK\$10,000. Timeless Capital Limited changed its name to Plukka (HK) Limited in August 2011.

In August 2011, the Company has established a wholly-owned subsidiary, Plukka (USA), Inc., and invested capital of US\$1,000 (equivalent to HK\$7,800).

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

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries are as follows:

<u>Name</u>	<u>Place of incorporation and operation</u>	<u>Percentage of ordinary shares held by the Company directly</u>	<u>Principal activities</u>
Plukka (HK) Limited (formerly known as “Timeless Capital Limited”)	Hong Kong	100%	Trading of fine jewelry
Plukka (USA), Inc.	USA	100%	Provision of marketing representative services

12. INVENTORIES

	<u>Group HK\$</u>
Finished goods	\$1,474,458 =====

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<u>Group HK\$</u>
Carrying amount of inventories sold	609,745
Write down of inventories*	<u>1,037,144</u>
	\$1,646,889 =====

* The write down of inventories for the period is included in “administrative expenses” in the consolidated statement of comprehensive income.

TREASURE CASTLE HOLDINGS LIMITED

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13. TRADE AND OTHER RECEIVABLES

	<u>Group</u> HK\$
Trade receivables	8,707
Advance to suppliers	23,400
Deposits and prepayments	<u>780</u>
	<u>\$32,887</u> =====

(a) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using a provision account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. No receivables are considered to be impaired for the current period.

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<u>Group</u> HK\$
Neither past due nor impaired	\$8,707 =====

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

14. TRADE AND OTHER PAYABLES

	<u>Group</u> HK\$	<u>Company</u> HK\$
Accounts payable	93,162	-
Other payables and accruals	<u>181,897</u>	<u>30,000</u>
	<u>\$275,059</u> =====	<u>\$30,000</u> =====

All of the trade and other payables are expected to be settled within one year.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

TREASURE CASTLE HOLDINGS LIMITED

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16. SHARE CAPITAL

(a) Authorised share capital

	<u>Company</u> HK\$
10,000,000 ordinary shares of HK\$0.1 each	1,000,000
10,000,000 preference shares of HK\$0.1 each	<u>1,000,000</u>
	\$2,000,000 =====

The Company was incorporated with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.

By ordinary resolutions passed on May 29, 2012, each of the issued and unissued shares of \$1 each in the share capital of the Company was subdivided into 10 shares of HK\$0.1 each such that the Company's authorised share capital has become HK\$10,000 divided into 100,000 shares of HK\$0.1 each and immediately thereafter, the authorised share capital of the Company was increased from HK\$10,000 to HK\$2,000,000 divided into (i) 10,000,000 ordinary shares of HK\$0.1 each and (ii) 10,000,000 preferences shares of HK\$0.1 each (see also (b)(i) note 3 below).

Subsequent to the end of the reporting period, under the new Hong Kong Companies Ordinance (Cap. 622), which came into operation on March 3, 2014, the concept of authorised share capital no longer exists.

(b) Issued share capital

	<u>Note</u>	<u>Company</u> HK\$
Issued and fully paid: -		
10,000,000 ordinary shares of HK\$0.1 each	(i)	1,000,000
3,000,000 preference shares of HK\$0.1 each	(ii)	<u>300,000</u>
		\$1,300,000 =====

(i) Ordinary shares

	<u>Note</u>	<u>Company</u> <u>No. of shares</u>	<u>HK\$</u>
Issue of share upon incorporation	1	1	1
Issue of shares on August 12, 2011	2	9,999	9,999
Arising from sub-division of shares	3	90,000	-
Issue of shares on June 8, 2012	4	<u>9,900,000</u>	<u>990,000</u>
At December 31, 2012		<u>10,000,000</u> =====	<u>\$1,000,000</u> =====

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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16. SHARE CAPITAL (CONTINUED)

(b) Issued share capital (continued)

(i) Ordinary shares (continued)

Note:

1. Upon incorporation, 1 subscriber share of HK\$1 was subscribed at par for cash.
2. On August 12, 2011, 9,999 ordinary shares of HK\$1 each were issued at par for cash totalling HK\$9,999.
3. By an ordinary resolution passed on May 29, 2012, each of the issued shares of HK\$1 each in the share capital of the Company was subdivided into 10 shares of HK\$0.1 each so that the issued share capital of the Company comprised 100,000 shares of HK\$0.1 each (see also (a) above).
4. On June 8, 2012, 9,900,000 ordinary shares of HK\$0.1 each were issued at par for cash totalling HK\$990,000.
5. Subsequent to the end of the reporting period, in accordance with Section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's ordinary shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
6. All the ordinary shares rank pari passu with each other in all respects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Preference shares

		Company	
	Note	No. of shares	HK\$
Issue of shares on June 8, 2012	1	2,000,000	200,000
Issue of shares on July 26, 2012	2	<u>1,000,000</u>	<u>100,000</u>
At December 31, 2012		3,000,000 =====	\$300,000 =====

TREASURE CASTLE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

16. SHARE CAPITAL (CONTINUED)

(b) Issued share capital (continued)

(ii) Preference shares (continued)

Note:

