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Application Proof of

Time2U International Holding Limited

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

WARNING

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

Time2U International Holding Limited
時間由你國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment and the Over-allotment Option)**
Number of [REDACTED]	**:**	**[REDACTED] Shares, comprising [REDACTED] New Shares and [REDACTED] (subject to adjustment and the Over-allotment Option)**
Number of [REDACTED]	**:**	**[REDACTED] (subject to adjustment)**
Maximum [REDACTED]	**:**	**[REDACTED], plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[●]**

Sole Sponsor

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

[REDACTED]

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A copy of this document, with the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VI to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] or such later date as may be agreed by the Sole Global Coordinator and our Company, but in any event not later than [REDACTED]. The [REDACTED] will not be more than HK$[REDACTED] and is currently expected to be not less than HK$[REDACTED] unless otherwise announced. [REDACTED] applying for [REDACTED] must pay, on application, the maximum [REDACTED] of HK$[REDACTED] together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is lower than HK$[REDACTED].

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, with consent of our Company, reduce the indicative [REDACTED] range stated in this document and/or the number of [REDACTED] being [REDACTED] at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction of the indicative [REDACTED] range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the [REDACTED]. Such notice will also be available at the website of the Stock Exchange at ***www.hkexnews.hk*** and our website at ***www.time2u.com***. If applications for [REDACTED] have been submitted prior to the last day for lodging applications under the [REDACTED], then even if the [REDACTED] is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this document.

If, for any reason, the [REDACTED] is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

Prospective investors of the [REDACTED] should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the [REDACTED], are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 am (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this document.

The [REDACTED] have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act.

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by us, the [REDACTED], the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read the document in its entirety before you decide to [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to [REDACTED].

OVERVIEW

We are a leading domestic watch brand-owner of economic quartz analogue watches and a leading OEM manufacturer of quartz analogue watches in the PRC. According to Euromonitor, for the year ended 31 December 2013, *Time2U* was the leading domestic watch brand in the PRC in the segment of economic quartz analogue watches in terms of retail value and we were also one of the top five quartz analogue watch manufacturers in terms of sales value in the PRC. Established in 1994 initially as a manufacturer of watches and related products, leveraging over a decade of experience in watch manufacturing, we began designing, manufacturing and selling watches under our own brands *Time2U* and *Jonquet* in 2010 and subsequently launched our major sub-brand *Color* in mid-2012. With fashionable and trendy designs, affordable prices targeting the mainstream mass market, we position our watches as "fast-fashion" products to capture the recent consumption trend.

We produce watches on an OEM basis for our OEM customers, which are watches bearing the corporate logo or brands specified by our OEM customers. Taking advantage of our design and production capabilities, we successfully launched our branded watches business in 2010. Under the overarching theme of "fast-fashion', we sell watches under a few distinctive brands and sub-brands with differentiating product characteristics, domestic pricing and target markets. *Time2U* is our flagship brand, which offers a wide range of fashionable watches targeting different consumer groups. *Jonquet* is our premium brand which targets more mature and sophisticated consumers, and *Color* is our major sub-brand which targets youthful and trendy consumers.

OUR BUSINESS MODEL AND KEY OPERATING STATISTICS

We have two principal lines of business operations, namely the design, production and assembly of watches for our OEM customers and the design, manufacture and sale of watches under *Time2U*, *Jonquet* and *Color*.

Our brands and products

We generate our revenue by (i) selling OEM watches; (ii) selling branded watches; and (iii) trading third-party branded watches. The table below sets out a breakdown of our revenue and percentage of revenue by sales mix and product mix of branded watches for the periods indicated:

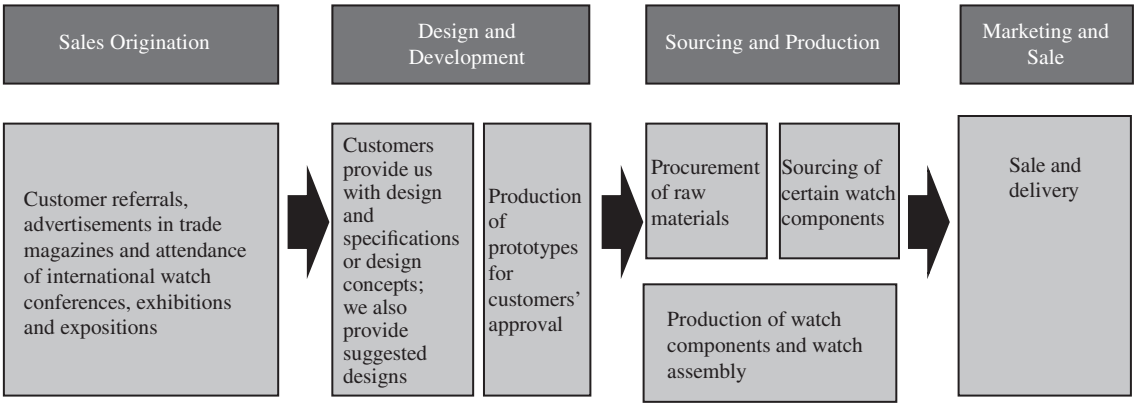
	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(Unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
OEM watches	255,151	77.3%	292,243	63.4%	302,386	52.1%	85,626	50.9%	110,879	51.5%
Branded watches										
- *Time2U*	58,154	17.6%	95,024	20.6%	105,934	18.3%	39,151	23.3%	33,275	15.5%
- *Color*	—	—	31,782	6.9%	112,305	19.3%	24,915	14.8%	51,042	23.7%
- *Jonquet*	16,938	5.1%	29,093	6.3%	48,942	8.4%	14,387	8.5%	18,571	8.6%
Branded watches subtotal	75,092	22.7%	155,899	33.8%	267,181	46.0%	78,453	46.6%	102,888	47.8%
Third-party watches[(Note)]	—	—	12,665	2.8%	10,879	1.9%	4,299	2.5%	1,503	0.7%
TOTAL	330,243	100.0%	460,807	100.0%	580,446	100.0%	168,378	100.0%	215,270	100.0%

Note:

In distributing our branded watches, we occasionally procure third-party branded watches and trade them to our distributors to complement our range of products and services. The revenue derived from the sale of such products represented gross sale proceeds and is only a service ancillary to our primary operations, and we intend to progressively phase-out such operations.

OEM business operations

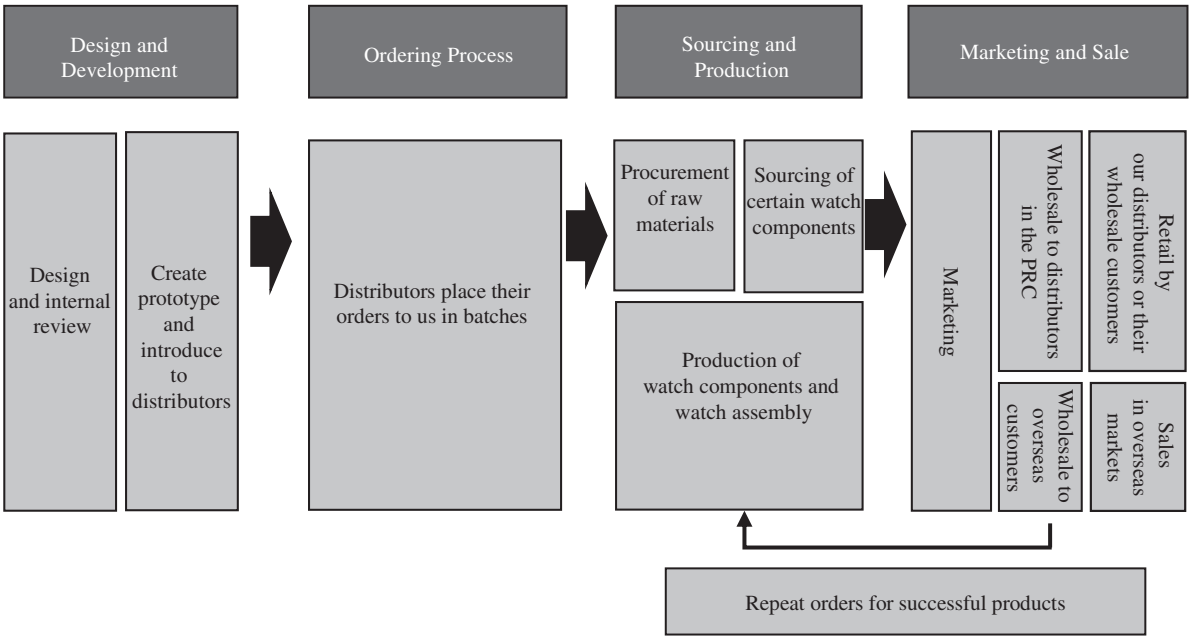
The following diagram illustrates the business model of our OEM business operations:



We design, develop, manufacture and assemble watches, primarily quartz analogue watches, on an OEM basis for our customers. Our OEM watches are manufactured primarily based on the design and specifications of our OEM customers. In addition, we provide various watch design and development advices and services, such as provision of design ideas, market trend information and product enhancement to our OEM customers in accordance with their concepts and requirements. We also provide our OEM customers with suggested designs developed by our in-house design team.

Branded watches business operations

The following diagram illustrates the business model of our branded watches business operations:



We currently offer a diverse range of watches under our brands and major sub-brand, namely, *Time2U*, *Jonquet* and *Color*, and the various series of watches under each of the brands and major sub-brand.

Leveraging our success and anchored by our extensive experience in the OEM business, we began widely distributing the watches of our first two brands, namely *Time2U* and *Jonquet*, in 2010. Subsequently, we introduced our major sub-brand *Color* in mid-2012. Our flagship brand, *Time2U*, has been gaining recognition and market share in the PRC. According to Euromonitor, our *Time2U* brand was the leading domestic watch brand in the PRC in the segment of economic quartz analogue watches in terms of retail value in 2013. We intend to continue promoting the recognition of our brands in the PRC and Hong Kong, as well as strategically targeted regions globally such as Europe, Americas, Southeast Asia and the Middle East.

The following table sets forth the year of launch, product image, target market and price range of our brands, which we evaluate on a regular basis:

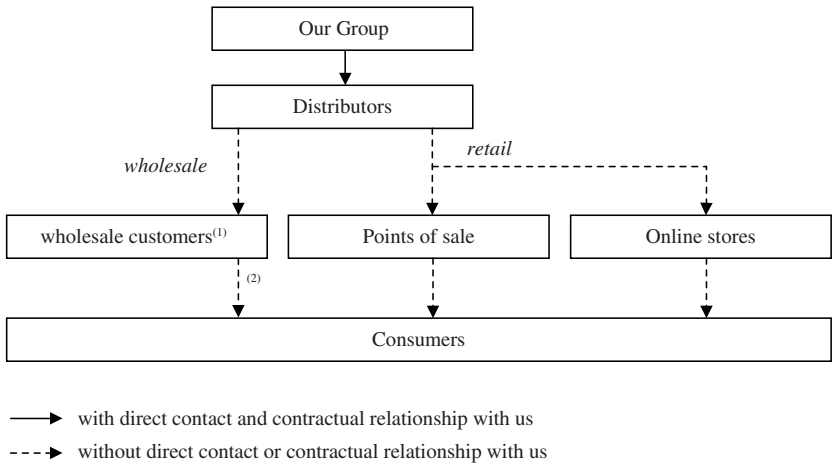
Brand	Year of launch	Product Image	Target Market	Approximate Price Range
Time2U	2010	Fashionable with designs catering for men or women, respectively	Fashionable men and women from age 20 to 35	Mostly RMB200 to RMB1,000
Jonquet	2010	Traditional/Mature	Cosmopolitan men and women from age 23 to 45	Mostly RMB1,000 to RMB2,000
Color	2012	Youth fashion primarily featuring unisex designs	Teenagers as well as young adults, i.e., young men and women between the ages of 14 and 26	Mostly RMB35 to RMB200

Sales, marketing and distribution

We generally sell and distribute our OEM watches directly to our OEM customers, which include (i) domestic and international companies that directly purchase from us; and (ii) trading and sourcing companies of our OEM end-customers.

All of the domestic sales of our branded watches are made on a wholesale basis to our distributors with whom we have entered into respective distributorship agreements. Our distributors then resell our watches through (i) retailing to consumers at various points of sale and on-line stores which they operate or (ii) wholesaling to their wholesale customers including third-party retailers, sub-distributors and other wholesale buyers. We are subjected to a number of risks with our distribution model. Please refer to "Risk Factors—Risks relating to our business—we are subject to risks associated with the distribution model of our branded watches" for further details.

The following diagram illustrates the distribution model in the PRC for our branded watches:



Notes:

(1) To the best knowledge of our Directors, includes operators of third-party retailers and sub-distributors.

(2) The wholesale customers may not sell directly to consumers.

OUR COMPETITIVE STRENGTHS

We believe that our success and potential future growth are primarily attributable to the following competitive strengths:

- A leading domestic PRC brand in the analogue quartz watch market and a competitive branding strategy to take advantage of the fast-growing watch market in the PRC;
- Product design and development capabilities;
- Vertically integrated watch production and assembly capabilities supported by our stable relationships with our suppliers and complemented by our extensive experience with international quality control standards;
- A comprehensive, diversified and extensive sales and distribution network; and
- Experienced management team with proven track record.

OUR BUSINESS STRATEGIES

Our principal business objective is to become one of the leading fashion watch brand owners internationally under the segment of economic quartz analogue watch while maintaining and further strengthening our established market position and competitiveness as an OEM manufacturer in the PRC. We aim to achieve this goal by pursuing the following key business strategies:

- Further expansion of our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform
  - — Increase market penetration and enhance brand awareness in the domestic market
  - — International expansion of our distribution network
  - — Expansion of on-line retail platform
- Upgrading our manufacturing facilities and equipment and continue to improve our production efficiency and capacities
- Strengthening our core competitiveness by improving our watch design and development capabilities

SUMMARY OF COMBINED FINANCIAL INFORMATION

Summary of Combined Statements of Profit or Loss

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
			(RMB in thousands)		
Revenue	330,243	460,807	580,446	168,378	215,270
Cost of sales	(228,038)	(312,656)	(391,697)	(115,054)	(142,293)
Gross profit	102,205	148,151	188,749	53,324	72,977
Other income and gain	1,771	1,243	1,621	147	800
Selling and distribution expenses	(19,583)	(25,369)	(30,424)	(8,542)	(10,770)
Administrative expenses	(16,964)	(36,845)	(30,584)	(10,484)	(9,659)
Share of loss of an associate	—	—	(1,020)	—	(509)
Finance costs	(11,564)	(12,762)	(12,727)	(4,765)	(2,902)
Profit before taxation	55,865	74,418	115,615	29,680	49,937
Taxation	(14,204)	(22,747)	(30,870)	(7,607)	(12,914)
Profit for the year/period	41,661	51,671	84,745	22,073	37,023

For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, our revenue was RMB330.2 million, RMB460.8 million, RMB580.4 million and RMB215.3 million, respectively. The growth in revenue during the Track Record Period was primarily attributable to the significant growth in sales of our branded watches and also the steady growth in sales of our OEM watches.

Our overall gross profit and gross profit margin have both improved during the Track Record Period. The increase in our overall gross profit primarily reflected the increase in aggregate sales volume of our OEM and branded watches. The improvement of our overall gross profit margin during the Track Record Period was primarily due to the increasing contribution of gross profit from the sale of our branded watches which entails a higher gross profit margin than that of OEM watches. Moreover, as we tend to accept more profitable orders of OEM watches in order to focus our resources in developing our branded watches business, gross profit margin of our OEM watches also slightly increased during the Track Record Period.

Summary of Combined Statements of Financial Position

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB in thousands)			
Assets				
Non-current assets	205,280	214,895	245,136	243,632
Current assets	205,244	250,781	300,157	291,274
Liabilities				
Current liabilities	252,968	255,126	253,989	207,146
Net current (liabilities)/assets	(47,724)	(4,345)	46,168	84,128
Total assets less current liabilities	157,556	210,550	291,304	327,760
Net assets	157,556	210,550	291,304	327,760

Summary of Combined Statements of Cash Flows

	For the year ended 31 December			For the four months ended 30 April	
	2011	2012	2013	2013	2014
				(unaudited)	
			(RMB in thousands)		
Net cash generated from operating activities	43,213	85,960	97,447	27,769	91,755
Net cash (used in)/generated from investing activities	(43,973)	(40,694)	(63,171)	(9,424)	8,556
Net cash generated from/(used in) financing activities	17,079	(18,245)	(27,652)	11,315	(70,176)
Net increase in cash and cash equivalents	16,319	27,021	6,624	29,660	30,135
Cash and cash equivalents at the beginning of the year/period	33,919	50,119	78,357	78,357	85,551
Cash and cash equivalents at the end of the year/period	50,119	78,357	85,551	108,238	115,411

KEY FINANCIAL RATIOS

The following sets out our key financial ratios during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
Current ratio [(1)]	0.8	1.0	1.2	1.4
Quick ratio[(2)]	0.5	0.6	0.8	1.0
Gearing ratio [(3)]	135.2%	98.6%	67.7%	45.8%
Debt to equity ratio [(4)]	103.4%	61.3%	38.4%	10.6%
Return on equity [(5)]	30.6%	28.1%	33.8	N/A[(8)]
Return on total assets [(6)]	11.3%	11.8%	16.8%	N/A[(8)]
Interest coverage [(7)]	5.8	6.8	10.1	18.2

Notes:

(1) Current ratio is calculated as total current assets divided by total current liabilities.

(2) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.

(3) Gearing ratio is calculated as total borrowings divided by total equity and multiplied by 100%.

(4) Debt to equity ratio is calculated as total borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(5) Return on equity equals profit for the period divided by average balance of total equity of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(6) Return on total assets equals profit for the period divided by average balance of total assets of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(7) Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.

(8) The profit for the four months ended 30 April 2014 is not comparable to that for each of the years ended 31 December 2011, 2012, and 2013.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, our revenue and gross profit for the month ended 31 May 2014 improved compared to the monthly average revenue and gross profit for the four months ended 30 April 2014.

Our Directors confirm that there have not been any material adverse change in our financial or trading position or prospects since 30 April 2014, being the date of our latest audited financial results as set out in the Accountants' Report in Appendix I to this document, and up to the Latest Practicable Date. As far as we are aware, there was no material change in the watch market conditions that had affected or would affect our business operations or financial condition materially or adversely.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had failed to comply with certain applicable laws and regulations. Our Directors consider that these non-compliance incidents will not have any material operational or financial impact on us. In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted a number of remedial actions. Please see "Business—Compliance with relevant laws and requirements" starting on page [162] of this document for details regarding our Group's historical non-compliance incidents.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law and our Articles.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of net profit, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require PRC-incorporated enterprises to set aside part of their after-tax profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

In the absence of circumstances which might affect the amount of available distributable reserves, whether by losses or otherwise, our Directors currently intend to distribute to our Shareholders approximately 30% of any net distributable profits from our PRC operating entities. However, we will re-evaluate our dividend policy annually and there is no assurance that dividends of any amount will be declared or distributed in any given year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or any agreements or contracts that we may enter into in the future.

[REDACTED] STATISTICS

All statistics below are based on the assumption that the Over-allotment Option or any options to be granted under the Share Option Scheme is not exercised.

	Based on an [REDACTED] of HK$[REDACTED]	**Based on an [REDACTED] of HK$[REDACTED]**
Market capitalisation of our Shares[(1)]	HK$[REDACTED]	HK$[REDACTED]
Unaudited *pro forma* adjusted combined net tangible asset value per Share[(2)]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of our market capitalisation upon completion of the [REDACTED] is based on the assumption that [REDACTED] Shares will be in issue and outstanding immediately following the completion of the [REDACTED].

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to "Appendix II — Unaudited Pro Forma Adjusted Combined Net Tangible Assets" in this document and on the basis of a total of [REDACTED] Shares in issue at the respective [REDACTED].

FUTURES PLANS AND USE OF PROCEEDS

The net proceeds from the [REDACTED], after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK$[REDACTED] million, assuming that the Over-allotment Option is not exercised and assuming an [REDACTED] of HK$[REDACTED], being the mid-point of the proposed [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]. We intend to use such net proceeds as follows:

- approximately HK$[REDACTED] million, or [REDACTED]%, for further expansion of our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform, including:

  - o approximately HK$[REDACTED] million or [REDACTED]% towards marketing activities for our branded watches in the domestic market to increase our market penetration and enhance the market awareness of our brands, such as increasing our advertising spending, with a focus on television and the internet, as well as placing outdoor advertisements and placing advertisements in traditional media that target different consumer groups as well as participating major sales fairs in the PRC;

  - o approximately HK$[REDACTED] million or [REDACTED]% towards developing our on-line retail platform for our branded watches by assisting our distributors with establishing relationships with e-commerce operators on a variety of PRC e-commerce providers; and

  - o approximately HK$[REDACTED] million or [REDACTED]% towards international expansion of our sales network, including developing new markets for our products and investing in advertising and promotional materials for such markets, as well as attending trade exhibitions to make further connections with international watch markets.

- approximately HK$[REDACTED] million, or [REDACTED]%, for upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities, including:

  - o approximately HK$[REDACTED] million, or [REDACTED]%, towards upgrading our existing watch components production workshops to improve the production and watch assembly environments and addition of workshops and assembly lines at our Ouwosi Plant to expand our production capacity of watch components and

  - o approximately HK$[REDACTED] million, or [REDACTED]%, towards addition of more technological advanced machines and equipment to increase automation of our production facilities thus increase production efficiency.

- approximately HK$[REDACTED] million, or [REDACTED]%, for strengthening our core competitiveness by improving our watch design and development capabilities through enhancing the design knowledge of existing design team and recruitment of additional talents as well as establishing mould design and fabrication centre for production of moulds in-house.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range or the Over-allotment Option is exercised.

In the event that the [REDACTED] is set at the high-end of the proposed [REDACTED] range, we estimate that our Company will receive net proceeds of approximately HK$[REDACTED] million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

In the event that the [REDACTED] is set at the low-end of the proposed [REDACTED] range, we estimate that our Company will receive net proceeds of approximately HK$[REDACTED] million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

In the event the Over-allotment Option is exercised in full, we will receive net proceeds HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED], being the high-end of the proposed [REDACTED] range), after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

We estimate the net proceeds to the [REDACTED] from the [REDACTED] will be approximately HK$[REDACTED] million (to be received upon the [REDACTED] and assuming the [REDACTED]

is fixed at the mid-point of the indicative [REDACTED] range and no exercise of the Over-allotment Option), after deducting the [REDACTED] and estimated expenses payable by the [REDACTED] in relation to the [REDACTED]. Our Company will not receive any proceeds from the [REDACTED] in the [REDACTED]. The [REDACTED] will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds of the [REDACTED] are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licenced banks and/or financial institutions in Hong Kong.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, transaction levy and fees incurred in connection with the [REDACTED]. Based on the mid-point of the proposed [REDACTED] range, total listing expenses is estimated to be approximately RMB10.3 million, of which approximately RMB26.6 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of approximately RMB16.3 million has been or is expected to be reflected in our combined statements of profit or loss and other comprehensive income. Listing expenses of approximately RMB2.8 million and approximately RMB1.5 million were reflected in our combined statements of profit or loss and other comprehensive income for the year ended 31 December 2013 and the four months ended 30 April 2014, respectively, and approximately RMB12.0 million is expected to be reflected in our combined statements of profit or loss and other comprehensive income after the Track Record Period.

SHAREHOLDER INFORMATION

Immediately following the completion of the [REDACTED] and the Capitalisation Issue (assuming that the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range, and the Over-allotment Option is not exercised), Visual Wise, which is owned by Mr. Lin as to [REDACTED]% and by Ms. Yan as to [REDACTED]%, will hold [REDACTED]% of the issued share capital of our Company. As Visual Wise, Mr. Lin and Ms. Yan are directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the [REDACTED], each of them will be regarded as our Controlling Shareholder under the Listing Rules.

Our pre-[REDACTED] investors, namely Fortune Swiss, Full Wealthy Year and Celestial Award, became our Shareholders on 26 March 2013, 26 March 2013 and 19 May 2014 at cash considerations of HK$21.0 million and HK$18.0 million, respectively. The considerations were determined after arm's length negotiations between the parties based on valuations of our Group. Celestial Award has been granted certain special rights pursuant to its pre-[REDACTED] investment, including a right to dispose of Shares with a value equivalent to HK$20 million in the [REDACTED] before any other Shareholders can do so. Immediately following the completion of the [REDACTED] and the Capitalisation Issue (assuming that the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range, and the Over-allotment Option is not exercised), the entire issued share capital of our Company will be owned by Visual Wise as to [REDACTED]%, by Celestial Award as to [REDACTED]%, by Fortune Swiss as to [REDACTED]% and by Full Wealthy Year as to [REDACTED]%. Please see "History, Reorganisation and Corporate Structure — Pre-[REDACTED] investments" for further details.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC and (iv) risks relating to the [REDACTED] and our Shares.