1. On June 8, 2012, 2,000,000 preference shares of HK\$0.1 each were issued at a price of HK\$6.24 per share for cash totalling HK\$12,480,000. The excess of the issue price over the par value of the shares of HK\$12,280,000 was credited to the share premium account of the Company.
2. On July 26, 2012, 1,000,000 preference shares of HK\$0.1 each were issued at a price of HK\$6.24 per share for cash totalling HK\$6,240,000. The excess of the issue price over the par value of the shares of HK\$6,140,000 was credited to the share premium account of the Company.
3. Subsequent to the end of the reporting period, in accordance with Section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's preference shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.
4. Subsequent to the end of the reporting period, on April 24, 2014, 196,667 preference shares were issued at a price of HK\$9 per share for cash totalling HK\$1,770,000.
5. Subsequent to the end of the reporting period, on May 2, 2014, 866,667 preference shares were issued at a price of HK\$9 per share for cash totalling HK\$7,800,000.
6. Subsequent to the end of the reporting period, on August 29, 2014, 130,000 preference shares were issued at a price of HK\$9 per share for cash totalling HK\$1,170,000.
7. All the preference shares rank pari passu with each other in all respects. The preference shares are convertible into ordinary shares on an one-to-one basis at the option of the holder. The preference shares rank equally with the ordinary shares in any payment of dividends on an as-converted basis. The holders of preference shares are entitled to vote together with holders of each ordinary share on an as-converted basis at meetings of the Company. The preference shares shall rank in priority to the ordinary shares with respect to any return of capital by the Company.

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NOTES TO THE FINANCIAL STATEMENTS
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16. SHARE CAPITAL (CONTINUED)

(c) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages capital by regularly monitoring its current and expected liquidity requirements.

The Group defines capital as being all components of equity. The Group is able to maintain a stable and sufficient cash flows, and at a satisfactory liquidity level in the ordinary course of business.

The Group is not subject to either internally or externally imposed capital requirements.

17. RESERVES

	Note	Company		Total HK\$
		Share premium HK\$	Accumulated losses HK\$	
Issue of preference shares	16(b)(ii)	18,420,000	-	18,420,000
Loss and total comprehensive loss for the period		-	(15,785,788)	(15,785,788)
At December 31, 2012		\$18,420,000 =====	\$(15,785,788) =====	\$2,634,212 =====

The movements of the Group's reserves during the period are presented in the consolidated statement of changes in equity on page 7 of the financial statements.

Prior to March 3, 2014, the application of the share premium account was governed by Sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (see note (16(b)(ii))). The use of share capital as from March 3, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18. OPERATING LEASE COMMITMENTS

The Group had entered into non-cancellable operating lease commitments with landlord for a term of two years.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases for land and buildings are falling due as follows:

	<u>Group</u> HK\$
Not later than one year	\$409,500 =====

19. RELATED PARTY TRANSACTIONS

All members of key management personnel are the directors of the Company, and the remuneration for them is disclosed in note 7.

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, receivables and payables. The directors review and agree policies for managing the risks arising from the Group's financial instruments. The main risks arising from the Group's financial instruments and policies for managing each of these risks are summarised as below.

(a) Credit risk

Credit risk represents the potential loss that the Group would incur if counter parties fail to perform pursuant to the terms of their obligations to the Group. The Group has guidelines and procedures governing the process of granting credit in the business. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(b) Liquidity risk

The Group's funding requirements and liquidity risks are managed with the objective of meeting its business obligations in a timely manner. The Group achieves this by using appropriate management measures and monitoring its cash flow commitments on a regular basis.

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to interest bearing bank deposits. The directors consider that the Group's exposure to interest rate risk is not significant.

(d) Foreign currency risk

The Company's reporting currency is Hong Kong dollar. The Group is engaged in the trading of fine jewelry in US dollars. Since Hong Kong dollar is pegged to US dollar, no significant exposure is expected on US dollar transactions and balances.

(e) Sensitivity analysis

The directors, having considered the operations and financial positions of the Group, are of the opinion that changes in the above financial risk factor would not have any significant impact on its financial statements and accordingly, no sensitivity analysis has been prepared.

(f) Fair values

All of the financial assets and liabilities are carried at amounts not materially differed from their fair values as at December 31, 2012.

21. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED DECEMBER 31, 2012

Up to the date of issue of these financial statements, the HKICPA has issued various amendments, new standards and interpretations ("New HKFRSs") which are not yet effective for the accounting period ended December 31, 2012. The Group has not elected for early adoption of the New HKFRSs.

The Group is in the process of making an assessment of the potential impact of the New HKFRSs in the period of initial application. At this stage, it is expected that the adoption of the New HKFRSs is unlikely to have any significant impact on the Group's results of operations and financial position.

TREASURE CASTLE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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**21. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND
INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE
ACCOUNTING PERIOD ENDED DECEMBER 31, 2012 (CONTINUED)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group’s first financial year commencing on or after March 3, 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) and is not yet in a position to conclude whether they would have significant impact on the Group’s and Company’s results of operations and financial positions and the presentation and disclosure of information in the financial statements.

(FOR MANAGEMENT PURPOSES ONLY)

TREASURE CASTLE HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM JUNE 27, 2011 (DATE OF INCORPORATION) TO
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	<u>HK\$</u>
Expenses	
Audit fee	30,000
Bank charges	1,529
Impairment loss on amount due from a subsidiary	15,640,000
Impairment loss on investments in subsidiaries	10,000
Legal and professional fees	99,697
Secretarial fees	4,562
Loss before taxation	(15,785,788)
Income tax	-
Loss and total comprehensive income for the period	\$(15,785,788) =====