Our most significant risks factors include:

- We are subject to risks associated with the distribution model of our branded watches.
- We have a limited operating history in our branded watches business segment and we cannot assure you that we will profit from or not suffer loss from our branded watch business segment.
- Our business is and will be increasingly dependent on the strength of our brands and major sub-brand *Time2U*, *Color* and *Jonquet*, and any damage to our brands could have a material adverse effect on our business, results of operations and financial condition.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the section headed "Risk Factors" starting on page 28 of this document.

In this document, unless the context otherwise requires, the following expressions have the following meanings.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"[REDACTED]"	[REDACTED]
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time) adopted on [●] 2014 (with effect from the Listing), a summary of which is set out in the paragraph headed "2. Articles of Association" in Appendix IV to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of [REDACTED] Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "3. Resolutions in writing of all Shareholders passed on [●] 2014" in Appendix V to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Celestial Award"	Celestial Award Limited, a company incorporated under the laws of the BVI with limited liability on 3 January 2014, one of our Shareholders prior to the [REDACTED], whose investment in our Company is more particularly described under the section headed "History, Reorganisation and Corporate Structure — pre-[REDACTED] investment — Celestial Award" in this document, and one of the [REDACTED]
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"*Color*"	our proprietary watch sub-brand under *Time2U* which offers a range of series with similar characteristics, for details of which please see "Business—Our brands and products—Our branded watches—*Color*" in this document
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented and otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Time2U International Holding Limited (時間由你國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 3 December 2012
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Mr. Lin, Ms. Yan and Visual Wise
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Deed of Indemnity"	a deed of indemnity dated [●] 2014 executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for our present subsidiaries), details of which are set out in the paragraph headed "16. Estate duty, tax and other indemnities" in Appendix V to this document
"Deed of Non-Competition"	a deed of non-competition dated [●] 2014 executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for our present subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in this document
"Director(s)"	the directors of our Company
"EIT"	the Enterprise Income Tax (企業所得税)
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法)
"Euromonitor"	Euromonitor International Limited, our industry consultant and an Independent Third Party
"Fortune Swiss"	Fortune Swiss Limited (瑞祥有限公司), a company incorporated under the laws of the BVI with limited liability on 30 July 2009, one of our Shareholders prior to the [REDACTED], whose investment in our Company is more particularly described under the section headed "History, Reorganisation and Corporate Structure — Pre-[REDACTED] investment — Fortune Swiss and Full Wealthy Year" in this document
"Fujian Ouwosi"	Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. (福建省歐沃斯鐘錶精密技術有限公司), a limited liability company established in the PRC on 27 March 2006, being our indirect subsidiary, which is owned by Zhangzhou Hongyuan as to 80% and by Zhanglong Hongqiao as to 20%
"Full Wealthy Year"	Full Wealthy Year Limited (全年豐有限公司), a company incorporated in BVI with limited liability on 21 September 2012, one of our Shareholders prior to the [REDACTED], whose investment in our Company is more particularly described under the section headed "History, Reorganisation and Corporate Structure — Pre-[REDACTED] investment — Fortune Swiss and Full Wealthy Year" in this document
"GDP"	gross domestic product

"[REDACTED]"	the [REDACTED] and the [REDACTED]
"[REDACTED]"	[REDACTED]
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Group Company"	any company of our Group as the context so requires
"HK$", "Hong Kong dollar(s)", or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)
"**[REDACTED]**"	the application for the [REDACTED] to be issued in the applicant's own name by submitting applications online through the designated website at [REDACTED]
"[REDACTED]"	[REDACTED]
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hongbang Electronics"	Fujian Hongbang Electronics Co., Ltd. (福建宏邦電子有限公司), an entity converted into a limited liability company under the laws of the PRC on 14 January 2004, which is owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36%, being a connected person
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]

"[REDACTED]"	the [REDACTED] being initially offered by us for [REDACTED] at the [REDACTED] under the [REDACTED] (subject to reallocation as described in the section headed "Structure of the Global Offering" in this document)
"Hong Kong Share Registrar"	[REDACTED]
"Hong Kong Underwriters"	the underwriters in respect of the [REDACTED] named in the section headed "Underwriting—Underwriters— Hong Kong Underwriters" in this document
"Hong Kong Underwriting Agreement"	the underwriting agreement dated [REDACTED] 2014 relating to the [REDACTED] entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters
"Hongyuan Plant"	our manufacturing plant located at Jinfeng Industrial Zone of Xiangcheng District, Zhangzhou, Fujian, PRC, comprising property no. 1 and no. 4 as set out in Appendix III to this document
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"[REDACTED]"	the [REDACTED] of the [REDACTED] at the [REDACTED], outside the United States to institutional and professional investors in offshore transactions as defined in and in accordance with Regulation S, as further described in the section headed "Structure of the Global Offering" in this document
"[REDACTED]"	the [REDACTED] (comprising [REDACTED]) initially being [REDACTED] at the [REDACTED] under the [REDACTED] (subject to adjustment as described in the section headed "Structure of the Global Offering" in this document)
"International Underwriters"	the underwriters in respect of the [REDACTED] named in the section headed "Underwriting—Underwriters— International Underwriters" in this document

"International Underwriting Agreement"	the underwriting agreement to be entered into between, among others, our Company, our Controlling Shareholders, the [REDACTED], the Sole Global Coordinator and International Underwriters in respect of the [REDACTED]
"Jiulongjiu"	Hong Kong Jiulongjiu Limited (香港九龍九有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 September 2004, being our indirect wholly-owned subsidiary after the Reorganisation
"*Jonquet*"	our proprietary watch brand which falls under the mid-range price segment, for details of which please see "Business—Our brands and products—Our branded watches—*Jonquet*" in this document
"Latest Practicable Date"	21 July 2014, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about [REDACTED], on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time) adopted on [●] 2014 (with immediate effect), a summary of which is set out in the paragraph headed "1. Memorandum of Association" in Appendix IV to this document
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOEP"	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Lin"	Mr. Lin Zhiqiang (林志強), the chairman of our Board, an executive Director and a Controlling Shareholder
"Ms. Yan"	Ms. Yan Xiaotong (嚴曉彤), the chief executive officer of our Company, an executive Director and a Controlling Shareholder
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"New Prestige"	New Prestige Group Limited, a company incorporated in the BVI with limited liability on 18 July 2012 and one of the shareholders of Temps de Mode, our associated company
"[REDACTED]"	the new [REDACTED] being initially [REDACTED] at the [REDACTED] under the [REDACTED]
"[REDACTED]"	the final price per [REDACTED] in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the [REDACTED] are to be [REDACTED] pursuant to the [REDACTED], to be determined in the manner further described in the section headed "Structure of the Global Offering" in this document
[REDACTED]"	the [REDACTED] and the [REDACTED] together, where relevant, with any additional [REDACTED] pursuant to the exercise of the Over-allotment Option
"Ouwosi Plant"	our manufacturing plant located at Jinfeng Industrial Zone of Xiangcheng District, Zhangzhou, Fujian, PRC, comprising property no. 3 as set out in Appendix III to this document
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to an aggregate of [REDACTED] additional [REDACTED], representing 15% of the total number of Shares initially available under the [REDACTED] at the [REDACTED] to, among other things, cover over-allocations in the [REDACTED], if any, as further described in the section headed "Structure of the Global Offering" in this document

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of PRC
"per cent" or "%"	per centum or percentage
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisers"	Global Law Office
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) effective before 3 March 2014
"[REDACTED]"	the agreement to be entered into between us and the Sole Global Coordinator (on behalf of the Underwriters) on the [REDACTED] to record and fix the [REDACTED]
"[REDACTED]"	the date, expected to be on or around [REDACTED] but no later than [REDACTED], on which the [REDACTED] is fixed for the purpose of the [REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our Group conducted prior to the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure—Reorganisation" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"[REDACTED]"	the [REDACTED] to be [REDACTED] by the [REDACTED] at the [REDACTED] under the [REDACTED]
"[REDACTED]"	[REDACTED]
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company

"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●] 2014, the principal terms of which are summarised in the paragraph headed "15. Share Option Scheme" in Appendix V to this document
"Sole Global Coordinator", "Sole Bookrunner" or "Sole Lead Manager"	[REDACTED]
"Sole Sponsor"	Cinda International Capital Limited, a corporation licensed under the SFO and permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO), acting as the sole sponsor of the Listing
"Speedy Glory"	Speedy Glory Limited, a company incorporated under the laws of the BVI with limited liability on 4 July 2012, being our direct wholly-owned subsidiary
"Stabilising Manager"	[REDACTED]
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the [REDACTED] and [REDACTED] on the [REDACTED], pursuant to which the Stabilising Manager may borrow up to [REDACTED] Shares from [REDACTED] to cover any over-allocations under the [REDACTED], if any
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Temps de Mode"	Temps de Mode Limited (觸動時刻有限公司) (formerly known as Time Lead Corporation Limited (光澧有限公司)), a company incorporated under the laws of Hong Kong with limited liability on 24 August 2012, being our associated company and owned by Speedy Glory as to 30%
"Time2U(HK)"	Time2U Company Limited (時間由你有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 December 2012, being our indirect wholly-owned subsidiary
"*Time2U*"	our *Time2U* brand series, including *Rainbow* (花語) etc. but excluding the sub-brand *Color* under *Time2U*, which are our proprietary watch brand falling under the economic price segment, for details please see "Business—Our brands and products—our branded watches—*Time2U*" in this document
"Track Record Period"	the three financial years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, respectively
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Visual Wise"	Visual Wise Limited, a company incorporated under the laws of the BVI with limited liability on 4 July 2012, which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%, being a Controlling Shareholder and one of the [REDACTED]

"Zhanglong Hongqiao"	Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership) (漳州市漳龍紅橋節能環保創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 10 January 2014, holding 20% of the equity interest in Fujian Ouwosi, details of which are more particularly described under the section headed "History, Reorganisation and Corporate Structure — Our subsidiaries in the PRC — Fujian Ouwosi" in this document
"Zhangzhou Hongyuan"	Zhangzhou Hongyuan Watch Industry Co., Ltd. (漳州宏源錶業有限公司), a limited liability company established under the laws of the PRC on 29 December 1994, being our indirect wholly-owned subsidiary

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

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language and the Chinese translation of company names in English are for identification purpose only.

Unless otherwise specified, all relevant information in this document assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this document in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"assembling" or "assembly"	process of fitting together the components of a watch
"branded watch(es)"	a watch(es) under the name of our proprietary brands and sub-brand, namely *Time2U*, *Jonquet* or *Color*
"case"	a container that protects the watch movement from dust, damp and shocks and gives the watch an appearance
"crown"	a knob at the outside of a watch that winds the mainspring to the exact time
"dial"	an indicating "face" or plate of metal or other material, bearing various markings to show, in ordinary watches and clocks, the hours, minutes and seconds
"economic watch market segment in the PRC"	a segment within the watch market in the PRC where the unit retail price of watches is below RMB1,000. As there is no official industry classification, such classification is adopted based on our Directors' knowledge and experience as well as market information compiled by Euromonitor. Please see "Industry Overview" in this document for more details
"GFA"	gross floor area
"fast-fashion"	a concept in the fashion industry for products that are designed and manufactured quickly and cheaply to allow mainstream consumer to take advantage of current styles at a relatively lower price
"hand"	an indicator, usually made of a thin, light piece of metal, very variable in form, which moves over a graduated dial or scale
"ISO"	International Organisation for Standardisation
"ISO9001"	the International Standard for Quality Management Systems. It specifies requirements for a quality management system where an organisation needs to demonstrate its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system

GLOSSARY OF TECHNICAL TERMS

"ISO14001"	the International Standard for Environmental Management Systems. It specifies requirements for an environment management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects
"mould"	a complex structure composed of metal components which is utilised in the manufacturing of plastic components utilising the plastic injection moulding process
"movement"	assembly consisting of the principal elements and mechanisms of a watch, the winding and setting mechanism, the mainspring, the train, the escapement, the regulating elements
"point(s) of sale"	a physical location where our branded watches are retailed to consumers
"OEM"	original equipment manufacturing whereby products are manufactured in accordance with the customer's design and specification and are marketed under the customer's brand name
"OEM watches"	products designed and manufactured for our OEM line of business
"watch"	unless otherwise stated, the term watch(es) in this document refers to a wrist watch(es)
"watchband"	a strap made of leather or a bracelet made of steel, metal alloy or plastic, which is attached to a watch and wrapped around the wrist of a person wearing a watch
"sq.ft."	square feet
"sq.m."	square metre(s)
"strap"	a band of cloth or leather attached to a watch and wrapped around the wrist

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of the management of our Company with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed "Financial Information" in this document with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that almost all of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and [REDACTED]. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS

We are subject to risks associated with the distribution model of our branded watches

Our ability to accurately track the sales and inventory levels of our distributors and points of sale may be limited

Distribution networks of our branded watches in the PRC were owned and managed by our distributors and their wholesale customers (which includes operators of third-party retailers and sub-distributors). We do not have direct day-to-day access to the sales and inventory levels of our distributors and points of sale operated by our distributors as well as the third-party retailers with whom they contract. We request for monthly inventory and sales reports from our distributors and as such, we rely heavily on the cooperation of our distributors to accurately report relevant inventory and sales data to us. If our distributors fail to provide us accurate sales and inventory data, we may not have any other means to monitor and evaluate sales or inventory levels in our distribution network. As a result, we may misjudge market conditions and plan our business strategies based on erroneous information, which, in turn, may materially adversely affect our business, results of operations, financial condition and prospects.

We rely on our distributors for the sale of our products, and therefore if we fail to attract quality distributors or if our distributors fail to successfully sell and distribute our products, our business, results of operations, financial condition and prospects may be materially and adversely affected

We primarily sell our branded watches to our distributors in the PRC, who then resell our watches (i) through retail outlets which they operate or (ii) to their wholesale customers. We rely on our distributors to distribute our branded watches across various provinces and regions of the PRC to operate points of sale and to manage the arrangements with third-party retailers.

As at 30 April 2014, we had engaged 28 distributors across 24 provinces, autonomous regions and centrally-administered municipalities in the PRC, who operate points of sale and engage their respective wholesale customers. We rely on the distribution network of our distributors to secure our geographical coverage and achieve market penetration in their respective designated geographic regions on sales channel in the PRC. However, we cannot assure you that we will always be able to attract a sufficient number of quality distributors to maintain or extend the breadth of our distributors'

geographic coverage. Furthermore, we cannot assure you that our distributors will continue to purchase our branded watches at current demand levels or meet their annual sales target. We typically enter into distribution agreements with our distributors for a term of one year. If any of our distributors terminates or does not continue its business relationship with us, or if any of our distributors fails to perform adequately, we may not be able to find a suitable replacement in time, or at all which may result in a loss of sales opportunities and may in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business may be negatively affected if our distributors or their wholesale customers fail to comply with certain requirements in our distributorship agreements

In the PRC, all of our branded watches are sold to consumers through retail outlets operated by our distributors and their wholesale customers. We have a set of internal policy on management and regular monitoring of our distributors. However, we have no ownership or managerial control over any distribution networks of our distributors, and we manage our distribution networks through monitoring our distributors' compliance with our policies. Therefore, we cannot assure you that our distributors will, at times, strictly adhere to the terms and conditions under our distributorship agreements.

In our distributorship agreements, among other things we require our distributors to (i) only sell our branded watches within the respective geographic regions or sales channels for which they have been authorised; (ii) adhere to our pricing and discount policies for retailing of productions; (iii) perform points of sale reporting; (iv) comply with all relevant laws, rules and regulations and (v) procure their wholesale customers to adhere to the terms and conditions of their respective distributorship agreements. However, we cannot assure you that our distributors consistently adhere to these requirements and it may be difficult to ensure compliance to these requirements. If our distributors or their wholesale customers fail to follow these requirements, the execution of our sales and distribution strategy, our brand value and the public perception of our brand positioning could be negatively affected. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, we also cannot assure you that our distributors have complied with all other PRC laws and regulations that may potentially affect their business operations. We also cannot assure you that they have or will have sufficient resources to deal with unexpected changes in the regulatory, economic or business environment or other factors beyond their control. Should any of our distributors fail to comply with the applicable PRC laws or adapt to unexpected changes, their business operation may be adversely affected and their purchases from us may decrease.

Our ability to monitor the performance of our distributors and the quality of service provided by sales staff at the points of sale is limited

We have limited control over the sales staff of the points of sale operated by our distributors or their wholesale customers, as we do not have a direct contractual relationship with any of them. Moreover, we cannot assure you that our system for monitoring the performance of the sales staff at the points of sale is sufficient to enable us to identify all incidents of non-compliance with our policies or inappropriate service. As such, we have no direct mechanism to control the way our watches are

marketed or sold at various points of sale. Failure by our distributors and their wholesale customers to adhere to our policies or by our sales staff to closely monitor our distributors may have a material adverse effect on the sales and distribution of our branded watches and thus may materially and adversely affect our business, results of operations and financial condition.

Furthermore, we cannot assure you that appropriate sales methods or means which are consistent with the respective images of our brands will be employed by our distributors and their wholesale customers. Poor or inappropriate service may result in damage to the respective images of our brands and to our reputation. We cannot assure you that we will always be able to identify the problem and take action in a timely manner. In the event that we fail to do so, the image of our brands and our reputation may suffer, which may in turn have an adverse effect on our business, results of operations and financial condition.

We have a limited operating history in our branded watches business segment and we cannot assure you that we will profit from or not suffer loss from our branded watch business segment

We have a limited operating history in our branded watch business. We only began the manufacturing and sale of our branded watches in 2010. In particular, we launched our brands *Time2U* and *Jonquet* in 2010 and we only launched our sub-brand *Color* in 2012. We expect to face intense competition in the industry from other companies, including those who have more experiences and financial resources as well as a wider geographic coverage than us. We may also face challenges in pursuing our branded watch business strategy due to difficulties in forecasting market demand based on limited historical data.

Moreover, since we have entered into the branded watch market in the PRC in 2010, the watch market has generally been on a growing phase. We have not experienced a decline or downturn in the PRC watch market as yet, and may therefore lack the experience to handle the situation and retain our market position when this situation arises. We cannot assure you that our operating experience in the OEM business would necessarily give us a solid foundation to develop our branded watch business in the PRC. If we are unable to successfully address these challenges, our branded watch business may be adversely affected, which may in turn have a material adverse effect on our business, results of operations and financial condition as well as prospects. Investors should consider our business and prospects in light of the risks and difficulties we face with a limited operating history in our branded watch business and should not rely on our past results as an indication of our future performance.

Our business is and will be increasingly dependent on the strength of our brands and major sub-brand *Time2U*, *Color* and *Jonquet*, and any damage to our brands could have a material adverse effect on our business, results of operations and financial condition

We have generated an increasingly significant portion of our revenue from the sale of our branded watches, and we expect that the watches of these brands will account for increasingly more of our revenue in the future as a result of our business strategy going forward. For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, sales of our branded watches accounted for approximately 22.7%, 33.8%, 46.0% and 47.8% of our revenue, respectively. We believe that as brand image is a critical factor affecting consumers' decision to purchase watches,

our business depends, and will continue to depend, heavily on the brand image of our brands. If we are unsuccessful in continuing to maintain the image of our brands, market perception and consumer acceptance of them may be eroded, in which case our business, results of operations and financial condition may be materially and adversely affected.

We sell our branded watches throughout the PRC and intend to expand globally, and we may be adversely affected by negative publicity or news reports, whether or not accurate, regarding any product or service quality issues, or government or industry findings concerning our brands and products. Any negative publicity or disputes relating to our brands, including product defects, counterfeit products or ineffective promotional activities are potential threats to the images of our brands. These types of negative publicity could have a material adverse effect on our business, results of operations and financial condition.

Our sales may decline if we fail to effectively market and promote our branded watches

We have been launching various marketing campaigns to promote our branded watch business in the PRC. For the years ended 31 December 2011, 2012, 2013 and the four months ended 30 April 2014, we have spent RMB12.3 million, RMB17.2 million, RMB20.5 million and RMB6.9 million on our marketing and advertising activities, respectively. We believe that these marketing campaigns have strengthened the recognition and image of our brands in the PRC, and have thereby contributed to the increase in revenue generated from our branded watch business over the Track Record Period. We may also incur additional expenses for our marketing campaigns with a view to promote our brands overseas. However, we cannot assure you that that we will be able to continue to develop and organise marketing campaigns that will be effective. Our competitors may rival with us by organising similar campaigns or by developing more appealing ones. We cannot assure you that our efforts in marketing will be effective in the future. In particular, any large scale marketing campaign that does not produce a favourable outcome may have a material adverse effect on our image and thus our business, results of operations and financial condition.

Failure to keep pace with changes in fashion trends and increasing demand for design and quality, or failure to introduce commercially viable products or failure to do so in a timely manner, may have a material adverse effect on our sales, business, results of operations and financial condition

Our products, and in particular our branded watches, are closely tied with fashion trends. The success and popularity of our branded watches therefore depend on our ability to keep in pace with changes in fashion trends and to design marketable and appealing products accordingly. In particular, since we employ a "fast-fashion" strategy, we are susceptible to the risk associated with changing consumer preferences.

A failure to anticipate and respond to changes in fashion trends and consumer demand for design and quality promptly may result in lower sales. Similarly, if we fail to appreciate or underestimate the extent of any anticipated increase in consumer demand for our products, we may experience a loss of

sales opportunities, which may also have an adverse impact on our goodwill, corporate image and profitability. Therefore, if we were unsuccessful in keeping pace with change in consumer preferences as well as the increasing demand for design and quality, our sales, business, results of operations, and prospects may be materially and adversely affected.

Furthermore, the watch industry in the PRC is highly susceptible to changes in prevailing market trends and consumer preferences. In order to achieve a continued success in this industry, we must be able to anticipate, identify and respond promptly to such changes. As consumer tastes and preferences for watches are highly subjective in nature, we may fail to anticipate or respond to their changes. As a result, we cannot assure you that our watches for each season will be commercially viable or successful. If we were unable to introduce commercially viable products, our inventory of slow-moving and obsolete watches will increase and our financial condition and profitability may be adversely affected. In the long run, this could lead to loss or diminution in the goodwill and commercial value of our brands, which in turn could have an adverse effect on our business, results of operations and financial condition.

If consumer preferences shift away from quartz analogue watches, our sales, business, results of operations, financial condition and prospects may be materially and adversely affected

Our principal products are quartz analogue watches. Therefore, our design, production and assembly capabilities, sales and distribution channels, marketing efforts, supply chains and overall business operations and business strategies are geared towards the production and sale of quartz analogue watches. If consumer preferences shift away from quartz analogue watches towards other kinds of watches such as quartz digital watches, we may not be able to timely adjust our operations and business strategies to accommodate such change, and also substantial costs may be incurred in connection with such adjustments. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our expansion into new geographical markets presents increased risks

We plan to expand our sales and distribution channels of our branded watches to new geographical markets. Factors below may prevent us from competing effectively in these markets and thus negatively affect our expansion:

- unfamiliarity with these local markets;
- difficulty in targeting qualified local distributors; and
- market entry barriers such as strong local competitors that may have proximity advantages and local connections.

In addition, we cannot assure you that we can successfully grow the brand awareness or acceptance of our brands or sales of our branded watches in these new markets as we did in the PRC

market, or at all. Furthermore, expansion to other geographical markets requires significant expenses on marketing and promotional activities. Please see "Business — Our strategies" for further details. Failure of our expansion strategy may materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to ensure adequate supplies of watch movements or other watch components for our watches to sustain our sales at a commercially acceptable cost

Watch movements are one of the key watch components in making watches. During the Track Record Period, we sourced the Japan-made, Swiss-made and other watch movements (both quartz and mechanical) for production from a limited number of suppliers. As we expect that our production volume of watches will continue to grow, our need for watch movements from such suppliers will increase. Therefore, any problem with the production facilities or processes of our watch movements suppliers may adversely affect our ability to produce the planned quantity of our watches meeting the required quality standards. Disruptions to the operations of our watch movement suppliers may also increase our costs of sale. If any of such events occurs, we may not be able to supply sufficient quantity of watches to our sales and distribution network and our business, results of operations and financial condition may be materially and adversely affected.

Furthermore, we do not enter into any long-term supply agreement for supply of watch components (including watch movements) and we depend on our amicable relationships with our various suppliers to secure stable supply of watch components. Therefore, the success of our business and growth depends partly on our amicable relationships with our existing watch component suppliers. If we fail to maintain such relationships and we are not able to timely find substitute suppliers or at all, we may not be able to source sufficient quantity of watch components at competitive terms or at all. Our costs of sale may increase if we cannot source watch components at competitive pricing or terms, and we may have to incur substantial costs to secure supply of watch components, which could have a material adverse effect on our profitability as well as our business, results of operations and financial condition. Our products, our cost of sales and our gross profit margins may be materially and adversely affected. As result, our business, results of operations and financial condition may be materially and adversely affected.

We have had net current liabilities as at 31 December 2011 and 2012, respectively, and we cannot assure you that we will experience net current liabilities in the future, which could expose us to liquidity risk

We recorded net current liabilities of RMB47.7 million and RMB4.3 million as at 31 December 2011 and 2012, respectively, primarily attributable to borrowings we used to finance our working capital requirements and capital expenditure. Our net current liabilities positions exposed us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of borrowings as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We cannot assure you that we will not experience periods of net current liabilities in future. Our net current liabilities position and high gearing in future may limit our working capital for operations and our ability to obtain external financing. In such circumstances, our business, liquidity, results of operations, financial condition and prospects could be materially and adversely affected.

We may encounter intellectual property rights issues

Sale of counterfeit or imitated products of our watches may affect our reputation and profitability

The occurrence of counterfeiting of our products, such as unauthorised imitation, replication of our design, infringement of trademarks or labelling by third parties may affect our reputation and profitability. Our Directors are not aware of any material counterfeiting and imitation of our Group's products during the Track Record Period. Our Group will closely monitor to see whether there will be any unauthorised use of our design and trademarks, counterfeiting or imitation of our watches in the future. We cannot assure you that that counterfeiting and imitation would not occur, or if it does occur, that we would be able to detect and address the problem effectively. A significant presence of counterfeit products in the market could have a negative impact on the value and image of our brands, lead to loss of consumer confidence in our brands and, as a consequence, materially and adversely affect our business, results of operations and financial condition.

We may not be able to protect adequately or enforce our intellectual property rights

We consider our intellectual property rights a part of our competitive advantage. Our current and future operations are dependent upon the adequate protection of our intellectual property rights, including brand names, trademarks, patents, technological know-how and trade secrets. The intellectual property rights of our Group can be protected by means of confidentiality arrangements and/or proper registration with government authorities. However, the laws of PRC do not protect our proprietary rights as fully as do the laws of Hong Kong and other common law jurisdictions. In particular, registered patents in the PRC are not subject to renewal once the valid period has expired. We have arranged for the registration of the trademarks in relation to all of our banded watches in the PRC. We cannot assure you that the steps we have taken to protect our intellectual property rights are sufficient and will be sufficient in the future, or that our intellectual property rights will not be subject to infringement in the future. Any unauthorised use of our intellectual property rights can harm our image and business reputation, which could have a material adverse effect on our financial condition and results of operations. Litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of our proprietary rights or those of our competitors. The costs required to protect our trademarks, brand names and patents, including legal fees and expenses, may be substantial. An adverse outcome in litigation or similar proceedings could adversely affect our business, financial condition and results of operations. In addition, the diversion of our management's attention and resources while addressing intellectual property claims, regardless of their validity, could be significant and could significantly affect our business, financial condition and results of operations. See "Business—Intellectual property rights" in this document for further information relating to our intellectual property rights.

If our products infringe on the intellectual property rights of any third party, we may incur substantial liabilities and we may be unable to sell such products

Our commercial success also depends significantly on our ability to operate without infringing on the patents or other intellectual property rights of third parties. Even after reasonable investigation, we may not know with certainty whether we have infringed a third party's legal rights. In addition,

we source watches and watch components from various suppliers and we rely on their representations regarding the authenticity of the products and their authority to distribute but there is a risk that such representations may not be true and correct. If a third party claims that infringement upon its intellectual property rights has taken place, any of the following consequence may occur:

- we may become involved in time-consuming and expensive litigation, even if the claim is without merit;
- we may become liable to substantial damages for past infringement if a court decides that our technology infringes upon a competitor's patent; and
- a court may prohibit us from selling our products without a licence from the patent holder.

If any of these consequences occurs, our business will suffer and the market price of our Shares could decline.

Our success and ability to operate efficiently are dependent on our management team

The composition and continued commitment of our management team have been a key element of our success and ability to operate efficiently. Our future success is also significantly dependent upon the continued service of our key executives, in particular Mr. Lin, and other personnel who make up our management team, and our ability to retain and attract personnel who have the necessary experience and expertise. If we experience any significant, material changes to the composition of our management team, we may not be able to recruit suitable or qualified replacements timely or at all, and may have to incur additional expenses to recruit and train new personnel, which may disrupt our business and limit our ability to grow. Further, if we lose our key management personnel and other personnel of our management team to our competitors, our competitiveness, business, results of operations and financial conditions as well as prospects may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover the risks associated with our business operations

Manufacturers and sellers of sub-standard or defective products in the PRC may be liable for loss and injury caused by such products. Under the Code of the Civil Law of the PRC ("中華人民共和國民法通則") (the "**PRC Civil Code**") which took effect on 1 January 1987, where a sub-standard product causes proprietary damage or physical injury to any person, the manufacturer or seller of such sub-standard product may be subject to civil liability. Under the PRC Law on Product Quality ("中華人民共和國產品質量法") (the "**PRC Product Quality Law**"), which took effect on 1 September 1993 and was amended on 8 July 2000, manufacturers are responsible for the quality of the products they produce such that the products do not potentially endanger the safety of any individual or property. The products must meet certain national or industrial standards (if applicable). Further, the Law of the PRC on the Protection of the Rights and Interests of Consumers ("中華人民共和國民法消費者權益保護法") (the "**PRC Consumers Protection Law**"), which took effect on 1 January 1994 and was amended on 25 October 2013, gives protection to the legal rights and interests of consumers in connection with the safety of individuals and properties in the purchase or use of goods or services. The PRC Consumers Protection Law applies to business operators in the

PRC in the provision of goods manufactured or sold by them and in the business of providing services, and to consumers that purchase or use merchandise or receive services for consumption requirement in the course of everyday life. Our Group and our products are subject to the PRC Civil Code, the PRC Product Quality Law, the PRC Consumers Protection Law and other related laws and regulations in this respect.

Any systemic defects in the products developed or distributed by us could result in material and adverse customer reaction towards our Group, resulting in negative publicity and additional time, effort and expenditures to correct the problems and claims against our Group. As at the Latest Practicable Date, we have not experienced any material claim against us. We do not currently maintain any insurance for business interruption or any third-party liability either. We cannot assure you that we will not encounter business interruption or be subject to third-party liability claims in the future. Any such claim in the future will have a material and adverse effect on our business, results of operations, financial condition and profitability.

We are subject to significant foreign exchange risk due to our exposure to overseas markets

Our functional currency is the Renminbi, but our business transactions are denominated in various other currencies, primarily the U.S. dollar, which exposes us to foreign exchange risk. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Any significant changes in the exchange rates between our functional currency and these various other currencies may result in losses for us and could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive environment and we cannot assure you that we will be able to grow or sustain our competitiveness

Our branded watches are mainly economic products which are priced affordably and target mass consumption. However, this segment of watch products is highly competitive and fragmented in the PRC, and the pricing of and demand for our watches are significantly affected by the intensity of competition we face. Our principal competitors include the major international and domestic watch brands in the economic watch market. Our competitors may have substantially greater financial and technological resources, design and manufacturing capacities, stronger customer relationship, more extensive retail and distribution networks and better brand image than we do. As a result, we cannot assure you that we may be able to compete effectively with these competitors and the competitive pressures could adversely affect our business and financial condition and results of operations. Please see "Industry Overview" and "Business—Competition" in this document for details on the competitive landscape of the watch industry in the PRC in which we operate.

Furthermore, we cannot assure you that there will not be new market entrants with substantial financial resources which could pose significant competition pressures on us and reduce our market share. Further, some of the markets we have recently expanded into may have existing well-established competitors which would adversely affect our business, results of operations and financial condition as well as prospects.

Increase in costs of production, costs of watch components, labour costs and inflation in the PRC in general may adversely affect our business and profitability

Our success depends heavily on the growth of the PRC retail market. Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC Government has implemented various policies from time to time to control inflation. Nevertheless, the effects of the stimulus measures implemented by the PRC Government since the global economic crisis in 2008 have resulted in periods of high inflation.

Inflation has material and adverse effects on our cost of sales. Labour costs in the PRC have increased significantly in recent years and have affected our cost structure. Aside from inflation and other factors, the implementation of the PRC Employment Contract Law ("中華人民共和國勞動合同法"), which became effective on 1 January 2008, also contributed to the increase in labour costs in the PRC. The Directors expect that our costs of sales will continue to increase in the future. If we are unable to identify and adopt appropriate means to reduce costs or pass on such increase in cost to our customers, our business, results of operations and financial condition may be materially and adversely affected.

Further, prolonged inflation in the PRC may result in the decline of real disposable income and willingness of our customers to purchase our watches. As our future growth is highly associated with the consumer spending pattern in the PRC, continued or repeated occasions of inflation, which may cause disruptions to consumer confidence, may materially and adversely affect our business, results of operations and financial condition as well as prospects.

We are subject to the risks of fluctuations in the global and PRC financial markets and economic environments and the resulting government actions

Watches are not necessities, and demand for watches is largely dependent on financial and economic condition and political stability. Beginning in 2008 and continuing into the first half of 2009, our business was significantly affected by the global financial crisis which caused a general slowing down of economic growth in the world, substantial volatility in equity securities markets and volatility and tightening of liquidity in credit markets. Coupled with the effects of the European sovereign debt crisis that has deepened in 2011, it is uncertain whether the recovery from the global financial crisis of 2008 is sustainable. In particular, consumer spending patterns in the PRC are influenced by the state of the PRC economy. A slowdown in the PRC economy or the global economy may lead to a reduction of our sales, which could materially and adversely affect our financial condition and results of operations. We cannot assure you that the growth of the PRC's economy will not slow down or will continue in the future in light of the recent slow-down of growth in GDP and consumer spending in the PRC.

Moreover, the occurrence of any sovereign debt crisis, banking crisis or other financial disruptions that could impact the availability of credit may have a material and adverse impact on financing available to us. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition.

We face risks attributable to changes in economic environments, changes in interest rates, and instability in security markets, among other factors. Major market disruptions could cause changes in regulatory environment, which could in turn materially and adversely affect our business and industry and impair our ability to borrow under any future financial environments.

In particular, as we conduct a substantial portion of our business in the PRC, we have been susceptible to the PRC Government's response to the global financial crisis. The PRC Government had adopted flexible macroeconomic policies after the financial crisis in 2008 but has subsequently tightened its monetary policy, and there is no assurance the overall growth of the PRC economy will be sustained in the future.

These recent and developing economic and government factors may have a material adverse effect on our business, results of operations, financial condition and cash flow and may cause the price of our Shares to decline significantly, and you may lose a significant portion of your investment.

Changes in existing laws and regulations and the imposition of new laws, regulations, restrictions and other entry barriers may increase our costs

We are subject to compliance with various laws and regulations relating to the development and sales of watches in the jurisdictions in which we operate. Failure to comply with these laws and regulations may result in imposition of conditions on or the suspension of sale or seizure of our products, or significant penalties or claims. In the event that the countries in which we operate increase the stringency of such laws and regulations, our operating costs may increase and we may not be able to pass these additional costs onto our customers. Further, in the event that any jurisdiction in which we operate or plan to operate imposes any new laws, regulations, restrictions on opening new points of sale or other barriers to entry, our ability to expand may be limited and our growth and development may be materially and adversely affected.

RISKS RELATING CONDUCTING BUSINESS IN THE PRC

Most of our assets and operations are in the PRC, and substantially all of our revenue is derived from our operations in the PRC. Accordingly, the business, results of operations and financial condition as well as prospects of our Group are subject, to a significant degree, to the economic, political and legal developments in the PRC.

Political and economic policies of the PRC Government may affect our business and results of operations and may result in our inability to sustain our growth and expansion strategies

The PRC economy has largely been a centrally planned economy, which differs from other developed economies of the world in many respects, including:

- the degree of the PRC Government's involvement;
- the growth rate and degree of development;
- the uniformity in implementation and enforcement of laws;
- the content of and control over capital investment;
- the control of foreign exchange; and
- the allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC Government has implemented economic reform measures to utilize market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, though we cannot assure you that this growth will continue or continue at the same pace.

In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. As such, we cannot assure you that we will not be adversely affected by the measures that are under continuous adjustments. Also, the PRC Government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall economy of the PRC, but may also have a negative impact on the watch industry or on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

Furthermore, we cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have a material adverse effect on our business, results of operations, financial condition and prospects. In particular, our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The PRC Government has recently articulated the need to control economic growth, and to limit inflation. The PRC Government implemented a series of macro-economic policies which included raising the benchmark interest rates, increasing the PBOC statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC Government will not

implement any additional measures to tighten lending, or that, if any such measure is implemented, it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

The legal system in the PRC is not fully developed and has inherent uncertainties that could limit the legal protections available to our shareholders

Our business and operations are primarily conducted in the PRC and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules, and regulations applicable to foreign investments in the PRC. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC. Prior court decisions may be cited for reference but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investment in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

PRC regulations on direct investment and loans by offshore holding companies to PRC subsidiaries may delay or prevent us from using the proceeds from the [REDACTED] to make additional capital contributions or loans to our PRC subsidiaries, which could harm our liquidity and our ability to fund and expand our business

As an offshore holding company incorporated in the Cayman Islands, we may make additional capital contributions or loans to our PRC subsidiaries, including from the proceeds of the [REDACTED]. Any loans to our PRC subsidiaries are subject to PRC regulations. For example, loans from us to our wholly-owned PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterparts. We may also decide to finance our wholly-owned PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local counterparts. We cannot assure you that we will be able to obtain the necessary government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the [REDACTED] and to capitalise our PRC operations may be adversely affected, which in turn could adversely affect our liquidity and our ability to fund and expand our business.

In addition, on 29 August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign-invested Enterprises. ("關於完善外商投資企業外滙資本金支付結滙管理有關業務操作問題的通知") (the "**Circular 142**"), a notice regulating the conversion by a foreign-invested company of its capital contribution denominated in a foreign currency into RMB. The notice requires that the capital of a foreign-invested company converted from foreign currencies and settled in RMB may not be used for equity investments within the PRC but may only be used for purposes within the company's business scope, as approved by the authorities in charge of foreign investment or by other competent authorities, and as registered with the Administration for Industries and Commerce. In addition, SAFE strengthened its oversight of the flow and use of the capital of a foreign-invested company settled in RMB and converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval and may not in any case be used to repay RMB denominated loans if the proceeds of such loans have not been used. Violations of Circular 142 will result in severe penalties, including heavy fines. As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from the [REDACTED] to our PRC subsidiaries or to convert the net proceeds from [REDACTED] into RMB to invest in or acquire any other PRC companies, which may adversely affect our ability to expand our business.

We may be subject to PRC taxation on our worldwide income

Under the EIT Law, effective on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Enterprise Income Tax Implementation Regulations ("中華人民共和國企業所得税法實施條例") (the "**EITIR**"), which also became effective on 1 January 2008, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in the PRC and may remain in the PRC. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in the PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT at a rate of 25% on our worldwide income. The tax consequences of such treatment are currently unclear, as they will depend on how PRC tax authorities interpret, apply or enforce the EIT Law and the EITIR.

Dividends payable by us to our non-PRC Shareholders and gains on the sale of our Shares may become subject to a PRC withholding tax under PRC tax laws

Under the EIT Law and the EITIR, PRC income tax at a rate of 10% is applicable to dividends payable by a PRC resident enterprise to investors that are non-resident enterprises (and those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the

PRC. Such dividends payable to non-resident individual Shareholders may be subject to PRC income tax at a rate of 20%. Similarly, any gain realized on the transfer of our Shares by such enterprises is also subject to 10% PRC income tax (20% in the case of non-resident individual Shareholders) if such gain is regarded as income derived from sources within the PRC. If we are regarded as a PRC resident enterprise, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and the EITIR. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

We face uncertainty with respect to PRC tax obligations in relation to the transfer of equity interests in PRC resident enterprises

According to the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer ("國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知") (the "**Circular 698**") issued by the SAT on 10 December 2009 and became effective retrospectively on 1 January 2008, where a non-resident enterprise transfers the equity in the PRC resident enterprise to its related party, and the taxable income is reduced due to its transfer price not being in line with the principle of arm's-length transaction, the tax authorities shall have the authority to make adjustment based on reasonable method.

Although there are principal provisions in the EIT law and its implementation regulations concerning the definition of the "principle of arm's-length transaction" and the examples of the "reasonable methods", it is still unclear whether the transfer of the equity interests of Zhangzhou Hongyuan from Jiulongjiu to Time2U(HK) would be considered as not being in conformity with the principle of arm's-length transaction, and what kind of method the tax authorities would adopt to adjust the taxable income of Jiulongjiu subsequently. This will depend on how the PRC tax authorities interpret, apply or enforce the Circular 698, the EIT law and its implementation regulations. For more information on such equity transfer, please see "History, Reorganisation and Corporate Structure" in this document. If Jiulongjiu is ordered to pay a substantial amount of EIT with its taxable income in relation to the share transfer of Zhangzhou Hongyuan being adjusted by the tax authority, our financial condition may be materially and adversely affected.

Dividends payable to our Hong Kong subsidiaries may not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the EIT Law and the EITIR, the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, this rate is lowered to 5% if a Hong Kong resident enterprise owns 25% or more interests in the PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises Regarding Favorable Treatment Under Taxation Treaties ("國家税務總局關於印發《非居民享受税收協定待遇管理辦法(試行)的通知》"), which was issued by the State Administration of Taxation and became

effective on 1 October 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements ("國家税務總局關於執行税收協定股息條款有關問題的通知") issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends payable by our PRC subsidiaries and receivable by our subsidiaries in Hong Kong.

We will rely on dividends payable by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business

We will rely on dividends payable by our subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by subsidiaries established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reaches 50% of its respective registered capital unless the laws regarding foreign investment otherwise provide. A PRC subsidiary shall not distribute any profits until any losses from prior fiscal years have been offset. The statutory reserves of our PRC subsidiaries are not distributable as loans, advances or cash dividends. PRC withholding tax will also be imposed on dividends paid to non-PRC resident investors. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

The PRC Government's control over currency conversion may affect the value of our Shares and limit our ability to utilise our cash effectively

A significant portion of our revenue is denominated in RMB. The PRC Government imposes controls on the convertibility between RMB and foreign currencies and, in certain cases, the remittance of foreign currency into and out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including, among others, dividend distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to their holding companies or our Company, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise impair our business activities that are conducted in foreign currencies.

Inflation in the PRC could materially and adversely affect our profitability and growth

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business, results of operations and financial condition as well as prospects.

Disruption of production facilities could have a material and adverse effect on our business

We operate an integrated business model, in which we control key stages of our operation chain such as product design and development, sourcing and production of components, assembly, brand promotion and management, marketing and sales of our watches. All of our watches are produced at our production facilities located in Zhangzhou, Fujian Province, the PRC.

We maintain our production facilities in Fujian Province, the PRC. These facilities are subject to operational risks, including mechanical and information technology system failure, power shortage, work stoppage, increase in transportation costs, natural disasters, fire and disruption to supplies of raw materials and parts. Any interruption of our activities in our manufacturing, assembling or warehouse facilities or our sales and distribution network in the PRC due to these or other events could disrupt the operation of and the stable supply of our watches to our sales and distribution network, which could have a material adverse effect on our business, results of operations and financial condition. Any future problems of our production facility as a result of, among others, capacity constraints, upgrading or expanding existing facilitates or changes in production technologies may cause delays in our production and delivery schedules, which could temporarily reduce our manufacturing capacity and affect our ability to provide products to our sales and distribution network and our customers.

It may be difficult to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC

Most of our management reside in the PRC and a significant portion of our assets and the assets of our management are located in the PRC. Accordingly, it may be difficult for you to effect service of process in connection with disputes brought in the courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the BVI, the Cayman Islands and most other western countries. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Our business operations may be subject to acts of God, acts of war and epidemics or pandemics which are beyond our control and which may cause damage, loss or disruption to our business

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics or pandemics and other acts of God which are beyond our control may adversely affect the economy, infrastructures and livelihood of the people in the PRC. Some cities in the PRC are under the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, For instance, in 2009, a H1N1 Swine Flu broke out in Mexico and spread globally, resulting in a loss of lives. In 2013, a H7N9 virus was first reported to have infected humans in the PRC causing widespread fear. Our business, results of operations and financial condition may be adversely affected in a material respect if such natural disasters occur in the PRC. Certain areas of the PRC, including Fujian Province, or other areas of the PRC, may result in material disruptions to our operations or a slowdown of the PRC's economy, which may materially and adversely affect our business, financial condition and results of operations. Acts of war and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our distribution channels and/or destroy our markets, which may materially affect our sales, costs, overall financial condition and results of operations. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, results of operations and financial condition may be materially and adversely affected as a result.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors [REDACTED] in the [REDACTED]

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, acquisitions or alliances, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in

recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in [REDACTED] may incur substantial losses.

[REDACTED] of our [REDACTED] under the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The [REDACTED] of our [REDACTED] is higher than our net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, subscribers and purchasers of our [REDACTED] under the [REDACTED] will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future. [REDACTED] of our [REDACTED] may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our Shares

[REDACTED] Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

We may not be able to pay any dividends on our Shares

No dividend was paid or declared by our Company since its incorporation or the group entities to external parties during the Track Record Period. We cannot guarantee when, if and in what form dividends will be paid on our Shares following the [REDACTED]. A declaration of dividends must be proposed by the Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

The market price of our [REDACTED] when trading begins could be lower than the [REDACTED]

The [REDACTED] will be determined on the [REDACTED]. However, our [REDACTED] will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the expected [REDACTED]. Investors may not be able to sell or otherwise deal in

the [REDACTED] during that period. As a result, holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur during that period.

Shareholders' interests in our Company may be diluted in the future

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this document relating to the economy and our industry obtained from official resources

Facts, forecasts, estimates and other statistics in this document relating to the economy and the industry in which we operate our business have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this document may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements that are "forward-looking" and uses forward looking terminology such as "anticipate," "estimate," "believe," "expect," "may," "plan," "consider," "ought to," "should," "would," and "will." Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

[REDACTED] of the [REDACTED] are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above.

In light of these and other uncertainties, the inclusion of forward looking statements in this document should not be regarded as representations or warranties by us that our Company's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that our Group's principal business operations are primarily located, managed and conducted in the PRC, substantially all of our Group's senior management are, and will continue to be, based in the PRC and currently, none of the executive Directors is ordinarily resident or otherwise based in Hong Kong. Our Company does not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Our Company has appointed Mr. Lin (an executive Director) and Mr. Tsui Wing Tak (our company secretary) as the two authorised representatives of our Company pursuant to Rule 3.05 of the Listing Rules. Mr. Lin has confirmed that he possessed valid travel documents and can travel to Hong Kong within reasonable time. Each of the two authorised representatives has confirmed that they will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives will be authorised to communicate on behalf of our Company with the Stock Exchange.

Accordingly, an application has been made to the Stock Exchange for, [and the Stock Exchange has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the conditions that our Company will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

(a) our authorised representatives will act as the principal channel of communication with the Stock Exchange, and should have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contract our Directors on any matters;

(b) each of our Directors who is not ordinarily resident in Hong Kong possesses valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(c) our compliance adviser, Cinda International Capital Limited, will act as our additional channel of communication with the Stock Exchange; and

(d) each of our Directors will provide the Stock Exchange with their respective mobile and office phone numbers, e-mail addresses and fax numbers.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Lin Zhiqiang (林志強)	Room 711, Block 5 Huayuan Unit Xiangcheng District Zhangzhou City Fujian Province PRC	Chinese
Yan Xiaotong (嚴曉彤)	Room 711, Block 5 Huayuan Unit Xiangcheng District Zhangzhou City Fujian Province PRC	Chinese
Dang Shuguo (黨書國)	Room 151 368 Wansheng North Lane Tongzhou District Beijing City PRC	Chinese
Independent non-executive Directors		
Chang Wei (常偉)	Unit 4-803, Block 26 Yunjing East Lane Tongzhou District Beijing City PRC	Chinese
Nie Xing (聶星)	Room 801 4 Honglian East 2nd Lane Shiming District Xiamen City Fujian Province PRC	Chinese
Yu Chon Man (余俊敏)	Flat D, 19th Floor, Hong Fook Court Bedford Gardens 153 Tin Hau Temple Road North Point Hong Kong	Chinese

SENIOR MANAGEMENT

Name	Business address
Mr. Tsui Wing Tak (徐永得)	9th Floor, ICBC Asia Building 122 Queen's Road Central Central Hong Kong
Mr. Hu Mingquan (胡明全)	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC
Ms. Wu Xiaoxiang (吳曉湘)	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC
Mr. Li Yaxiang (李亞祥)	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC
Mr. Zheng Yuetong (鄭月通)	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC

For more information on our Directors and our senior management, please see "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	[REDACTED]
Legal advisers to the Company	*As to Hong Kong law:* Cheung & Lee in association with Locke Lord (HK) LLP 21/F, Bank of China Tower 1 Garden Road Central Hong Kong Mr. George T.Y. Hui New Chambers Room 1002, Dina House No. 11 Duddell Street Central Hong Kong *As to PRC law:* Global Law Office 1501-1502, Tower 1 Excellence Century Center Fuhua 3 Road Futian District Shenzhen 518048 People's Republic of China *As to Cayman Islands law:* Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* [REDACTED] *As to PRC law:* [REDACTED]
Auditor and reporting accountant	HLB Hodgson Impey Cheng Limited Certified Public Accountants 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Property valuer	Asset Appraisal Limited Rm 901, 9th Floor On Hong Commercial Building No. 145 Hennessy Road Wanchai Hong Kong
Compliance adviser	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Receiving banker	[REDACTED]

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC
Principal place of business in Hong Kong	9th Floor, ICBC Asia Building 122 Queen's Road Central Central Hong Kong
Company secretary	Mr. Tsui Wing Tak *FCPA, CPA (Aust)* 9th Floor, ICBC Asia Building 122 Queen's Road Central Central Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Lin Zhiqiang Room 711, Block 5 Huayuan Unit Xiangcheng District Zhangzhou City Fujian Province PRC Mr. Tsui Wing Tak 9th Floor, ICBC Asia Building 122 Queen's Road Central Central Hong Kong
Audit Committee	Mr. Nie Xing *(Chairperson)* Mr. Yu Chon Man Mr. Chang Wei
Remuneration Committee	Mr. Nie Xing *(Chairperson)* Mr. Lin Zhiqiang Mr. Chang Wei
Nomination Committee	Mr. Nie Xing *(Chairperson)* Ms. Yan Xiaotong Mr. Chang Wei

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands	[REDACTED]
Hong Kong Share Registrar	[REDACTED]
Principal Banker(s)	Agricultural Bank of China Limited Zhangzhou Xiangjiang Branch Xiangrong Building 7 Shengli West Road Zhangzhou City Fujian Province PRC China CITIC Bank Corporation Limited Zhangzhou Xiangcheng Branch No. 1, Block 7, Lijing Garden Danxia Road Zhangzhou City Fujian Province PRC Industrial and Commercial Bank Limited Zhangzhou Xiangcheng Branch 14 Yan'an North Road Zhangzhou City Fujian Province PRC Industrial Bank Co., Ltd. Zhangzhou Branch Longmen Building 27 Shengli West Road Zhangzhou City Fujian Province PRC Xiamen International Bank Co., Ltd. Xiamen Siming Branch Xingang Square 10 Hubin North Road Xiamen City Fujian Province PRC
Company website address	***www.time2u.com*** *(Note: Contents in this website do not form part of this document)*

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by our Group, the [REDACTED], the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other party involved in the [REDACTED] or their respective directors, advisers and affiliates and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

ECONOMIC OVERVIEW IN THE PRC

Steady growth of the PRC's economy

The Gross Domestic Product ("GDP") per capita in China rose from RMB30,015 in 2010 to RMB41,805 in 2013. According to the National Bureau of Statistics of China, the per capita net income of rural residents rose from RMB5,919 in 2010 to RMB8,896 in 2013, representing a CAGR of 14.5%; while the per capita disposable income of urban residents climbed from RMB19,109 in 2010 to RMB26,955 in 2013, representing a CAGR of 12.2%. Rising income levels and the overall GDP drive the growth across all industries, and prompt domestic consumption demand.

Increasing Urbanization Rate Driving Consumption Market

Due to the PRC's steady economic development and the influx of migrants from rural areas to developed areas, China's urban population increased from 669.8 million in 2010 to 731.1 million in 2013 with urbanization rate increased from 49.9% to 53.7%. As the watch and clock business has its sales outlets mostly located in urban areas, the rising urbanization rate will lead to a larger customer base, on which the watch industry as a whole may benefit. The constantly rising income levels, as seen throughout the years from 2010 to 2013, are indicative of greater purchasing power and consumption, which will drive business growth for the watch and clock business.

THE WATCH INDUSTRY IN THE PRC

Overview

There are currently two main types of watches on the market: mechanical and quartz. Quartz watches can be further classified into digital and analogue watches, depending on the display's form. Watches vary greatly in price depending on their type and grade. Generally, a mechanical watch is more expensive than a quartz watch.

The watch industry in China recorded rapid growth over the last four years from 2010 to 2013, as its total retail sales registered a CAGR of 12.1%. Mechanical watches and quartz analogue watches have grown slightly faster than quartz digital watches during the same period. Of these three types of watches, quartz analogue watches have consistently held the largest share in retail value throughout the years from 2010 to 2013, with over 50%, followed by mechanical watches with a market share of 47.0% in 2013, and quartz digital with a market share of 2.1% in 2013.

Quartz analogue watches come in a wide variety of brands and styles and can be broadly segmented into three categories, namely economic quartz analogue watches (priced below RMB1,000), mid-end quartz analogue watches (priced between RMB1,001 and RMB3,000) and premium quartz analogue watches (priced more than RMB3,000). In 2013, economic quartz analogue watches realised sales value of RMB8,115.0 million, accounting for 26.0% of quartz analogue watches. A large number of brands are competing in this segment. For example, our *Time2U* branded watches are mostly economic quartz analogue watches. In addition to a number of domestic brands, one of the most famous foreign brands, *Swatch*, also offers economic quartz analogue watches. The total retail sales value of mid-end quartz analogue watches and premium quartz analogue watches reached RMB8,488.7 million and RMB14,623.1 million, respectively, in 2013, accounting for 27.2% and 46.8%, respectively, of the total retail sales of the quartz analogue watch category.

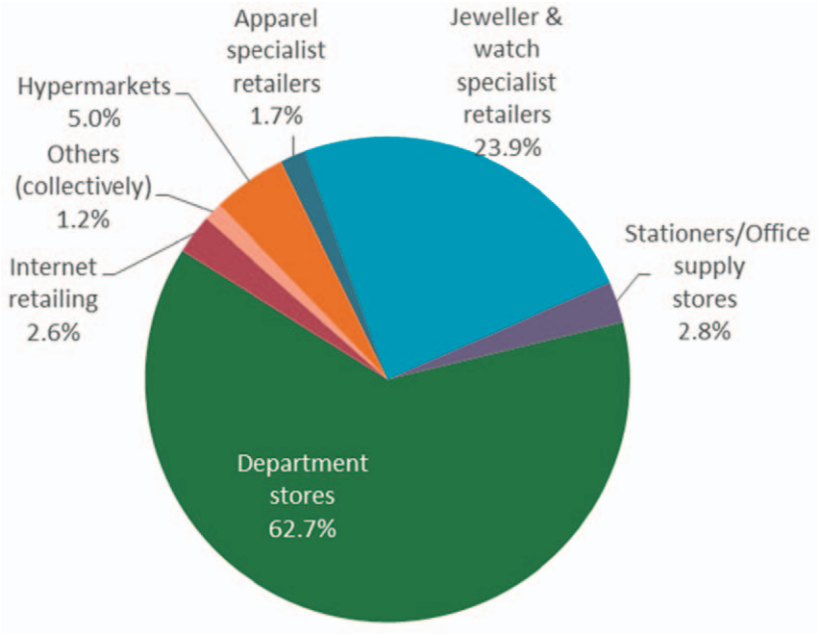
Distribution Channels

Currently in China's watch industry, retail distribution channels include: hypermarkets, apparel stores, watch & jewelry stores, stationery stores, department stores, on-line stores, etc. Among them, department stores held the largest share of retail sales of quartz analogue watches in 2013, accounting for 62.7% of the total retail sales in value terms. Watch & jewelry stores held the second biggest share of quartz analogue watch market in retail value in 2013. Lower end watches are predominantly sold through stationery stores, hypermarkets, fashion accessory stores, while mid-end and premium watches are more commonly sold in department stores and specialty stores. Watch & jewelry stores usually carry a wide range of products targeting a variety of customer segments while on-line stores sell mostly mid-end and economic products.

Throughout the years from 2010 to 2013, the fastest expanding distribution channel was the on-line channel. On-line sales of quartz analogue watches recorded a CAGR of 46.7% from 2010 to 2013.

Among the watch industry's various retail distribution channels, stationery stores are the most unique; this channel sold RMB861.9 million worth of quartz analogue watches in 2013, and accounted for 2.8% of the total retail sales value. Stationery stores used to only target at primary and secondary school students with products related to school study. Nowadays, modern stationery stores offer a wide range of products including fashion accessories, and target at the entire young generation. This group of customers seeks novel aesthetics, low prices, and bright colours, so products with unique designs and lower prices are the best sellers in this channel.

Retail Sales Value of Quartz Analogue Watch Market in the PRC by Retail Channel in 2013

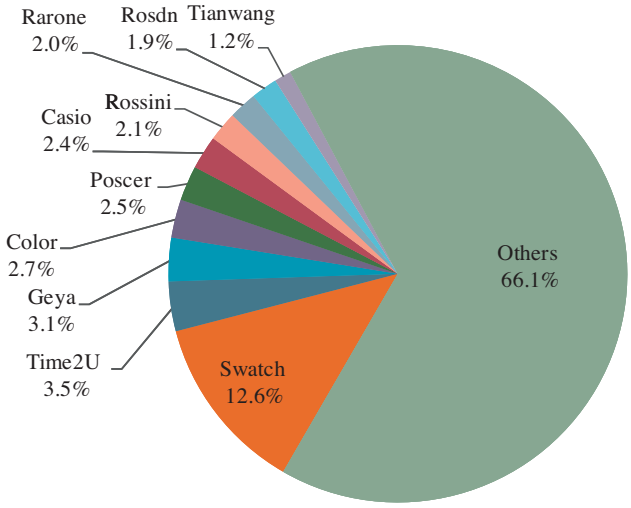


Source: Euromonitor's estimates from trade interview and desk research

Competitive Landscape of Economic Quartz Analogue Watch Market

The economic quartz analogue watch category is highly competitive. In terms of retail sales value, foreign brands target the higher end of the price range, while domestic brands primarily compete in the lower end of the price range. *Swatch* was the number one brand with 12.6% domestic market share in terms of retail sales value in 2013. Our brand *Time2U* ranked second in the market with a share of 3.5%. The top 10 brands had a combined market share of 33.9% in the economic quartz analogue watch category in 2013, indicating a relatively fragmented marketplace.

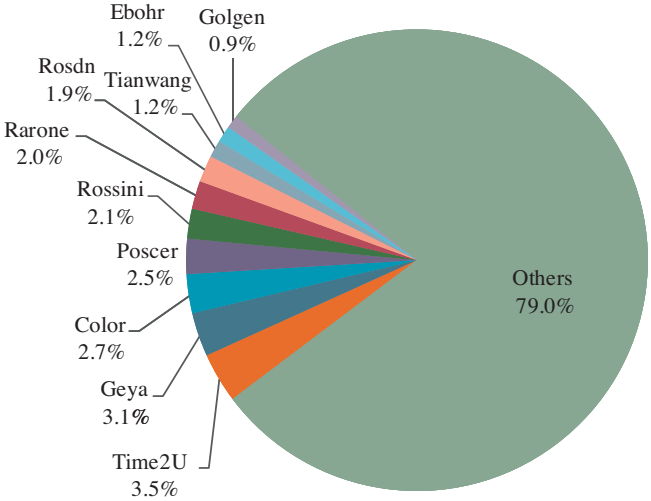
Top 10 Watch Brand Shares in Terms of Retail Value in Economy Quartz Analogue Watch Market in the PRC in 2013



Source: Euromonitor's estimates from trade interview and desk research

In 2013, out of the top 10 domestic brands in the economic quartz analogue watch category, the largest one was our brand *Time2U*. The second one was the brand *Geya* of Shenzhen Geya Watch.

Top 10 Domestic Watch Brand Shares in Terms of Retail Value in Economy Quartz Analogue Watch Market in the PRC in 2013



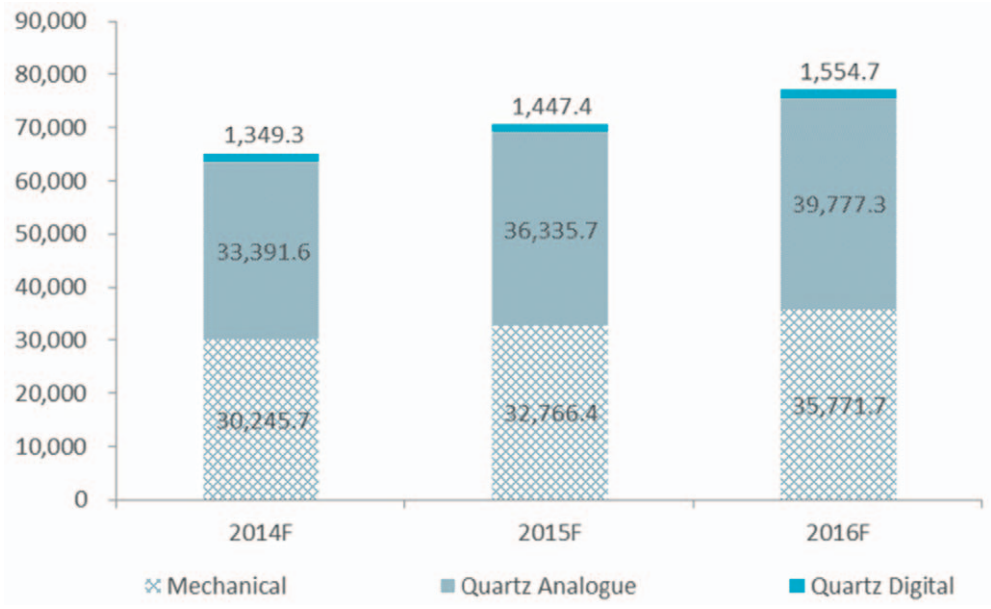
Source: Euromonitor's estimates from trade interview and desk research

Note: The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market share analysis but are not publicly listed, we have estimated their market shares based on estimates provided by various trade sources but not only the estimates provided by such companies in seeking a consensus on these estimates.

Future Trends of the Watch Industry in the PRC

Retail Sales Value of the Watch Market in the PRC from 2014 to 2016

(RMB million)

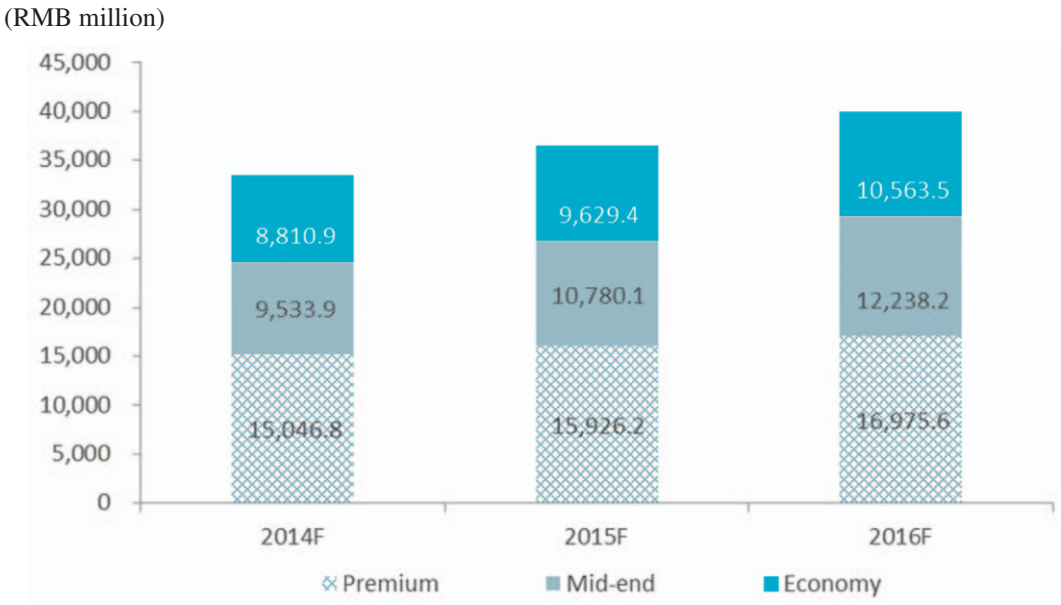


Source: Euromonitor's estimates from trade interview and desk research

Overall, the growth in total retail sales value of watches in the PRC is expected to reach a CAGR of 8.9% for the next three years from 2014 to 2016. Specifically, quartz analogue watches will account for approximately 51.6% of total retail value and continue to be the largest category by 2016, followed by mechanical watches with a share of 46.4% in retail value. Quartz digital watches will still be the smallest category, with only a share of 2.0% in retail value by 2016. By 2016, China's watch industry is projected to be worth RMB77,103.7 million in terms of retail sales value, of which RMB39,777.3 million will come from quartz analogue watches.

Overall, the quartz analogue watch category is expected to maintain its steady growth throughout the years from 2014 to 2016. Total retail sales value in this category is projected to expand at a CAGR of 9.1% for the forecast period. By 2016, it is estimated that this category will be worth RMB39,777.3 million in terms of retail sales value, or 51.6% of total retail sales value of watch, overtaking the mechanical watch category.

Retail Sales Value of Quartz Analogue Watch Market in the PRC from 2014 to 2016



Source: Euromonitor's estimates from trade interview and desk research

The mid-end quartz analogue watch segment is predicted to be the fastest growing segment in the quartz analogue watch market in the PRC. Total retail sales of this segment are projected to grow at a CAGR of 13.3% in value terms throughout the years from 2014 to 2016. The mid-end segment is predicted to generate RMB12,238.2 million in terms of retail sales value, or 30.8% of the quartz analogue watch category's total retail sales value by 2016. The economic quartz analogue watch segment is expected to grow at a CAGR of 9.5% from 2014 to 2016, and reach retail sales value of RMB10,563.5 million or 26.6% of the total retail sales value of quartz analogue watches by 2016; while the premium quartz analogue watch segment will grow at a CAGR of 6.2% and reach retail sales value of RMB16,975.6 million by 2016.

Market Drivers and Opportunities

Income Growth Leads to Demand Growth

Watches, as non-essential products, have a higher income elasticity of demand. When the economy is sluggish and customers are more price-sensitive, sales of premium products will drop drastically. With a stable economy and higher income levels, customers are more willing to spend money on watch products. As such, the income level and purchasing power of customers are the fundamental drivers of sales growth in the watch market. Among all watch types, quartz analogue watches are likely to be the first choices of new watch consumers because of the affordable prices and better designs.

Local Manufacturers Start to Build Their Brands

Domestic watch companies used to expand their market share by competing primarily on prices, which had caused retailers to undercut each other and lower the overall prices of watches. In the last few years, local watch manufacturers realised that as a special consumer product, watch derives its value mainly from brand equity, product design, and advanced features. Chinese manufacturers, such as Fiyta, Ebohr, Tianwang and Rossini, started to form their own research and development capability and build their own brands. As the local brands are gaining popularity, they will drive the watch retailing market in the PRC in the long run with more affordable prices and the improvement of product design.

Marketing Stimulates Demand

To further explore market demand, manufacturers have been promoting watches as expression of lifestyle in addition to being timepieces. They are playing down the functionality of watches and promoting their cultural values. In the world's largest watch markets, Europe and North America, people usually wear different watches for different occasions, and watchmakers have explored this concept to further expand the market. Domestic manufacturers can replicate this marketing strategy. They should seek to change consumers' perception of watches by emphasizing their decorative functions and change the ingrained mindset of the watch merely being a functional object that only needs to be replaced when it is broken.

Constrains and Challenges

Export Business under Pressure

In the last few years, China's watch industry largely relied on the OEM business and exports based on the availability of cheap domestic labour. However, this business model has become less effective in the aftermath of the global financial crisis. Foreign demand has dwindled, while the costs of production (e.g. movement) have increased, causing export-oriented watch manufacturers to face great challenges. An appreciating domestic currency and rising labour costs are also devouring manufacturer profits. In the face of both internal and external pressure, domestic watch manufacturers are in desperate need of a transformation of their business model.

Low Technological Innovation Capability

The core technology in watchmaking lies in high-precision mechanics and information technology, which focus on the design and manufacture of watch movements. The OEM business has helped domestic watch companies accumulate fortunes and learn the skills necessary to craft their own watches, but they still lack critical innovation ability necessary to walk on their own feet. Domestic manufacturers lack the technology and skills required to produce premium mechanical watches and clocks, as well as multifunctional quartz watches, and they still rely on imported core parts (e.g. movements) to make their premium products. The low added value and technical value of domestic products, and backward equipment for producing movements are major constraints for the industry.

Government Restrictions on High-end Gifts

Since the enactment of the anti-gifting regulations in China in October 2012, the growth of the sales of China's luxurious goods market has been declining. As a type of luxurious goods, watches, especially high-end watches, experienced a slowdown with its growth throughout the years from 2012 to 2013.

Impact from Overseas Shopping

Overseas shopping has become more common among Chinese consumers, as they have more opportunities and money to go shopping or travelling abroad, where they can buy high-end products (including watches) at lower prices free of tariffs and taxes. The heavy discounts, greater range of selection and higher quality of services are the main reasons why more Chinese consumers choose to go shopping abroad. The increase in overseas shopping, to some extent, restricts the growth of high-end watches in China, but has had little impact on low-end and mid-end watches.

THE WATCH PRODUCTION AND EXPORTS OF CHINA

Overview

China is currently the world's largest watch producer in terms of volume and Chinese-made watches are mostly quartz watches.

Manufacturer sales value of watches in China has been rising steadily from 2010 to 2013, recording a CAGR of 11.0%. In 2013, China's watch manufacturing industry had a manufacturer sales value of RMB67,108.4 million. Quartz analogue watch, the largest category of watches, had manufacturer sales value of RMB44,677.5 million or 66.6% of the industry's total manufacturer sales value in 2013, followed by mechanical watches, which generated 26.4% of the industry's total manufacturer sales value.

The total value of the Chinese watch exports has grown steadily with a CAGR of 15.7% throughout the years from 2010 to 2013, despite a drop of export volume. This is primarily due to an increase in prices and the addition of added value Chinese watches to the market. Specifically, quartz watches constituted a large portion of total export value of watch products from China, holding the significant share comparing to mechanical watches. In 2013, China exported quartz watches valued at USD2,105.0 million, approximately 16 times that of export value of mechanical watches which was USD131.0 million.

Quartz Analogue Watch Production Market in China

The quartz analogue watch production market is currently very fragmented. None of the 10 largest manufacturers has a dominant position in the industry. The combined market share of the top 10 players was only 14.7% in 2013 and none of them has a market share of over 4%.

Market Share of Top 10 Quartz Analogue Watch Manufacturers in Terms of Manufacturer Sales Value from 2011 to 2013

Rank	Company Name	Market Share		
		2011	2012	2013
1	Epson Seiko (Shenzhen) Co. Ltd	2.8%	2.9%	3.3%
2	Foshan Nanhainanhua Metal & Jewel Craft Co. Ltd	2.8%	3.0%	3.2%
3	Pulse Time Watch (Shenzhen) Co. Ltd	2.6%	2.5%	2.5%
4	Zhangzhou Hongyuan Watch Industry Co. Ltd	0.8%	0.9%	1.3%
5	Ledeli Watch (Shenzhen) Co. Ltd	1.4%	1.3%	1.2%
6	Shenzhen Tianwang Electronics Co. Ltd	0.7%	0.9%	1.2%
7	Shenzhen Rarone Watch Co. Ltd	0.4%	0.5%	0.5%
8	Zhuhai Rossini Watch Industry Ltd	0.4%	0.5%	0.5%
9	Guangzhou Wuguan Electronics Co. Ltd	0.7%	0.6%	0.5%
10	Shenzhen Ruihui Clock & Watch Co. Ltd	0.4%	0.4%	0.5%
	Top 10 quartz analogue watch manufacturers	13.0%	13.5%	14.7%

Source: Euromonitor's estimates from trade interview and desk research

Note: The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market share analysis but are not publicly listed, we have estimated their market shares based on estimates provided by various trade sources but not only the estimates provided by such companies in seeking a consensus on these estimates.

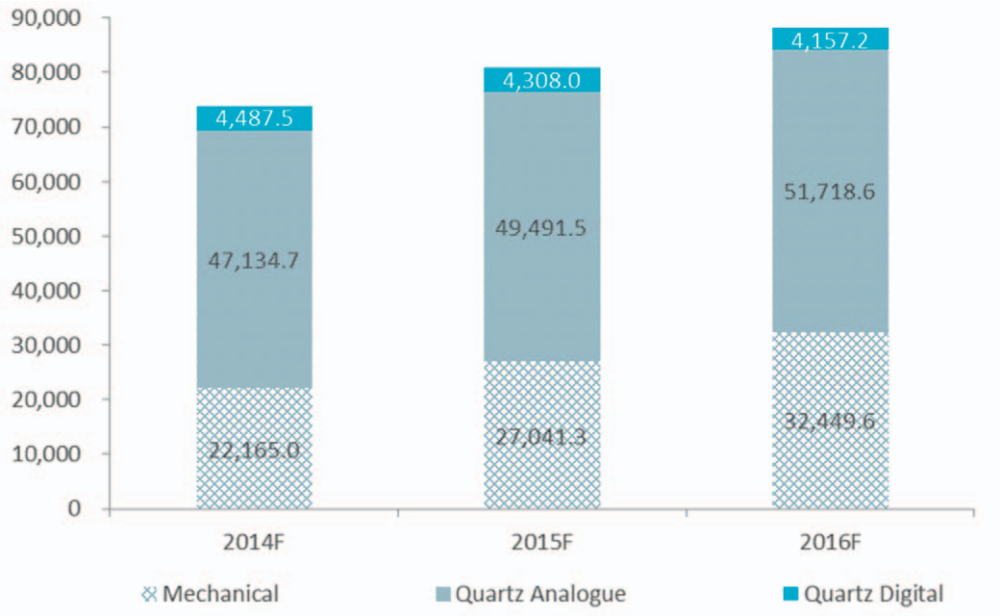
Quartz Analogue Watch Exporters in China

Most of the domestic watch manufacturers rely on manufacturing and exporting OEM models for foreign brands. The most promising watch companies are those that build their own brands and shift their focus from the OEM business towards operation in the domestic market. In addition, China is a huge watch market due to its big customer base with increasing purchasing power.

More experienced OEM manufacturers are stepping into domestic markets by launching their own in-house brands. They are more likely to target the economical and mid-end segments, given the similar requirements of production expertise. In-house brands will allow the brand owners to have a higher profit margin than that of their OEM products, and will be less affected by the global economic uncertainty, while maintaining control over their brand's performance. They are expected to have better growth potential than manufacturers which only focus on OEM production.

Future Trends of the Watch Manufacturing Industry in the PRC

Manufacturer Sales Value of Watch Products in the PRC from 2014 to 2016



Source: Euromonitor's estimates from trade interview and desk research

China's watch manufacturing industry is predicted to continue its growing trend at an estimated CAGR of 9.4% in terms of manufacturer sales value throughout the years from 2014 to 2016 and reach RMB88,325.4 million in 2016. Among all categories and product types, mechanical watch is anticipated to be the fastest growing product type in terms of manufacturer sales value, with an estimated CAGR of 21.0% over the three-year period to reach RMB32,449.6 million in 2016. Quartz analogue watch will have stable growth in manufacturer sales value with an estimated CAGR of 4.7% over the projected period to reach RMB51,718.6 million in 2016, making it the largest product type in the watch market through the end of the period, and accounting for 58.6% of the total watch market in terms of manufacturer sales value in 2016.

FUTURE OUTLOOK OF THE GLOBAL QUARTZ WATCH MARKET

The global quartz watch retail market is predicted to grow at a slow pace over forecast period from 2014 to 2016, with a CAGR of 5.4% in terms of retail sales value, and reach USD46,500.6 million in 2016.

By region, Asia is likely to remain the driving force and has the fastest growth compared to other regions, with a projected CAGR of 8.4%. Total watch retail value in Asia is estimated to reach USD20,974.7 million in 2016. Eastern Europe and Latin America are estimated to be the second fastest growing regions in the watch market, with the same CAGR of 6.3%. Quartz watch retailing in these

regions will grow to USD1,710.0 million and USD4,830.4 million, respectively, in 2016. Australia, New Zealand and North America are expected to experience a slowdown in their growth over the forecast period.

In the global watch market in 2016, Asia will continue to be the largest regional market in value terms, and this region's global market share will rise to 45.1% by 2016. Western Europe and North America, despite a much lower rate of expansion, will still be the second and third largest regional watch market, but its global shares will decline.

Market Drivers and Opportunities

National Policy Guidance

China, as a major watch producing country, has always been promoting its watch industry. China's 12th Five-Year Plan for Light Industries clearly states that it will further improve watchmaking technology (particularly production techniques for key parts), optimize foreign trade structures, build comprehensive competitive advantages (as opposed to cost advantages), build core competency based on branding, technology, quality, and services, and improve the quality and grade of labour intensive exports. As the overall costs of production continue to rise, price competition is no longer an ideal option. More companies will focus on brand building and product differentiation to increase the brand value and pricing of their products. The national 12th Five-Year Plan lays down a solid foundation for the future growth of China's watchmaking industry.

Untapped Potential in Domestic Market

China's watch manufacturing industry used to garner most of its cost advantages from cheaper labour, and China's undervalued currency. The low barriers to entry in the industry allowed most companies to become OEMs. However, the recent economic recession led to a decrease in overseas demand. Comparatively, the domestic market is more resilient and lucrative. There are a host of domestic brands focused solely on the domestic market, and working hard to build strong brands. Their success will make their counterparts realize the potential in the Chinese market, and as more domestic brands shift focus towards home, the domestic watch market will still have room for growth.

New Features Redefine Watches

A modern watch is no longer simply a timepiece. With exquisite designs and new features, watches can meet a variety of different needs. New features have emerged on the market, such as: waterproof, altitude measurement, and pulse measurement. Consumers are likely to use watches with new features more frequently than they normally do and the emergence of new features redefines the overall function of watches. Different aesthetic designs and styles are constantly becoming available, catering to diverse demands from customers, particularly younger ones. The idea of a watch as an accessory to dressing will likely become more popular and it will be common for one person to own more than one watch, which will increase the sales of the market.

Constrains and Challenges

Currency Appreciation and Rising Labour Costs Affects Chinese Exports

The appreciation of RMB has raised the overall cost of Chinese exports and undermined the competitive advantages of China's watch exports. The impact of currency appreciation can also be seen in the exports of quartz analogue watches. The higher prices of Chinese made watches in international markets have caused some foreign buyers to choose cheaper alternatives.

The improvement in the standard of living in China has raised the average salary. Cheaper labour in China was used to be an advantage of the Chinese manufacturing industry. However, rising labour costs have reduced the profit margins of manufacturers. Other emerging markets, like Vietnam, have taken over part of Chinese companies' OEM orders with their lower labour costs.

Economic Downturn Dampens Consumer Confidence

Consumer confidence was dampened by the economic downturn, causing consumer spending on watches to drop. Consumers who have already owned one watch would postpone the purchase of a second one, while consumers without watches would decide to spend their disposable income on life essentials. The growth of the global watch sales are declining, but cost-effective quartz analogue watches are less affected than mechanical watches by the economic recession.

Competition Intensifies as Imported Watches Cut Prices

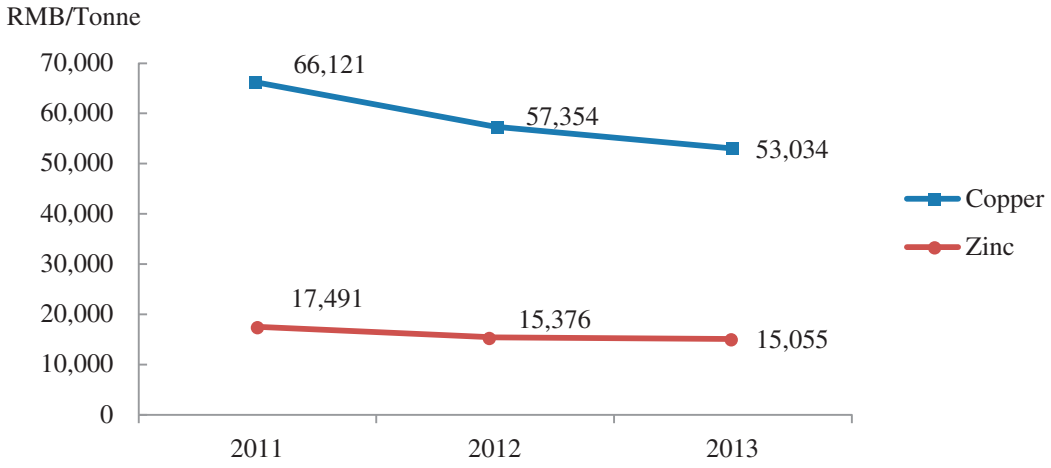
According to China's tariff reduction agreement with Switzerland, imported Swiss watches may have their retail prices reduced in China, but luxury brands may be unlikely to do so for fear of adversely affecting their brand images. However, lower priced foreign brands will take advantage of the duty policy change to slash prices in China, and focus on marketing in a bid to compete directly with Chinese brands.

Raw Materials

The majority of watch movements currently used in watches are made of brass. Less common white-color watch movements are typically plated with a layer of zinc-nickel alloys, or titanium oxide. Domestic watch manufacturers rely on imported movements to a large extent, so the changes in raw material costs do not have a noticeable impact on the retail prices of watches due to the high markup rates of the watch industry.

During the period of 2011 to 2013, both copper and zinc saw their prices declined as a result of weak demand caused by domestic economic slowdown and global economic hardship. The price of copper decreased from RMB66,121 per tonne in 2011 to RMB53,034 per tonne in 2013 while zinc price fell from RMB17,491 per tonne to RMB15,055 per tonne. Given the slow economic recovery both in the domestic market and the overseas market, the prices of copper and zinc are expected to maintain at a low-level throughout the years from 2014 to 2016.

Price of Copper and Zinc from 2011 to 2013



Source: Shanghai Futures Exchange

SOURCE OF INFORMATION

Our Company has appointed Euromonitor, an Independent Third Party, to prepare a report regarding the watch production, retailing and export in China for the purpose of preparing this document. Information disclosed in this section of the document has been extracted from such report (the "Euromonitor Report") and published with the consent of Euromonitor. Euromonitor, founded in 1972, is a private independent provider of business intelligence on industries, countries and consumers. The total consideration that our Company has paid to Euromonitor for preparing and issuing the report was US$105,000, and such consideration is being paid regardless of the results of the Euromonitor Report.

Euromonitor primarily undertook both secondary research and primary research to prepare its report. Secondary research involves an assessment of as much relevant background information as is publicly available through sources covering authority statistics, reports and/or databases, trade associations and other semi-official sources, independent analysts' and research group's reports, etc. Primary research involves trade interviews with multiple organizations including trade associations, watch manufacturers, distributors and retailers, to get their consensus on the landscape for China's watch market. Euromonitor has used multiple secondary and primary sources to validate the data or information collected. Furthermore, a test of each interviewee's information and views against those of others is being applied to ensure reliability and to eliminate bias by Euromonitor.

The factors that were considered by Euromonitor for the forecast include (i) macro-economy and regulation; (ii) retailing development; (iii) leading players' strategy; and (iv) consumer preference. The forecast was based on certain assumptions, including (i) the PRC is likely to maintain steady macro-economic growth during the forecast period with ongoing urbanisation; (ii) the PRC social, economy and political environment is likely to remain stable for the foreseeable future, which provides an overall robust and healthy environment for the development of the watch market in China; and (iii) market drivers identified in the Euromonitor Report such as income growth, local

manufacturers' efforts in building their brands, marketing activities in changing consumers' perception will continue to bolster the future growth of the watch market in China. Our Directors and the Sole Sponsor have exercised reasonable care in reviewing and discussing with Euromonitor on such assumptions and factors, and believe that, to their satisfactions, there is no misleading information or material omission in disclosing such information.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, our Directors, after reasonable consideration, confirm that they were not aware of any adverse change to the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

REGULATIONS ON OUR BUSINESS IN THE PRC

Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in the PRC is governed by the PRC Company Law, which was promulgated by the Standing Committee of the NPC (the "**SCNPC**") on 29 December 1993 and came into effect on 1 July 1994. The PRC Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law became effective on 1 March 2014. The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of foreign invested companies are regulated by, in the case of wholly foreign-owned enterprises, the Wholly Foreign-owned Enterprise Law of the PRC ("中華人民共和國外資企業法"), which was promulgated on 12 April 1986 by the NPC and amended on 31 October 2000 by the SCNPC, and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC ("中華人民共和國外資企業法實施細則"), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economy and amended by the State Council on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment ("外商投資產業指導目錄") (the "**Catalogue**"), which was jointly issued by the State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation in 1995, and amended in 1997, 2002, 2004, 2007 and 2011. The current effective Catalogue was issued on 24 December 2011, and came into force on 30 January 2012. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry. Pursuant to the Catalogue (2011 Revision), the design, production, assembly and brand promotion of watches do not fall into the "restricted" or "prohibited" categories. Thus, we are permitted to engage in the design, production, assembly and brand promotion of watches in the PRC.

Product Quality

Products made in the PRC are subject to the Product Quality Law of the PRC ("中華人民共和國產品質量法") (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000. According to the Product Quality Law, a manufacturer of a product is responsible to compensate for the damages to any person or property caused by the

defect of such a product, unless the manufacturer is able to prove that: (i) it has not distributed the product; (ii) the defect did not exist at the time when the product was distributed; or (iii) scientific or technological knowledge at the time when the product was distributed was not such that it allowed the defect to be discovered.

The PRC Law on Protection of the Rights and Interests of Consumers ("中華人民共和國消費者權益保護法") (the "**Consumers Protection Law**") was promulgated on 31 October 1993 and became effective on 1 January 1994. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on the package of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal State decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is not adequate in quantity; (vii) where the service items and charges are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by PRC laws and regulations, are harmed. The Consumers Protection Law has been further revised on 25 October 2013 and the revisions take effect from 15 March 2014.

The Tort Law of the PRC ("中華人民共和國侵權責任法") was promulgated on 26 December 2009 and came into force on 1 July 2010 to clarify the tort liability, and to prevent and punish tortious conduct. Under this law, in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation to the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek reimbursement from the manufacturer upon compensation to the victim.

As we are manufacturer and seller of watches, we are obliged to be in compliance with the aforesaid laws and regulation on product quality and protection of the rights of consumers.

Registration for Import and Export Goods

Pursuant to the Customs Law of the PRC ("中華人民共和國海關法") promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000 and 29 June 2013, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Both Zhangzhou Hongyuan and Fujian Ouwosi have obtained the Registration Certificate of the Customs for Consignees or Consignors of Imported or Exported Goods, which are valid until 12 November 2014 and 14 June 2015 respectively.

Taxation

EIT

According to the EIT Law enacted by the NPC on 16 March 2007 and relevant implementation rules enacted by the State Council on 6 December 2007, both in effect from 1 January 2008, a uniform income tax rate of 25% is applied to PRC enterprises, foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC.

Under the implementation rules of the EIT Law, in effect from 1 January 2008, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排") on 21 August 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the SAT promulgated the Notice Concerning the Meaning and Determination of the Identity of "Beneficial Owner" in Tax Treaties ("關於如何理解和認定税收協定中"受益所有人"的通知"), which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and the beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits. In addition, according to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) ("非居民享受税收協定待遇管理辦法(試行)"), effective on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the tax treatment under the tax treaty, it shall apply for approval or file with the competent tax authority. Without such approval or filing record, the non-resident enterprise shall not enjoy the tax treatment in the tax treaty.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprise are exempted from EIT.

Rules regarding Withholding of Income Tax on Non-resident Enterprises

Pursuant to the Interim Measures for the Administration of Source-based Withholding of Income Tax on Non-resident Enterprises ("非居民企業所得税源泉扣繳管理暫行辦法") (the "**Measures**"), which was promulgated on 9 January 2009 and became effective retrospectively on 1 January 2009, where both parties to an equity transfer transaction conducted outside the PRC are non-resident enterprises, the domestic enterprise whose equity is transferred shall submit the photocopy of the equity transfer contract to its competent tax authority when changing its tax registration in accordance with the laws, and the non-resident enterprise that derives gains from disposal of equity interests in

the domestic enterprise shall, either on its own or through its entrusted agent, declare and pay taxes at the competent tax authority at the location of the domestic enterprise whose equity has been transferred, and such domestic enterprise shall assist the relevant tax authority in collecting tax from the non-resident enterprise.

According to the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer ("國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知") (the "**Circular 698**"), which was issued by the SAT on 10 December 2009 and became effective retrospectively on 1 January 2008, except for the purchase and sale of equity through a public securities market, a non-resident enterprise which transfers the equity of a PRC resident enterprise shall declare and pay the EIT at the competent tax authorities (the tax authorities responsible for administration and collection of income tax of such PRC resident enterprise) at the location of the PRC resident enterprise. Where a non-resident enterprise transfers its equity interests in a PRC resident enterprise to its related party, and the taxable income is reduced due to its transfer price not being in line with the principle of arm's-length transaction, the tax authorities shall have the authority to make adjustment based on reasonable method.

Although there are principal provisions in the EIT law and its implementation regulations concerning the definition of the "principle of arm's-length transaction" and the examples of the "reasonable methods", it is still unclear whether the transfer of the equity interests of Zhangzhou Hongyuan from Jiulongjiu to Time2U(HK) would be considered as not being in conformity with the principle of arm's-length transaction, and what kind of method the tax authorities would adopt to adjust the taxable income of Jiulongjiu subsequently. As such, the taxable income in relation to the transfer of equity interest of Zhangzhou Hongyuan from Jiulongjiu to Time2U(HK) may be subject to adjustment. The relevant risk has been disclosed in the section headed "Risk Factors — We face uncertainty with respect to PRC tax obligation in relation to the transfer of equity interests in PRC resident enterprise".

Value Added Tax

Any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in the PRC is generally required to pay Value Added Tax on the added value derived during the process of manufacture, sale or service provided according to the Interim Regulation on the Value Added Tax of the PRC ("中華人民共和國增值税暫行條例") promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 and its implementation rules. Unless stated otherwise, for Value Added Tax payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Urban Maintenance and Construction Tax as well as Education Surtax

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the PRC ("中華人民共和國城市維護建設税暫行條例") promulgated by the State Council on 8 February 1985, any taxpayer, whether an entity or individual, of product tax, value-add tax or business tax shall be

required to pay urban maintenance and construction tax based on the total amount of product tax, value-add tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge ("徵收教育費附加的暫行規定") promulgated by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax or business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas ("關於籌措農村學校辦學經費的通知").

The major categories of taxes currently applicable to Zhangzhou Hongyuan and Fujian Ouwosi are EIT, value-added tax, urban maintenance and construction tax and education surcharge, the rates of which are 25%, 17%, 7% and 5% respectively.

Labour Protection

Labour Contracts

The Labour Contract Law of the PRC ("中華人民共和國勞動合同法") promulgated on 29 June 2007 and amended on 28 December 2012, and the Implementation Rule of the Labour Contract Law of the PRC ("中華人民共和國勞動合同法實施條例") promulgated on 18 September 2008 set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Social Insurance and Housing Provident Fund

Employers in the PRC are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include the Social Insurance Laws of the PRC ("中華人民共和國社會保險法") promulgated by the SCNPC on 28 October 2010 and effective on 1 July 2011; the Interim Regulation on the Collection and Payment of Social Security Funds ("社會保險費徵繳暫行條例"), which was promulgated by the Social Council on 22 January 1999 and became effective on the same date; the Interim Measures concerning the Maternity Insurance ("企業職工保險試行辦法") which was promulgated by the Ministry of Labour on 14 December 1994 and became effective on 1 January 1995; the Regulation on

Work-related Injury Insurance ("工傷保險條例"), which was promulgated by the State Council on 27 April 2003 and amended on 20 December 2010; and the Regulation on Management of the Housing Accumulation Fund ("住房公積金管理條例"), which was promulgated and became effective on 3 April 1999 and was then amended on 24 March 2002.

Occupational Diseases Prevention and Control

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC ("中華人民共和國職業病防治法") promulgated on 27 October 2001, effective on 1 May 2002 and amended on 31 December 2011, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the entity responsible for the construction project shall: (i) during the period of feasibility study, submit to the supervisory and administrative department of work safety a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards when the construction project is completed and ready for inspection and acceptance; and (iii) apply for an inspection and acceptance for protective facilities. The protective facilities may be put into formal operation and use only after they have passed the inspection by supervisory and administrative department of work safety.

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC, an employer shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) pay work-related injury insurance in accordance with the laws; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the employees for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labour contract with employees.

Pursuant to the Catalogue of Classified Risk Administration on Occupational Disease Hazards of Construction Projects ("建設項目職業病危害風險分類管理目錄"), which was promulgated by the State Administration of Work Safety and became into effect on 31 May 2012, the degree of occupational disease hazards risk is classified into three categories: less serious, relatively serious and serious. The degree of occupational disease hazards risk on the industry of instrument and apparatus manufacture falls into the "less serious" category. According to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Occupational Health of Construction Projects ("建設項目職業衛生"三同時"監督管理暫行辦法"), which was promulgated on 27 April 2012 and became effective on 1 June 2012, for the construction projects that cause less serious occupational disease hazards, the pre-assessment report of occupational disease hazard shall be filed with the supervision and administration department of work safety, and the inspection and acceptance for construction of the occupational disease prevention facilities shall be organized by the construction entity itself while the inspection and acceptance report shall be filed with the supervision and administration department of work safety.

Production Safety

The PRC Work Safety Law ("中華人民共和國安全生產法") (the "**Work Safety Law**"), was promulgated on 29 June 2002, came into effect on 1 November 2002 and was revised on 27 August 2009. Pursuant to the Work Safety Law, the production and business operation entities must implement safe production as provided in laws, administrative regulations, national standards and industry standards.

Generally, any production and business operation entity with more than 300 employees shall establish an administrative body of safe production or have full-time personnel for the administration of safe production. If the enterprise has less than 300 employees, it shall have full-time or part-time personnel for the administration of safe production or entrust engineering technicians who have the relevant professional technical qualifications as required by the state to provide services with regard to the administration of work safety. Violation of the PRC Work Safety Law may result in the imposition of fines and penalties, the suspension of operation, an order to cease operation, and/or criminal liability in severe cases.

The Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects ("建設項目安全設施"三同時"監督管理暫行辦法") (the "**Construction Projects Interim Safety Measures**") was promulgated by the State Administration of Work Safety on 14 December 2010 and came into effect on 1 February 2011. The Construction Projects Interim Safety Measures provide that, for construction projects other than specially set forth in the Construction Projects Interim Safety Measures, the production and business operation entities are required to: (i) conduct a comprehensive analysis of the project conditions and facilities for production safety and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures; (ii) organize the review on the design of the safety facilities of the construction projects and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures; and (iii) organize the execution of inspection and acceptance of safety facilities and submit written reports to the relevant supervision and administration department of production safety in accordance with the Construction Projects Interim Safety Measures.

We should execute, implement and terminate labour contracts with our employees, as well as provide social insurance and housing provident fund to our employees in accordance with the PRC labour laws and regulations. We should conduct occupational disease prevention and treatment and implement safe production as required by PRC laws and regulations.

Environmental Protection

General Laws

According to the Environmental Protection Law of the PRC ("中華人民共和國環境保護法") (the "**Environmental Protection Law**"), which was promulgated by the SCNPC and became effective on 26 December 1989, (i) any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues,

dust, malodorous gases, radioactive substances, noise vibration and electromagnetic radiation and other hazards it produces; (ii) any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and (iii) any entity that discharges pollutant in excess of the prescribed national or local standards must pay the requisite fee for excessive discharge and shall assume responsibility for controlling and eliminating the pollution.

The MOEP shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the different circumstances. Such penalties include warnings, fines, orders to rectify and make treatment within prescribed period, orders to cease production, orders to re-install contamination prevention and treatment facilities which have been removed or left unused, imposition of administrative action against relevant responsible persons, or orders to shut down those enterprises.

Prevention and Control of Various Pollutions

The Law on Prevention and Control of Water Pollution of the PRC ("中華人民共和國水污染防治法"), as revised on 28 February 2008 and became effective on 1 June 2008, the Law on Prevention and Control of Atmospheric Pollution of the PRC ("中華人民共和國大氣污染防治法"), as revised on 29 April 2000 and became effective on 1 September 2000, as well as the Law on Prevention and Control of Environmental Noise Pollution of the PRC ("中華人民共和國環境噪聲污染防治法"), which was revised on 29 October 1996 and became effective on 1 March 1997, prescribe the details for the prevention and control of water pollution, atmospheric pollution and noise pollution respectively.

Pursuant to the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC ("中華人民共和國固體廢物污染防治法") promulgated on 30 October 1995, effective on 1 April 1996 and revised on 29 December 2004 and 29 June 2013, entities that generate waste as listed in the national catalog of hazardous waste formulated by the administrative department for environmental protection, shall dispose hazardous waste in accordance with relevant State regulations. An entity that intends to transfer hazardous waste shall, according to relevant State regulations, fill in duplicate forms for transfer of hazardous waste and submit an application to the administrative department for environmental protection of the local people's government at or above the level of a city divided into districts in the place where the hazardous waste is to be moved out. Without such approval, hazardous waste shall not be transferred.

In addition, pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water resources, and/or produce noise or solid wastes, the relevant entity shall make pollutant discharge declaration and discharge pollutants in accordance with relevant regulations.

Construction Project Environmental Protection

Pursuant to the Law on Appraisal of Environment Impacts of the PRC ("中華人民共和國環境影響評價法"), which was promulgated on 28 October 2002 and became effective on 1 September 2003, in the process of project construction, the construction entity shall carry out the countermeasures for environmental protection as proposed in the comments of the competent environmental protection department on the report of environmental impacts, the report form on environmental impacts and other environmental impact appraisal documents.

According to the Management Regulations of Environmental Protection of Construction Project ("建設項目環境保護管理條例"), which was promulgated by the State Council and became effective on 29 November 1998, the PRC practices a system for the evaluation of the environmental impact of a construction project. A construction entity shall, on or prior to commencement of construction or, during the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact report form or environmental impact registration form for approval. Further, the construction entity shall, during the certain construction stage or upon the completion of the construction project, file an application with the relevant department of environmental protection administration that examined and approved the said construction project for inspection and acceptance.

Standards of Collecting Fees for Discharge of Pollutants

According to the Circular on the Standards of Collecting Fees for Discharge of Pollutants ("排污費徵收標準管理辦法"), which was promulgated on 28 February 2003, and became effective on 1 July 2003, environmental protection authorities under the local people's government at or above the county level shall be responsible for collection of the fees for pollutant discharge according to the following criteria: (i) enterprises, institutions, individually-owned industrial and/or commercial businesses that directly discharge pollutants into a water body shall pay fees for pollutant discharge according to the kinds and quantity of the water pollutants discharged; (ii) enterprises, institutions, individually-owned industrial and/or commercial businesses that directly discharge atmospheric pollutants shall pay fees for pollutant discharge on the basis of the categories and quantities of the atmospheric pollutants discharge; (iii) if construction of facilities and sites for storing or treating industrial solid wastes has not been built or does not comply with the standards on environmental protection, such enterprises, institutions, individually-owned industrial and/or commercial businesses shall pay fees for solid wastes discharge according to the kinds and quantities of the solid wastes pollutants discharged; and (iv) enterprises, institutions, individually-owned industrial and/or commercial businesses that produce environmental noise pollution that impairs the living environment of the neighborhood shall pay fees for excessive emission of such pollution.

Zhangzhou Hongyuan and Fujian Ouwosi are obliged to be in compliance with the aforesaid laws and regulations during their production of watches, such as transfer of hazardous waste with approval from the competent environmental protection authority, and payment of fees for pollutant discharge in due course, and etc. In addition, Zhangzhou Hongyuan and Fujian Ouwosi have obtained the certificates to permit pollutant discharge issued by the relevant environmental protection authority.

Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the PRC ("中華人民共和國商標法") (the "**Trademark Law**"), which was amended on 27 October 2001 and with effect from 1 December 2001, the right to exclusive use of a registered trademark shall be limited to trademarks which have been registered and to goods for which the use of trademark has been permitted. The period of validity of a registered trademark shall be ten years, counted from the day the registration is made. According to the Trademark Law, (i) using a trademark that is identical with a registered trademark on the same goods without the authorization of the owner of the registered trademark; (ii) using a trademark that is similar to a registered trademark on the same goods or using a trademark that is identical with or similar to a registered trademark on similar goods without the authorization of the owner of the registered trademark, which is likely to cause confusion, shall be deemed to constitute an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages and etc. The Trademark Law was further amended on 30 August 2013 and the revisions will become effective on 1 May 2014.

Patent

Pursuant to the Patent Law of the PRC ("中華人民共和國專利法") (the "**Patent Law**"), which was amended on 27 December 2008 and became effective on 1 October 2009, after grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is determined, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages and etc.

Domain Names

Pursuant to the Measures for Administration of Internet Domain Names for China ("中國互聯網絡域名管理辦法"), which was promulgated by the Ministry of Information Industry on 5 November 2004 and with effect from 20 December 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" shall be followed for the domain name registration service. After completing the domain name registration, the applicant for the domain name registration becomes the holder of such domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name register shall write it off and notify the holder of the domain name in written form.

The Measures on Domain Names Dispute Resolution ("中國互聯網絡信息中心域名爭議解決辦法") was promulgated by the Chinese Internet Network Information Centre on 25 September 2002 and amended on 14 February 2006 and 28 May 2012. These measures require domain name disputes should be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

Our registered trademarks, registered domain names and granted patents have been listed in Appendix V. Such registered trademarks, registered domain names and granted patents are and will be protected by the PRC intellectual property laws and regulations during their respective validity periods.

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Regulation of the PRC for the Control of Foreign Exchange ("中華人民共和國外匯管理條例") (the "**Foreign Exchange Regulation**"), promulgated by the State Council in 29 January 1996, as amended in 14 January 1997 and 1 August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterpart is obtained in advance.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment ("關於進一步改進和調整直接投資外匯管理政策的通知"), promulgated by the SAFE on 19 November 2012 and effective from 17 December 2012, in relation to direct foreign investments in the PRC, foreign investors are no longer required to obtain approval from the SAFE to re-invest in the PRC by using income legally generated from the PRC. No approval from the SAFE is required for opening the foreign exchange accounts, payment into certain accounts, settlement of the foreign exchange and for the purchase and external payment of foreign exchange. Also, transfer of foreign exchange in the PRC under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign-invested enterprises are permitted to remit funds to their offshore parent companies.

Pursuant to the Circular Concerning Relevant Issues on Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents ("關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知") (the "**Circular No. 75**"), issued by the SAFE on 21 October 2005, (i) a PRC resident is required to register with the local branch of SAFE before he or she establishes or controls an overseas special purpose vehicle ("SPV") for the purposes of overseas equity financing (including convertible debt financing); (ii) when the PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing such assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of the SAFE; and (iii) when the overseas SPV undergoes a material capital related event outside of China, such as change in share capital or merger or acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register or file such change with the local branch of the SAFE. Subsequently, the SAFE issued guidance to its local

branches with respect to the procedures for the SAFE registration, which strengthens the supervision on the registration pursuant to the Circular No. 75 and imposes obligations on onshore subsidiaries of the overseas SPVs to coordinate with and supervise the relevant PRC residents to complete the registration.

For the purpose of simplifying the approval process, and for the promotion of the cross-border investment, the SAFE promulgated the Circular on the Management of Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles ("關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知") (the "**Circular No. 37**") on 14 July 2014. The Circular No. 37 supersedes the Circular No. 75, and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event the change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "round-trip investment" refers to the "direct investment activities carried out within the PRC by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, whilst obtaining ownership, control, operation and management and other rights and interests." In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

As of 10 February 2014, Mr. Lin and Ms. Yan completed the foreign exchange registration for offshore investment with the Fujian branch of SAFE under Circular No. 75. In May 2014, Celestial Award made investment in our Company. We are informed by Celestial Award that some of its indirect beneficial owners are PRC residents (the "**Relevant Beneficial Owners**") under Circular No. 37.

However, following the implementation of Circular No. 37 on 14 July 2014, the Fujian Zhangzhou branch of SAFE and Fujian branch of SAFE have indicated that pending the internal implementation guidance from the SAFE, currently it is not clear whether Mr. Lin and Ms. Yan should continue to conduct change registration under Circular No. 75 for our Company's financing in May 2014, and the competent SAFE branch would not accept applications made by the Relevant Beneficial Owners for foreign exchange registration for offshore investment under Circular No. 37.

On such basis, our PRC legal advisers, Global Law Office, have advised that after the competent SAFE branch formally accepts Mr. Lin, Ms. Yan and the Relevant Beneficial Owners' applications and Mr. Lin, Ms. Yan and such Relevant Beneficial Owners have submitted all required supporting documents, there is no legal obstacle in substance for Mr. Lin, Ms. Yan and such Relevant Beneficial Owners to conduct change registration or registration on their offshore investments with the competent SAFE branch.

REGULATORY APPROVAL REQUIRED FOR REORGANISATION AND THE [REDACTED]

M&A Rules

On 8 August 2006, the MOFCOM, the PRC Securities Regulatory Commission (中國證券監督管理委員會) (the "**CSRC**"), the SAFE and other three PRC authorities promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors ("關於外國投資者併購境內企業的規定") (the "**M&A Rules**"), which came into effect on 8 September 2006 and was revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign -invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. According to the M&A Rules, an SPV shall mean an offshore company directly or indirectly controlled by a domestic company or PRC residents for the purpose of listing overseas with the equity interests of a domestic company actually owned by such company or individuals, and the overseas listing of the SPV shall be subject to approval from the CSRC and the MOFCOM.

The PRC Legal Advisers have advised that since Zhangzhou Hongyuan was established as a foreign-invested enterprise prior to the effective date of the M&A Rules, and our onshore reorganisation is subject to the Certain Provisions on Change of the Equity Interests of the Investors of A Foreign-Invested Enterprise ("外商投資企業投資者股權變更的若干規定") and the Interim Provisions on Investment Made by Foreign-Invested Enterprises in China ("外商投資企業境內投資的暫行規定") instead of the M&A Rules, we are not required to obtain the approval from the MOFCOM for our onshore reorganisation.

In addition, our PRC Legal Advisers is of the view that there is no need to obtain consents or approvals from the CSRC for the Listing. Except for the approvals that have already been obtained, there is no need to obtain other consents or approvals from other PRC government authorities to implement our reorganisation.

BUSINESS DEVELOPMENT AND MILESTONES

The history of our Group can be traced back to the year of 1994 when Zhangzhou Xiangcheng Qiaoxing Watch Factory (which was then owned as to 35.90% by Ms. Yan, 32.05% by Mr. Lin and 32.05% by Ms. Yang Minhui, Ms. Yan's mother) and Yuen Fung Watch Manufacturing Limited (an Independent Third Party) established Zhangzhou Hongyuan to carry out the business of manufacture of quartz clocks, watches and related components. The initial funding of Zhangzhou Hongyuan was provided by its initial shareholders by way of capital contribution. Please see "Corporate development—Our subsidiaries in the PRC—Zhangzhou Hongyuan" in this section for further details.

We have achieved the following key milestones in our development into a leading domestic economy quartz analogue watch brand-owner and a leading OEM manufacturer of quartz analogue watches in the PRC.

Year	Key milestones
1994	Mr. Lin and Ms. Yan, among others, established Zhangzhou Hongyuan as a sino-foreign equity joint venture and commenced the business of manufacture of quartz clocks, watches and related components.
2005	Zhangzhou Hongyuan was recognised as one of the top 300 non-state owned enterprises in Fujian Province.
2006	Fujian Ouwosi was founded by, among others, Mr. Lin as a domestic enterprise and commenced the business of development, manufacture and sale of watches.
2010	We launched our proprietary brands *Time2U* and *Jonquet*.
2011	Zhangzhou Hongyuan was recognised as a Technological and Engineering Innovative Model Unit of Fujian Province (福建省技術創新工程創新型試點企業).
2012	Our major sub-brand *Color* was introduced to the market.
	Time2U was recognised as a "Famous Trademark of Fujian Province".
	Time2U was recognised as a "Noticeable Trademark of Zhangzhou City".
2013	*Time2U* quartz analogue watches became "Famous Products of Fujian Province".
	We entered into a strategic cooperation agreement with Rainbow Watch GmbH.
	Zhangzhou Hongyuan was recognised as an advanced enterprise in quality management in Fujian Province for 2012.

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 December 2012.

Following the completion of the Reorganisation and the changes in our Company's share capital set out in this section, our Company became the holding company of our subsidiaries, and the entire issued share capital of our Company was held by Visual Wise as to 82.95%, by Celestial Award as to 6.03%, by Fortune Swiss as to 6.01% and by Full Wealthy Year as to 5.01%.

Our subsidiaries in the BVI and Hong Kong

Speedy Glory

Speedy Glory was incorporated in the BVI on 4 July 2012 with limited liability and was authorised to issue 50,000 shares with no par value, of which one share was allotted and issued to our Company. Speedy Glory is an investment holding company, holding the entire issued share capital of Time2U(HK).

Time2U(HK)

Time2U(HK) was incorporated in Hong Kong on 7 December 2012 with limited liability. Upon incorporation, one share was subscribed at its then par value of HK$1.00 by Speedy Glory. Time2U(HK) is an investment holding company, holding the entire equity interest in Zhangzhou Hongyuan.

Jiulongjiu

Jiulongjiu was incorporated in Hong Kong on 10 September 2004 with limited liability. On its date of incorporation, 10,000 shares were subscribed at its then par value of HK$1.00 each by Mr. Lin. On 29 January 2005, Mr. Lin transferred 2,000 shares to each of Ms. Yan, Mr. Yan Jia (father of Ms. Yan) and Ms. Yang Minhui (mother of Ms. Yan) at a consideration of HK$2,000, respectively. On 30 December 2009, each of Mr. Yan Jia and Ms. Yan Minhui transferred 2,000 shares to Mr. Lin at a consideration of HK$2,000, respectively. Upon completion of the aforesaid transfers, the entire issued share capital of Jiulongjiu was held by Mr. Lin as to 80% and by Ms. Yan as to 20%.

As a result of the Reorganisation, Jiulongjiu became our indirect wholly-owned subsidiary, with all its issued shares held by Speedy Glory.

During the Track Record Period, Jiulongjiu acted as an agent of our Group to settle payments in Hong Kong with our overseas customers and suppliers for and on behalf of our operating subsidiaries in the PRC.

Our subsidiaries in the PRC

Zhangzhou Hongyuan

Zhangzhou Hongyuan was established in the PRC on 29 December 1994 as a limited liability company with an initial registered capital of RMB900,000. As at the date of its establishment, the equity interest in Zhangzhou Hongyuan was held as follows[1]:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Zhangzhou Xiangcheng Qiaoxing Watch Factory (漳州市薌城僑星鐘錶廠) ("**Qiaoxing Factory**")[2]	459,000	51%
Yuen Fung Watch Manufacturing Limited ("**Yuen Fung**")[3]	441,000	49%

On 29 May 1997, the registered capital of Zhangzhou Hongyuan increased from RMB900,000 to RMB4,860,000. Upon completion of the capital increase, the equity interest in Zhangzhou Hongyuan was held as follows[4]:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Qiaoxing Factory	3,460,000	71.19%
Yuen Fung	1,400,000	28.81%

Notes:

1 These capital contributions were made after the approved time limit. Moreover, the capital contribution from Yuen Fung was made by way of cash, contrary to the approved mode of contribution by way of foreign exchange, imported equipment and transport vehicles.

2 Qiaoxing Factory, the predecessor of Hongbang Electronics, was a collectively-owned enterprise established in the PRC. As at the date of the establishment of Zhangzhou Hongyuan, the equity interest of Qiaoxing Factory was owned by Ms. Yan as to 35.90%, by Mr. Lin as to 32.05% and by Ms. Yang Minhui (mother of Ms. Yan) as to 32.05%. It was converted into a joint-stock cooperative enterprise on 25 July 2003 and subsequently a limited liability company (and renamed as Hongbang Electronics) on 14 January 2004.

3 Yuen Fung was a company incorporated in Hong Kong with limited liability and was owned by Mr. Lin Chih Tao and Mr. Hsu Shu Yuan, both Independent Third Parties, throughout the period when Yuen Fung was a shareholder of Zhangzhou Hongyuan.

4 The capital contribution from Qiaoxing Factory was made by way of cash, properties, tools and equipment, contrary to the approved mode of cash contribution only. The capital contribution from Yuen Fung was also made after the approved time limit.

On 28 August 2003, the registered capital of Zhangzhou Hongyuan increased from RMB4,860,000 to RMB10,570,000. Upon completion of the capital increase, the equity interest in Zhangzhou Hongyuan was held as follows[5]:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Qiaoxing Factory	5,785,000	54.73%
Yuen Fung	4,785,000	45.27%

On 16 November 2004, Yuen Fung entered into an agreement with Jiulongjiu, pursuant to which Yuen Fung agreed to transfer its 45.27% equity interest in Zhangzhou Hongyuan at a cash consideration of RMB4,785,000, representing the registered capital contributed by Yuen Fung. The consideration was settled on 16 March 2005. The transfer was approved by the competent PRC government authority on 13 December 2004 and registered by the competent PRC government authority on 12 January 2005. As advised by the PRC Legal Advisers, such transfer was properly and legally completed. Upon completion of the transfer, the equity interest in Zhangzhou Hongyuan was held as follows:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Hongbang Electronics[6]	5,785,000	54.73%
Jiulongjiu	4,785,000	45.27%

On 25 April 2005, the registered capital of Zhangzhou Hongyuan increased from RMB10,570,000 to RMB30,000,000. Upon completion of the capital increase, the equity interest in Zhangzhou Hongyuan was held as follows:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Hongbang Electronics	5,785,000	19.28%
Jiulongjiu	24,215,000	80.72%

Although several capital contributions to Zhangzhou Hongyuan were made contrary to the approved time limit and mode of contribution, on the basis that (1) the registered capital of Zhangzhou

Notes:

5 The capital contribution from Yuen Fung (and subsequently Jiulongjiu which assumed the full obligation to pay the outstanding contribution) was made by way of cash, contrary to the approved mode of contribution by way of foreign exchange, imported equipment and transport vehicles after the approved time limit.

6 Qiaoxing Factory was converted into Hongbang Electronics on 14 January 2004. Hongbang Electronics has been owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36% since December 2009. Since its conversion into a limited liability company, Hongbang Electronics had no business operation and remained inactive up to the Latest Practicable Date.

Hongyuan has now been fully paid up; (2) the establishment and all material changes in the registered capital have been approved and registered at the relevant competent PRC authorities; and (3) the Foreign Trade and Economic Cooperation Bureau of Xiangcheng, Zhangzhou (漳州市薌城區對外貿易經濟合作局), being the competent PRC government authority to issue such confirmation, issued a confirmation on 29 May 2014 confirming that it would not investigate or impose any punishment on Zhangzhou Hongyuan in respect of the irregularities, the PRC Legal Advisers have advised us that the risk of Zhangzhou Hongyuan having its certificate of approval or business licence revoked is very low.

As part of the Reorganisation, on 7 March 2013, Hongbang Electronics, Jiulongjiu and Time2U(HK) entered into an equity transfer agreement, under which Time2U(HK) acquired the entire equity interest in Zhangzhou Hongyuan from Hongbang Electronics and Jiulongjiu at a cash consideration of RMB5,785,000 and RMB24,215,000, respectively. As a result, the entire equity interest in Zhangzhou Hongyuan is wholly owned by Time2U(HK).

Zhangzhou Hongyuan is principally engaged in the design, production, assembly and sale of watches. Zhangzhou Hongyuan also holds 80% equity interest in Fujian Ouwosi.

Fujian Ouwosi

Fujian Ouwosi was established in the PRC on 27 March 2006 as a limited liability company with an initial registered capital of RMB10,000,000. As at the date of its establishment, the equity interest in Fujian Ouwosi was held as follows:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Mr. Yan Jia	5,100,000	51%
Mr. Lin	4,900,000	49%

On 6 November 2006 and 24 January 2007, the registered capital of Fujian Ouwosi increased from RMB10,000,000 to RMB13,800,000 and further to RMB20,000,000. The respective percentage shareholding of Mr. Yan Jia and Mr. Lin remained unchanged.

On 12 December 2009, Mr. Yan Jia entered into an agreement with Mr. Lin, pursuant to which Mr. Yan agreed to transfer his 51% equity interest in Fujian Ouwosi at a cash consideration of RMB10,200,000, representing the registered capital contributed by Mr. Yan. The consideration was settled on 23 December 2009. The transfer was registered by the competent PRC authority on 16 December 2009. As advised by the PRC Legal Advisers, such transfer was properly and legally completed. Upon completion of the transfer, the entire equity interest in Fujian Ouwosi was held by Mr. Lin.

As part of the Reorganisation, on 19 February 2014, Mr. Lin and Zhangzhou Hongyuan entered into an equity transfer agreement, under which Mr. Lin transferred the entire equity interest in Fujian Ouwosi to Zhangzhou Hongyuan at a cash consideration of RMB20,000,000. The transfer was registered by the competent PRC government authority on 24 February 2014.

Investment by Zhanglong Hongqiao

Background

Zhanglong Hongqiao is a venture capital established as a limited partnership in the PRC on 10 January 2014. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, its capital was contributed by the state-owned investment entities under the Fujian Provincial People's Government (福建省人民政府) and various PRC private investors. Zhanglong Hongqiao is principally engaged in the investment in various small and medium enterprises with emphasis in the area of environmental protection and energy conservation and provide them with value-added management services. We believe that the introduction of Zhanglong Hongqiao would complement our business development, enhance our corporate governance through their support to enterprises and enlarge our capital basis.

Save as disclosed in this document, Zhanglong Hongqiao did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective close associates and was an Independent Third Party as at the Latest Practicable Date.

Investment

On 5 March 2014, Zhanglong Hongqiao, Zhangzhou Hongyuan and Fujian Ouwosi entered into a capital increase agreement (the "**Capital Increase Agreement**"), pursuant to which Zhanglong Hongyuan agreed to subscribe for a 20% equity interest in Fujian Ouwosi (corresponded to the registered capital of RMB5,000,000) at a cash consideration of RMB20,000,000 (which was settled on 6 March 2014). The consideration was determined by Zhanglong Hongqiao based on a valuation of Fujian Ouwosi with reference of its after-tax net profit for the year ended 31 December 2013. As a result, the registered capital of Fujian Ouwosi was increased by RMB5,000,000, with the remaining RMB15,000,000 be treated as its capital reserve. The subscription and the increase in registered capital was registered by the competent PRC government authority on 28 March 2014. As advised by the PRC Legal Advisers, such subscription by Zhanglong Hongqiao was properly and legally completed. Upon completion of the capital increase, the equity interest in Fujian Ouwosi was held as follows:

Shareholder	**Capital contribution** *(RMB)*	**Approximate equity interest**
Zhangzhou Hongyuan	20,000,000	80%
Zhanglong Hongqiao	5,000,000	20%

Pursuant to the Capital Increase Agreement, Zhanglong Hongqiao has been granted the following special rights:

- *Director nomination rights*: The board of directors of Fujian Ouwosi shall comprise three directors, one of which shall be nominated by Zhanglong Hongqiao.

- *Board approval for certain corporate actions:* Certain corporate actions of Fujian Ouwosi shall require a two-third approval (when involving the constitutional and capital structure of Fujian Ouwosi) or approval by the majority (when involving business, operations, finance and management of Fujian Ouwosi) of the directors present at a board meeting of Fujian Ouwosi, and the proposed resolutions must be notified to the director nominated by Zhanglong Hongqiao prior to such board meeting.

- *Information rights:* Zhanglong Hongqiao is entitled to copies of the half-year and annual management accounts and financial statements of Fujian Ouwosi and other business information as requested.

- *Non-disposal undertaking:* Without the prior consent of Zhanglong Hongqiao, Zhangzhou Hongyuan shall not dispose of or transfer its equity interest in Fujian Ouwosi.

- *Right of first refusal and co-sale:* If Zhangzhou Hongyuan wishes to sell its equity interest in Fujian Ouwosi, an offer for sale shall first be made to Zhanglong Hongqiao at the same price and on the same terms and conditions to a third party purchaser. Zhanglong Hongqiao also has the right to participate in the sale on the same terms and conditions offered to the third party purchaser according to their percentage of equity interest in Fujian Ouwosi.

- *No more favourable terms:* No further equity interest shall be created for subscription on terms more favourable than those for Zhanglong Hongqiao except with Zhanglong Hongqiao's prior consent.

- *Anti-dilution rights:* Zhanglong Hongqiao shall have the right to subscribe for further equity interest in Fujian Ouwosi at the same price and on the same terms and conditions as offered in any new issue of equity interest to other persons in order to main its percentage of equity interest in Fujian Ouwosi.

The terms of the Capital Increase Agreement were arrived after arm's length negotiation between the parties. Our Directors are of the view that the investment under the Capital Increase Agreement are on normal commercial terms, and are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

As advised by the PRC Legal Advisers, the registered capital of Fujian Ouwosi has been fully paid up in accordance with the relevant laws and regulations of the PRC.

Fujian Ouwosi is principally engaged in the design, production, assembly and sale of watches.

Our associated company

Temps de Mode

Temps de Mode was incorporated in Hong Kong on 24 August 2012 with limited liability. Upon incorporation, one share was subscribed at its then par value of HK$1.00 by Company Kit Secretarial Services Limited, an Independent Third Party, which was then transferred at par to Speedy Glory on 30 November 2012.

On 24 December 2012, Temps de Mode allotted and issued 69 shares and 30 shares at par value of HK$1.00 each to Speedy Glory and New Prestige[7] respectively. As a result, Temps de Mode become owned by Speedy Glory as to 70% and by New Prestige as to 30%. Temps de Mode was at that time intended to be a joint venture company for exploring potential cooperation with overseas partners in the design and distribution of watches.

On 1 March 2013, Temps de Mode also established a subsidiary in the PRC, namely Temps de Mode (Xiamen) Brand Operation Co., Ltd. (觸動時刻(廈門)品牌營運有限公司) ("**Temps de Mode (Xiamen)**") for its possible business operation in China.

Thereafter, our management decided to focus our Group's resources on its existing business and reduce its percentage shareholding in Temps de Mode. Hence on 29 July 2013, Temps de Mode allotted and issued further fully paid-up shares as follows:

(i) 230 shares to Speedy Glory for HK$4,266,666, payable by offsetting an equivalent amount owed by Temps de Mode to Speedy Glory;

(ii) 170 shares to New Prestige for HK$3,333,330, payable by offsetting an equivalent amount owed by Temps de Mode to New Prestige; and

(iii) 500 shares to New Prestige for HK$7,400,004, payable in cash.

As a result, Speedy Glory's shareholding in Temps de Mode decreased to 30% and that of New Prestige increased to 70%, and Temps de Mode ceased to be our subsidiary.

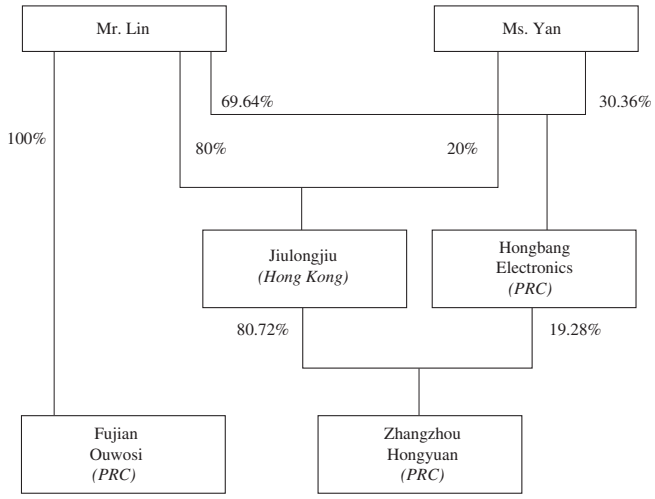
As at the Latest Practicable Date, Temps de Mode (Xiamen) had ceased to have any business operation and was in the process of deregistration.

Note:

7 New Prestige is wholly owned by Mr. Leong Kam Cheong. Mr. Leong is also the sole shareholder of Fortune Swiss, whose investment in our Company is more particularly described under the paragraph headed "Pre-[REDACTED] investment — Fortune Swiss and Full Wealthy Year" in this section.

REORGANISATION

Our Group underwent the Reorganisation prior to the Listing to rationalise our Group's structure in preparation for the Listing. Set out below is the corporate structure of our Group immediately prior to the Reorganisation:



The Reorganisation involves the following steps:

(1) Incorporation of Speedy Glory

Speedy Glory was incorporated in the BVI to act as an intermediate holding company of our Group on 4 July 2012 and was authorised to issue a maximum of 50,000 shares with no par value.

On 15 November 2012, one share of Speedy Glory was subscribed by Visual Wise at a subscription price of US$1.00.

(2) Incorporation of our Company and the acquisition of Speedy Glory

Our Company was incorporated as an exempted company in the Cayman Islands on 3 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the same date, one Share was subscribed at par value by NovaSage Incorporations (Cayman) Limited, an Independent Third Party. The one Share was transferred at par to Visual Wise on the same date.

On 3 December 2012, our Company acquired from Visual Wise the one issued share of Speedy Glory in consideration of and exchange for which our Company allotted and issued, credited as fully paid, one Share to Visual Wise.

Upon completion of the above step, our Company became the sole shareholder of Speedy Glory.

(3) Incorporation of Time2U(HK)

Time2U(HK) was incorporated in Hong Kong on 7 December 2012. On the same date, one share of Time2U(HK) was subscribed at par value of HK$1.00 by Speedy Glory.

(4) Acquisition of Zhangzhou Hongyuan by Time2U(HK)

On 7 March 2013, Jiulongjiu and Hongbang Electronics entered into an equity transfer agreement with Time2U(HK). Pursuant to the agreement, Jiulongjiu and Hongbang Electronics, each holding 80.72% and 19.28% equity interest in Zhangzhou Hongyuan, respectively, transferred their respective interest in Zhangzhou Hongyuan to Time2U(HK) for cash consideration of RMB24,215,000 and RMB5,785,000, respectively, representing the respective registered capital transferred. The consideration was settled on 13 March 2014. The transfer was approved by the competent PRC government authority on 3 April 2013 and registered by the competent PRC government authority on 17 April 2013. A supplemental agreement was subsequently entered into between Hongbang Electronics, Jiulongjiu and Time2U(HK) on 26 March 2014, under which Hongbang Electronics and Jiulongjiu agreed to accept an equivalent amount in Hong Kong dollars to settle Time2U(HK)'s consideration. As advised by the PRC Legal Advisers, the acquisition of Zhangzhou Hongyuan by Time2U(HK) was properly and legally completed.

(5) Acquisition of Fujian Ouwosi by Zhangzhou Hongyuan

On 19 February 2014, Mr. Lin and Zhangzhou Hongyuan entered into an equity transfer agreement, under which Mr. Lin transferred the entire equity interest in Fujian Ouwosi to Zhangzhou Hongyuan at a cash consideration of RMB20,000,000, representing the entire registered capital of Fujian Ouwosi. The consideration was settled on 17 June 2014. The transfer was registered by the competent PRC government authority in the PRC on 24 February 2014. As advised by the PRC Legal Advisers, the acquisition of Fujian Ouwosi by Zhangzhou Hongyuan was properly and legally completed.

(6) Acquisition of Jiulongjiu by Speedy Glory

On 30 July 2014, Mr. Lin, Ms. Yan and Speedy Glory entered into a sale and purchase agreement, pursuant to which Speedy Glory acquired all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2. The acquisition of Jiulongjiu was completed on the same date.

PRE-[REDACTED] INVESTMENT

Fortune Swiss and Full Wealthy Year

Background

Fortune Swiss is a company incorporated in the BVI with limited liability on 30 July 2009 and is wholly owned by Mr. Leong Kam Cheong. Mr. Leong is a private investor in Hong Kong. He is also a director and, as the sole shareholder of New Prestige, is interested in 70% of all issued shares of Temps de Mode, our associated company.

Full Wealthy Year is a company incorporated in the BVI with limited liability on 21 September 2012 and is wholly owned by Mr. Wong Kin Tak. Mr. Wong is a private investor in Hong Kong. He is currently an independent non-executive director of China Agrotech Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1073) and has over 19 years of experience in auditing, accounting and financial management.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Fortune Swiss and Full Wealthy Year have invested in our Company because they appreciate our prospect and growth potential.

Save as the aforesaid, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Fortune Swiss and Full Wealthy Year did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective close associates and were Independent Third Parties as at the Latest Practicable Date.

Investment

In anticipation of the pre-[REDACTED] investments by Fortune Swiss and Full Wealthy Year, on 25 March 2013, 9,998 Shares were allotted and issued to Visual Wise at par value, after which Visual Wise owned 10,000 Shares, being our Company's then entire issued capital.

On 26 March 2013, Visual Wise entered into two sale and purchase agreements (the "**Sale and Purchase Agreements**") respectively with (i) Fortune Swiss and Mr. Leong Kam Cheong; and (ii) Full Wealthy Year and Mr. Wong Kin Tak, pursuant to which Visual Wise transferred 640 Shares and 533 Shares, representing approximately 6.40% and 5.33% of the then issued share capital of our Company, to Fortune Swiss and Full Wealthy Year, respectively, for cash consideration of HK$21.0 million and HK$18.0 million, respectively.[8] Upon completion of the transfers, the shareholding of Visual Wise in our Company decreased to approximately 88.27%.

The considerations of the pre-[REDACTED] investments were determined after arm's length negotiation between the parties based on a valuation of our Group, and were fully paid to Visual Wise on 27 February 2014 and 25 February 2014 by Fortune Swiss and Full Wealthy Year, respectively. Fortune Swiss and Full Wealthy Year have not been granted any special rights pursuant to the respective Sale and Purchase Agreements or any other agreements in relation to their investments in our Group.

Note:

8 On 26 March 2013, Visual Wise also entered into a sale and purchase agreement with Nicest Sense Limited ("**Nicest Sense**") (a company incorporated in the BVI with limited liability) and Ms. Chen Hui-hua (a private investor from Taiwan and the sole shareholder of Nicest Sense), pursuant to which Visual Wise transferred 1,267 Shares to Nicest Sense for a consideration of HK$41,800,000. As Nicest Sense and Ms. Chen failed to pay the consideration, a deed of settlement was entered into between Visual Wise, Nicest Sense and Ms. Chen on 19 September 2013, under which Visual Wise accepted the re-transfer of the 1,267 Shares from Nicest Sense as full and final settlement of all obligations under the sale and purchase agreement dated 26 March 2013.

Fortune Swiss and Full Wealthy Year will respectively hold [REDACTED]% and [REDACTED]% of the enlarged issued share capital of our Company after completion of the [REDACTED] (assuming the Over-allotment Option is not exercised). Pursuant to the Sale and Purchase Agreements, the Shares held by Fortune Swiss and Full Wealthy Year are not subject to any lock-up arrangement after the Listing. As none of Fortune Swiss and Full Wealthy Year is a substantial shareholder or core connected person of our Company under the Listing Rules, the Shares held by Fortune Swiss and Full Wealthy Year will be considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Celestial Award

Background

Celestial Award is a company incorporated in the BVI with limited liability. To the best of our Directors' knowledge having made all reasonable enquiries, it is an investment vehicle fully controlled by CITIC YBN Capital Limited ("**CITIC YBN**"), which is a financial platform company incorporated in Hong Kong with limited liability and is principally engaged in direct investment, assets management, fund management, and other related business. CITIC YBN is owned as to 46.75% by CITIC International Assets Management Limited (40% of which is owned by CITIC International Financial Holdings Limited). To the best of our Directors' knowledge having made all reasonable enquiries, the rest of the shareholdings in CITIC YBN are owned by a number of private investors who are Independent Third Parties.

We believe that the introduction of Celestial Award would enlarge our capital and Shareholders' basis and strengthen potential investors' confidence.

Save as the aforesaid, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Celestial Award did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective close associates and was an Independent Third Party as at the Latest Practicable Date.

Investment

On 13 May 2014, an investment agreement (the "**Investment Agreement**") was entered into between our Company, Celestial Award, Visual Wise and Mr. Lin for the subscription of 5,810 Shares, which would represent 5.81% of the issued share capital of our Company after completion of the Investment Agreement, at a cash consideration of HK$20.0 million. The consideration was determined with reference to the valuation of our Group by Celestial Award, and was fully settled on 16 May 2014. On 19 May 2014, in anticipation of the pre-[REDACTED] investment by Celestial Award, our Company allotted and issued at par value 71,110 Shares to Visual Wise, 5,156 Shares to Fortune Swiss and 4,294 Shares to Full Wealthy Year, respectively. On the same date, pursuant to the Investment

Agreement, our Company allotted and issued 5,810 Shares, credited as fully paid, to Celestial Award. Upon completion of the aforesaid allotments, the entire issued share capital of our Company was owned by Visual Wise as to 82.95%, by Celestial Award as to 6.03%, by Fortune Swiss as to 6.01% and by Full Wealthy Year as to 5.01%.[9]

Pursuant to the Investment Agreement and the undertakings separately provided by each of (i) Fortune Swiss and Mr. Leong Kam Cheong; and (ii) Full Wealthy Year and Mr. Wong Kin Tak, Celestial Award has been granted the following special rights:

- *Profit guarantee:* Celestial Award is entitled to compensation by Visual Wise and/or Mr. Lin if (i) the actual audited consolidated/combined net profit[10] of our Group for the financial year ended 31 December 2013 is less than the guaranteed profit of RMB85,000,000; or (ii) the actual audited consolidated/combined net profit[10] of our Group for the financial year ending 31 December 2014 is less than guaranteed profit of RMB110,000,000. The compensation amount for a particular financial year shall be determined in accordance with the following formula:

2013 compensation amount	=	(Guaranteed profit for the financial year ended 31 December 2013	-	Actual audited net profit for the financial year ended 31 December 2013	)	x	Celestial Award's percentage holding in our Company as at 19 May 2014
2014 compensation amount	=	(Guaranteed profit for the financial year ending 31 December 2014	-	Actual audited net profit for the financial year ending 31 December 2014	)	x	Celestial Award's percentage holding in our Company as at 31 December 2014

  The compensation amount is payable by Visual Wise and/or Mr. Lin in cash to Celestial Award within 30 days of the issuance of the audited consolidated/combined financial statements of our Group.

Notes:

9 On 13 May 2014, a subscription agreement (the "**Subscription Agreement**") was also entered into between our Company, Ace Joy Global Limited ("**Ace Joy**") (a company incorporated in the BVI with limited liability) and Mr. Ng Fai Ching (a private investor in Hong Kong and the sole shareholder of Ace Joy) for the subscription of 3,630 Shares, which would represent 3.63% of the issued share capital of our Company after completion of the Subscription Agreement, at a cash consideration of HK$12,576,560. Ace Joy subsequently indicated that it was unable to give certain undertakings in favour of Celestial Award to grant Celestial Award certain investor rights. As a result, Ace Joy did not pay the consideration and no Shares were allotted and issued to Ace Joy under the Subscription Agreement. The Subscription Agreement was subsequently terminated pursuant to a letter of termination dated 27 June 2014 and signed by all parties concerned.

10 The actual audited consolidated/combined net profits as defined in the Investment Agreement shall be after tax and minority interests and adjusted to exclude listing expenses and gains/losses from mergers and acquisitions, and shall be taken as zero if a net loss is recorded.

Such profit guarantee, being purely a private arrangement between Celestial Award, Visual Wise and Mr. Lin, does not constitute a profit forecast of our Group under Rules 11.16 to 11.19 of the Listing Rules, and such amount should not be regarded in any way as an indication of our projected profit for the relevant financial years.

Based on the Accountants' Report set out in Appendix I to this document, our Group's actual audited combined net profit for the financial year ended 31 December 2013 (after tax and non-controlling interests and adjusted to exclude listing expenses and gains/losses from mergers and acquisitions) is more than the guaranteed profit of RMB85,000,000. Thus no compensation in respect of the net profit for the financial year ended 31 December 2013 has to be paid to Celestial Award under the Investment Agreement.

- *NAV guarantee:* Celestial Award is entitled to compensation by Visual Wise and/or Mr. Lin if (i) the actual audited consolidated/combined net asset value of our Group as at 31 December 2013 is less than 95% of the unaudited net asset value[11] of our Group as at the same date; (ii) the actual audited consolidated/combined net asset value of our Group as at 31 May 2014 is less than 95% of the unaudited net asset value[11] of our Group as at 31 March 2014.

  The compensation amount, which is equal to the difference between the actual audited consolidated/combined net asset value and the unaudited net asset value as at the respective dates, is payable by Visual Wise and/or Mr. Lin in cash to Celestial Award within 30 days of the issuance of the audited consolidated/combined financial statements of our Group.

  Based on the Accountants' Report set out in Appendix I to this document, no compensation in respect of the net asset value as at 31 December 2013 has to be paid to Celestial Award under the Investment Agreement.

- *Qualified [REDACTED] compensation:* Celestial Award is entitled to compensation by Visual Wise and/or Mr. Lin if the value of the Shares held by Celestial Award immediately upon the Listing[12] is lower than the guaranteed return calculated as follows:

$$\text{Guaranteed return} = \text{HK\$20,000,000} \times \left(1 - \frac{\text{Number of Shares disposed of by Celestial Award before the Listing (excluding the [REDACTED])}}{5{,}810}\right) \times 164\% - \text{Dividends received by Celestial Award in respect of the Shares before the Listing} + \text{Dividends accrued but unpaid in respect of the Shares before the Listing}$$

Note:

11 The unaudited net asset value of our Group is based on the unaudited accounts provided to Celestial Award prior to the signing of the Investment Agreement.

12 The value of the Shares held by Celestial Award upon the Listing shall be calculated by multiplying the aggregate number of Shares held by Celestial Award immediately before the completion of the [REDACTED] (which shall include the [REDACTED]) by the [REDACTED] in the Listing.

The compensation amount is payable by Visual Wise and/or Mr. Lin in cash to Celestial Award within 30 days from the Listing Date.

- *Priority to sell Shares in the [REDACTED]:* Celestial Award has been granted a right to dispose of Shares with a value equivalent to HK$20 million in the [REDACTED] before any other Shareholders can do so. Hence the actual number of Shares sold by Visual Wise and Celestial Award will vary depending on the [REDACTED].

- *Information rights:* Celestial Award is entitled to copies of the management accounts and financial statements of our Group on a quarterly, half-yearly and annual basis and other business information as requested.

- *Prior consent for certain corporate actions:* Prior written consent from Celestial Award is required before our Company can proceed with certain corporate actions (save as certain actions relating to the Capitalisation Issue, the [REDACTED] and the Listing) involving business, operations, finance, management, constitutional and capital structure of our Group.

- *No more favourable terms:* Subject to the fiduciary obligations of the Board in carrying out its duties, no Shares shall be allotted or issued to any persons on terms more favourable than those for Celestial Award except with Celestial Award's prior written consent.

- *Negative pledge:* Without the prior written consent of Celestial Award, none of (i) Visual Wise and Mr. Lin; (ii) Fortune Swiss and Mr. Leong; and (iii) Full Wealthy Year and Mr. Wong shall create any encumbrance over, transfer or otherwise dispose of any interest in or grant any option over any Shares to any person.

- *Non-disposal undertaking:* Without the prior written consent of Celestial Award, each of Visual Wise, Mr. Lin and Ms. Yan shall not, directly or indirectly, dispose of or transfer more than 5% of their respective shareholding in our Company at any time Celestial Award remains a Shareholder.

- *Anti-dilution rights:* Subject to the fiduciary obligations of the Board in carrying out its duties, without the prior written consent of Celestial Award, no new Shares (save for the Shares issued pursuant to the Capitalisation Issue and the [REDACTED]) shall be issued by our Company.

  If new Shares are issued (the "**Qualifying Issue**") at a price which is less than the consideration per Share paid by Celestial Award, then Celestial Award shall be offered the right to receive such number of new Shares (the "**Anti-dilution Shares**") as calculated according to the following formula:

$$\text{Number of Anti-Dilution Shares} = \frac{\text{HK\$20,000,000}}{\text{Price per Share under the Qualifying Issue}} - \text{Number of Shares held by Celestial Award (as adjusted proportionally as a result of any capital restructuring)}$$

The Anti-dilution Shares shall be paid up by automatic capitalisation of available reserves of our Company, unless and to the extent that this is impossible or unlawful, be subscribed in cash at par, provided that if the anti-dilution right is exercised by Celestial Award in the [REDACTED], the Anti-dilution Shares shall be subscribed at the [REDACTED] in cash.

- *Right of first refusal and co-sale:* Celestial Award has been granted a right of first refusal by the other Shareholders such that the other Shareholders shall first offer to sell their Shares to Celestial Award at the same price and on the same terms and conditions to a third party purchaser. If Celestial Award does not exercise its right of first refusal, it has the right to participate in the sale on substantially the same terms and conditions offered to the third party purchaser provided that the transfer price in such co-sale shall not be lower than the consideration per Share paid by Celestial Award.

- *Put option:* Each of our Company, Visual Wise and Mr. Lin has granted to Celestial Award an option (the "**Put Option**") to require them to, subject to all applicable laws and the Listing Rules, purchase all the Shares then held by Celestial Award (the "**Put Option Shares**"), in full but not in parts, at a price calculated as follows (the "**Put Option Price**") during a three-month period after the lapse 15 months from the completion date of the Investment Agreement, i.e. 19 May 2014, if the Listing fails to take place before the exercise of the Put Option:

$$\text{Put Option Price} = \text{Number of Put Option Shares} \times \left(1 + 12\% \times \frac{\text{Number of days from 19 May 2014 to the date of completion of the purchase under the Put Option}}{365}\right)$$

- *Drag along option:* If our Company, Visual Wise and/or Mr. Lin fail to purchase the Put Option Shares within three months after the exercise of the Put Option, then Celestial Award shall have the option to sell all of the Put Option Shares to a third party purchaser who offers on arm's length terms to purchase all the Put Option Shares for a consideration not less than the Put Option Price and at the same time require the other Shareholders at that time to sell and transfer all their Shares to the purchaser on the same terms and conditions, provided that Celestial Award shall have priority to receive a 12% rate of return per annum from the proceeds of the sale.

The special rights set out in the paragraphs headed "Priority to sell Share in the [REDACTED]", "Information rights", "Prior consent for certain corporate actions", "No more favourable terms", "Negative pledge", "Non-disposal undertaking", "Anti-dilution rights", "Right of first refusal and co-sale", "Put option" and "Drag along option" will be terminated upon [REDACTED], while those set out in the paragraphs headed "Profit guarantee" and "Qualified [REDACTED] compensation" will continue after [REDACTED].

The terms of the Investment Agreement were arrived after arm's length negotiation between the parties. Our Directors are of the view that the transactions under the Investment Agreement are on normal commercial terms, and are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

If the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range, Celestial Award will hold [REDACTED]% of the enlarged issued share capital of our Company after completion of the [REDACTED] (assuming the Over-allotment Option is not exercised). Pursuant to the Investment Agreement, the Shares subscribed by Celestial Award are not subject to any lock-up arrangement after the Listing. As Celestial Award is not a substantial shareholder or core connected person of our Company under the Listing Rules, the Shares held by Celestial Award will be considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Summary

The following table sets forth a summary of the pre-[REDACTED] investments by Fortune Swiss, Full Wealthy Year and Celestial Award:

	Fortune Swiss[1]	**Full Wealthy Year**[2]	**Celestial Award**[3]
Date of pre-[REDACTED] investment	26 March 2013	26 March 2013	15 May 2014
Amount of consideration	HK$21.0 million	HK$18.0 million	HK$20.0 million
Payment date of consideration	27 February 2014	25 February 2014	16 May 2014
Cost per Share paid under the pre-[REDACTED] investment[4]	HK$[REDACTED]	HK$[REDACTED]	HK$[REDACTED]
Discount to the [REDACTED][5]	[REDACTED]%	[REDACTED]%	[REDACTED]%
Use of proceeds from the pre-[REDACTED] investment	To be retained by Visual Wise	To be retained by Visual Wise	For general working capital and Listing expenses[6]
Benefit from the pre-[REDACTED] investment	Widen our shareholder base	Widen our shareholder base	Widen our capital and shareholder base
Shareholding upon [REDACTED]	[REDACTED]%[7]	[REDACTED]%[7]	[REDACTED]%[8]

Notes:

(1) Fortune Swiss is wholly owned by Mr. Leong Kam Cheong.

(2) Full Wealthy Year is wholly owned by Mr. Wong Kin Tak.

(3) Celestial Award is controlled and managed by CITIC YBN Capital Limited.

(4) This is derived based on [REDACTED], [REDACTED] and [REDACTED] Shares (including any [REDACTED] pursuant to the [REDACTED]) to be held by Fortune Swiss, Full Wealthy Year and Celestial Award respectively upon completion of the Capitalisation Issue and the [REDACTED] (but do not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

(5) This is derived based on the [REDACTED] of HK$[REDACTED], being the mid-point of the proposed [REDACTED] range.

(6) The net proceeds received from the pre-[REDACTED] investment of Celestial Award will be used as the general working capital of our Group.

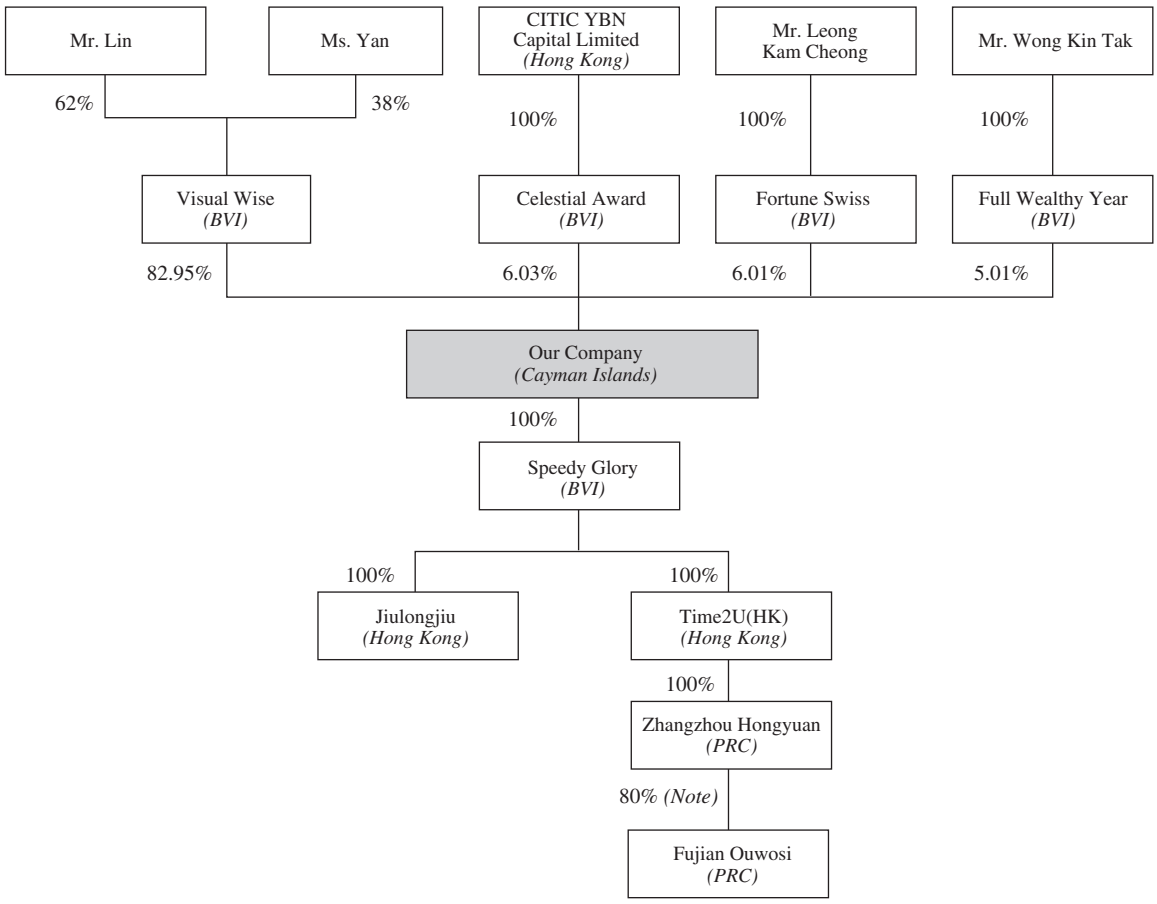
(7) This is derived based on [REDACTED] Shares and [REDACTED] Shares to be held by Fortune Swiss and Full Wealthy Year respectively upon completion of the Capitalisation Issue and the [REDACTED] (but do not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

(8) (i) If the [REDACTED] is HK$[REDACTED], being the low-end of the proposed [REDACTED] range, [REDACTED] Shares will be held by Celestial Award; and (ii) if the [REDACTED] is HK$[REDACTED], being the high-end of the proposed [REDACTED] range, [REDACTED] Shares will be held by Celestial Award, upon completion of the Capitalisation Issue and the [REDACTED] through which [REDACTED] (but does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

Sole Sponsor's confirmation

The Sole Sponsor submits that they consider that the pre-[REDACTED] investments by Fortune Swiss, Full Wealthy Year and Celestial Award are in compliance with the "Interim Guidance on Pre-[REDACTED] Investments" issued by the Stock Exchange on 13 October 2012 since the considerations under the pre-[REDACTED] Investments were settled on 27 February 2014, 25 February 2014 and 16 May 2014, respectively, which were more than 28 clear days before the date of the first submission of the listing application to the Listing Division of the Stock Exchange in relation to the Listing.

The following diagram sets out our shareholding structure upon completion of the Reorganisation and the pre-[REDACTED] investments:



Note: Fujian Ouwosi is owned by Zhangzhou Hongyuan as to 80% and by Zhanglong Hongqiao as to 20%.

M&A RULES

For details of the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors ("關於外國投資者併購境內企業的規定") (the "**M&A Rules**"), please see "Regulations—Regulatory approval required for Reorganisation and the Listing—M&A Rules" in this document.

CIRCULAR NO. 75 AND CIRCULAR NO.37

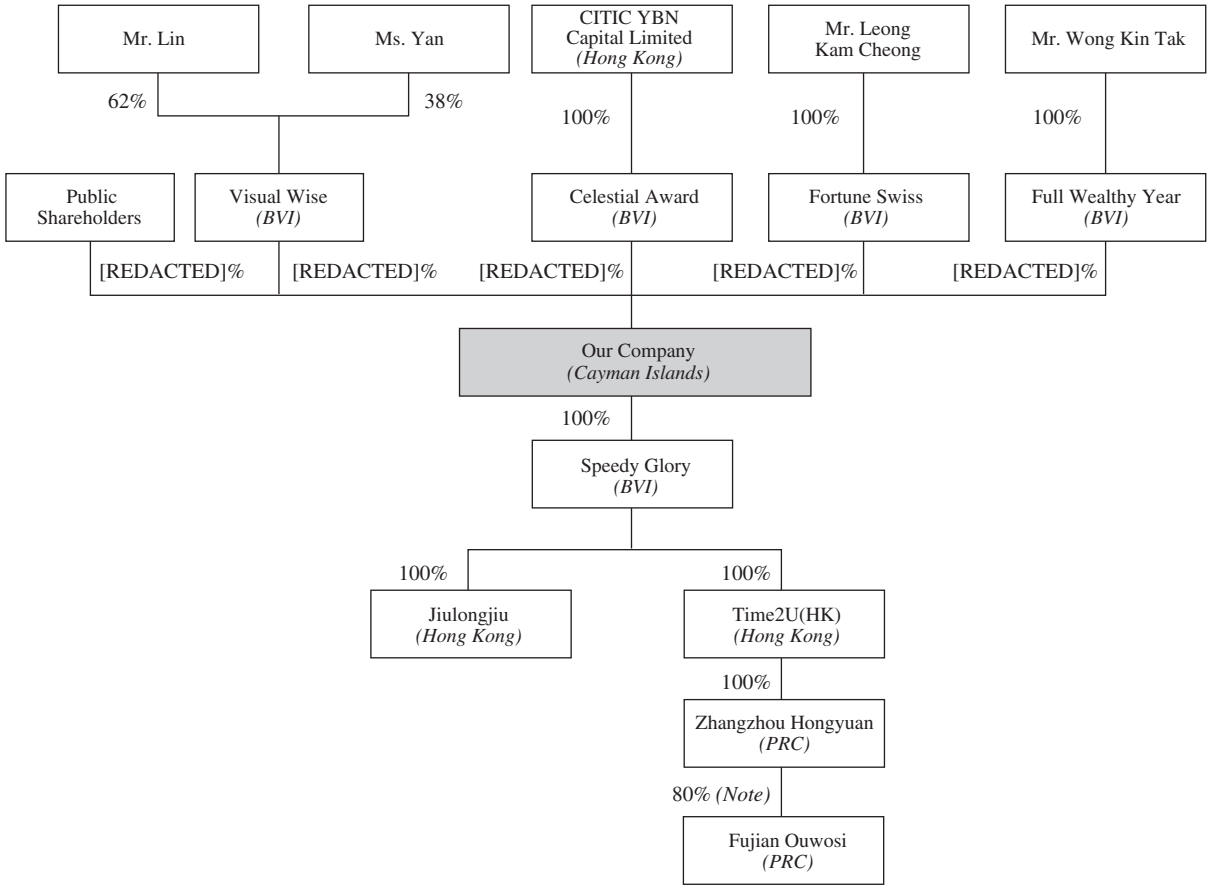
For details of the Circular Concerning Relevant Issues on Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents ("關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知") and the Circular on the Management of Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles ("關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知"), please see "Regulations—Regulations on our business in the PRC—Foreign currency exchange" in this document.

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY AND THE CAPITALISATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on [●] 2014, the authorised share capital of our Company was increased from HK$380,000 to HK$15,000,000 by the creation of 1,462,000,000 new Shares. Our Company will also issue [REDACTED] Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company. Details of the Shareholders' written resolutions are referred to in the paragraph headed "3. Resolutions in writing of all Shareholders passed on [●] 2014" in Appendix V to this document.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out our shareholding and corporate structure immediately upon completion of the Capitalisation Issue and the [REDACTED] (assuming that the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range, and the Over-allotment Option is not exercised):



Note: Fujian Ouwosi is owned by Zhangzhou Hongyuan as to 80% and by Zhanglong Hongqiao as to 20%.

OVERVIEW

We are a leading domestic watch brand-owner of economic quartz analogue watches and a leading OEM manufacturer of quartz analogue watches in the PRC. According to Euromonitor, for the year ended 31 December 2013, *Time2U* was the leading domestic watch brand in the PRC in the segment of economic quartz analogue watches in terms of retail value and we were also one of the top five quartz analogue watch manufacturers in terms of sales value in the PRC. Established in 1994 initially as a manufacturer of watches and related products, leveraging over a decade of experience in watch manufacturing, we began designing, manufacturing and selling watches under our own brands *Time2U* and *Jonquet* in 2010 and subsequently launched our major sub-brand *Color* in mid-2012. With fashionable and trendy designs, affordable prices targeting the mainstream mass market, we position our watches as "fast-fashion" products to capture the recent consumption trend.

We have two principal lines of business operations, namely, the manufacture and sale of watches on an OEM basis and the manufacture and sale of watches under our proprietary brands and major sub-brand, namely *Time2U, Jonquet* and *Color*.

Watches that we produce on an OEM basis are bearing the corporate logo or brands specified by our OEM customers, who are companies directly purchasing for themselves or trading and sourcing companies purchasing on behalf of end-customers. For OEM watches, we manufacture watches primarily based on our customers' design and specifications, and in addition, we participate from time to time in the design and development of watches in accordance with our OEM customers' concepts, requirements and standards and suggest designs developed by our in-house design team. We believe that our watch design and development capabilities differentiate us from our OEM competitors.

Taking advantage of our design and production capabilities, we successfully launched our branded watches business in 2010. We manage all aspects of the design, development and production of our branded watches. Under the overarching theme of "fast-fashion', we have developed and marketed a few distinctive brands and sub-brands with differentiating product characteristics, domestic pricing and target markets. *Time2U* is our flagship brand, which has already become the leading domestic brand in the PRC economic quartz analogue watch segment in terms of retail value. *Jonquet* is our premium brand which targets more mature and sophisticated consumers, and *Color* is our major sub-brand under *Time2U* which targets youthful and trendy consumers. Please see "—Our brands and products—Our branded watches" for further details.

For our OEM watches, we sell directly to our OEM customers, which are located in the PRC and in Europe, Americas and Asia (excluding the PRC). On the other hand, domestic sales of our branded watches are made on a wholesale basis to our distributors, who then resell our branded watches to (i) consumers at various points of sale and on-line stores which they operate or (ii) to their wholesale customers who then resell our branded watches to consumers through their respective retail channels. As of 30 April 2014, we had 28 distributors across 24 provinces, autonomous regions and centrally-administered municipalities in the PRC. Since 2013, we also exported our branded watches on a wholesale basis to overseas customers.

As a brand owner, we focus on improving our brand awareness through various marketing campaigns. Since 2010, we have been increasing our marketing expenditure in order to promote the awareness and image of our proprietary brands. We execute a multi-prong marketing strategy, which includes attendance of exhibitions, placement of advertisements on television and printed media, and on-line marketing campaigns.

We experienced rapid growth in revenue and profit during the Track Record Period. Our revenue increased from RMB330.2 million for the year ended 31 December 2011 to RMB460.8 million for the year ended 31 December 2012, and further increased to RMB580.4 million for the year ended 31 December 2013. Our profit for the year increased from RMB41.7 million for the year ended 31 December 2011 to RMB51.7 million for the year ended 31 December 2012 and further increased to RMB84.7 million for the year ended 31 December 2013. Particularly, we achieved significant growth in the sales of our branded watches during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, revenue from our branded watches was RMB75.1 million, RMB155.9 million and RMB267.2 million, respectively, representing a CAGR of 88.6%. For the four months ended 30 April 2013 and 2014, revenue from our branded watches was RMB78.5 million and RMB102.9 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our success and potential future growth are primarily attributable to the following competitive strengths:

A leading domestic PRC brand in the analogue quartz watch market and a competitive branding strategy to take advantage of the fast-growing watch market in the PRC

According to Euromonitor, for the year ended 31 December 2013, *Time2U* was the leading domestic watch brand in the PRC in the segment of economic quartz analogue watches in terms of retail value. We believe that our competitive branding strategy has positioned us well to take advantage of the fast-growing watch market in the PRC. For further information regarding the growth of the watch market and in particularly the economic quartz watch market segment in the PRC, please see "Industry Overview" in this document.

Leveraging on our experiences in our OEM operations, we have launched our proprietary watch brands *Time2U* and *Jonquet*, and major sub-brand *Color*, each of which is driven by a differentiated marketing strategy. Our brands are targeted at consumers with different levels of disposable income, spending habits and preferences, allowing us to cater to a wide range of consumers. We target fashionable and cost-conscious consumers with *Time2U* and *Color*, and cover the mid-end market with *Jonquet*.

We have achieved significant growth in the sales of our brand watches during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, revenue from our branded watches was RMB75.1 million, RMB155.9 million and RMB267.2 million, respectively, representing a CAGR of 88.6%. For the four months ended 30 April 2013 and 2014, our revenue from branded watches was RMB78.5 million and RMB102.9 million, respectively.

To enhance our brand recognition, we have initiated a number of domestic and international marketing campaigns such as placing advertisements in public TV channels and various magazines in the PRC and exhibiting our watches at the BASELWORLD watch tradeshow in Basel, Switzerland in 2013. In 2012, *Time2U* was awarded the "Famous Trademark of Fujian Province" in recognition of the brand's growing reputation.

According to Euromonitor, in 2013, the watch market in the PRC generated a total retail value of approximately RMB61.3 billion and is expected to reach RMB77.1 billion by 2016. In particular, quartz analogue watches recorded the fastest growth rate among watches in terms of retail value from 2010 to 2013 in the PRC. The economic quartz analogue watch market (defined as quartz analogue watches with a retail price below or equal to RMB1,000), being the target market of *Time2U* and *Color*, realised sales value of RMB8.1 billion, accounting for 26.0% of the quartz analogue watch market. According to Euromonitor, fashion is considered as one of the key factors in the consumption of economic quartz analogue watches in the PRC and the younger generation, who demand personalised, unique and fashionable designs, will gradually become one of the leading forces in terms of purchasing power. Such a trend complements our competitive branding strategy.

Product design and development capability

Our product design and development capability has contributed to our past success and will continue to drive the growth of our business. As part of our OEM business operations, we provide various product design and development services such as design ideas, market trend information and product enhancement. We have designed and manufactured watches on an OEM basis for various domestic and international renowned brands including certain German automobile and consumer products. Over the years, we have accumulated valuable experience and know-how in the design and development of watch products. In particular, our established track record of working closely with such international brands has enabled us to stay abreast of developments in the design of watches, which has in turn strengthened our design and development capabilities.

During the year ended 31 December 2013, we produced more than 155 models of watches for our OEM customers and designed 41 distinctive series of branded watches. As at the Latest Practicable Date, we had obtained 17 design patents and around 13 utility models in the PRC in relation to the designs and production of watches, watch components and packaging. We have a team of 11 experienced designers comprising design artists and technical specialists, with an average of four years' relevant industry experience as at 30 April 2014. We believe that awareness of fashion trends and watch making techniques is important to our product design and development process. Therefore, we encourage our designers to monitor international and domestic fashion trends and consumer preferences with a view to reflecting such trends and preferences in our watch products. In 2013, we entered into a strategic cooperation agreement with Rainbow Watch GmbH, a German watch producer with certain patented designs and which we believe further strengthen our design capabilities. We believe that our design and development capabilities allow us to effectively execute our business strategy of "fast-fashion", meaning that we strive to design and develop watch products that follow fashion trends and are launched with a variety of design patterns.

Vertically integrated watch production and assembly capabilities supported by our stable relationships with our suppliers and complemented by our extensive experience with international quality control standards

Over a period of nearly 20 years, we have successfully established our vertically integrated watch production and assembly capabilities, ranging from design and production of watch cases, dials and bracelets to assembly and packaging of watches. We believe we have attained an industry reputation of producing quality and customer-oriented watches. According to Euromonitor, we are one of the top five quartz analogue watch manufacturers in the PRC in terms of sales value in 2013, and we have successfully positioned *Time2U* as young, fashionable and individualistic.

As at 30 April 2014, we had an estimated annual production capacity of over 20 million watches. We have the capability to manufacture a wide variety of watch components, such as bracelets using steel, alloys and plastic materials. Since inception, we have been focused on producing and assembling quartz anolgue watches, but we also produce and assemble mechanical watches, demonstrating our range of watch assembling capabilities.

We believe our integrated production and assembly capabilities give us a degree of flexibility in executing our production plans, which in turn promotes the time-to-market of our watch products. As a testament to our ability to promptly respond to shifting consumer tastes and preferences, we had been able to deliver finished watch products to customer from the initial receipt of the purchase order as soon as 25 days. Such delivery time facilitates our execution of a "fast-fashion" strategy. Furthermore, we believe that our vertically integrated production and assembly capabilities enable us to achieve production and cost efficiencies, allow us to monitor the quality of our products, and increase protection of our proprietary designs.

We have developed stable and long-term relationships with our major suppliers. Our five largest suppliers during the Track Record Period had a range of 3 to 9 years of business relationship with us. These stable and long-term relationships with our suppliers enable us to obtain supplies in a timely manner to accommodate our production needs and also allows flexibilities to respond to changes in market conditions. In addition, we have established quality control system for watch components and raw materials that we procure, as we endeavor to minimize defects occurring during our production and assembly process.

Our extensive experience in watch production have afforded us time and opportunity to build and refine our quality control system. As we export watches to European Union countries and the United States, we have the capability to comply with foreign regulations and standards such as the Restriction of Hazardous Substances ("**RoHS**") and Conformité Européenne ("**CE**"). Furthermore, we provide training to our quality control personnel in order to keep abreast of the latest requirements of our international OEM customers. For our quality control efforts, we have been awarded with GB/T 19001-2008/ISO 9001:2008 certificate.

A comprehensive, diversified and extensive sales and distribution network

We have implemented a comprehensive sales and distribution strategy in the PRC. We sell substantially all of our branded watches to our distributors. Our distributors then sell our watches through their distribution channels, including retailing to consumers at retail outlets they operate and wholesaling to their wholesale customers. We have a diverse base of distributors, which we believe allow us to align the appropriate sales and distribution channels with each of our respective brands targeting different consumer segments. As at 30 April 2014, our branded watches were distributed across 24 provinces, autonomous regions and centrally-administered municipalities in the PRC by 28 distributors nation-wide. To maintain a uniform brand image, we provide our distributors with standardised price lists of our branded watches, and we provide standardised design proposals regarding decorations and store displays to our distributors. Our distributors also sell our branded watches, with particular emphasis on our *Color* branded watches, to third-party retailers such as national stationery store chains, national bookstore chains and national clothing retailers that target a similar consumer demographic as we do, thereby enabling us to leverage on their existing distribution networks to expand the reach of our watches to target consumer groups. Furthermore, we have been successful in selling and distributing our products through our distributors via the internet, complementing our offline sales and enhancing our reach to various consumer segments.

Furthermore, we have built long-term business relationships with many of our OEM customers. Our major OEM customers had business relationship with us for up to 10 years as at 30 April 2014. Leveraging on our strong reputation as an OEM manufacturer, we are also able to utilise our existing OEM sales network to promote our brands by wholesaling our branded watches to our business contacts that we developed from our OEM business.

Experienced management team with proven track record

We have an experienced and capable management team led by Mr. Lin, our chairman, executive Director and co-founder who has been instrumental in spearheading the growth of our Group since its inception. Mr. Lin has approximately 20 years of experience in and possesses in-depth knowledge of the watch industry and through this an understanding of the trends and preferences of the PRC consumers in the watch market. We benefit from his knowledge and experience, as well as his extensive business networks, as he has well-established relationships with our business partners, distributors and suppliers. Mr. Lin is supported by other Director and members of our senior management, including Ms. Yan, Mr. Hu Mingquan and Ms. Wu Xiaoxiang with an average of over a decade of industry experience. Ms. Yan is our chief executive officer and co-founder with approximately 20 years of experience in the watch industry and currently oversees our overall strategic planning, business development and administrative management. Mr. Hu Mingquan is our deputy general manager and has been a key member of our Group since 2002. Ms. Wu Xiaoxiang is our deputy general manager and has been a member of our engineering design department since 2003. Please see "Directors and Senior Management" in this document for further details.

OUR STRATEGIES

Our principal business objective is to become one of the leading fashion watch brand owners internationally under the segment of economic quartz analogue watch market while maintaining and further strengthening our established market position and competitiveness as an OEM manufacturer in the PRC. We aim to achieve this goal by pursuing the following key business strategies. Please see "Future Plans and Use of Proceeds" for details of funds we intend to spend in executing our strategies.

Further expansion of our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform

We have successfully established *Time2U* as the leading domestic brand in quartz analogue watches in the PRC, and we intend to further enhance the image, recognition and awareness of our brands *Time2U*, *Jonquet* and *Color* both in the PRC and internationally through intensified marketing campaigns thereby attracting more consumers and quality distributors. We intend to continue our overall strategy of positioning our watches as "fast-fashion" products to capture the more popular consumption trend.

Increase market penetration and enhance brand awareness in the domestic market

To uphold our leading position and enhance our market penetration in the PRC market, we plan to further intensify our multi-prong marketing strategy by increasing marketing expenditures on different advertising media that aim at different consumer groups to cater to our different watch series. Our major marketing plans include: (i) placing television advertisements on national television channels during selected television programmes that are popular amongst young and fashionable consumers, (ii) placing internet and mobile advertisements as these platforms become increasingly popular among consumers that we target, (iii) placing outdoor advertisements in the vicinity of university campuses to capture the attention of students, who are a key sector among our target audiences and (iv) placing advertisements in selected traditional media such as fashion magazines.

Moreover, we plan to organise regular sales fair and press conferences to introduce our new watch designs and series to our existing or new potential distributors to solicit sales and collect feedbacks from industry participants. Further, we also plans to actively participate in major trade fairs and exhibitions in the PRC such as the China Import and Export Fair (Canton Fair), the Watch and Clock Fair/China and the China International Stationery & Gifts Exposition to gain access and exposures to national potential customers.

Expansion of on-line retail platform

Furthermore, driven by the success and popularity of on-line shopping platforms such as Taobao in the PRC, we intend to expand our on-line sales platform. While we intend to maintain the current sales model of utilising our distributors to manage our on-line retail operations, we intend to promote the growth of our on-line platforms by organizing on-line marketing events, subsidising or sponsoring

distributors for on-line advertisements and fees charged by service providers. Please see "—Sales, marketing and distribution—Marketing and promotion" in this document for further details.

International expansion of our sales network

Since 2013, we commenced the export of our branded watches to overseas customers on wholesale basis. We strive to tap into the European market as well as emerging markets such as South America, Southeast Asia and Middle East. We intend to expand our expert sales of branded watched through establishing a distribution model in the overseas markets similar to that of our domestic one in the PRC. As such, we plan to invite some of our existing quality customer to become our distributor as actively identify potential distributors in our target markets.

We plan to attend major international watch fair and exhibitions, such as the Hong Kong Watch & Clock Fair and the Baselworld Watch & Jewellery Show, and to organise and invite potential international distributors to attend our press conferences and pay visits to our production plant to showcase our newest product offerings and production capabilities.

To increase our brand awareness in overseas markets thus attract potential customers, we plan to place advertisement on local watch magazines, airline in-flight magazines and marketing materials of major international trade shows of watch products. To leverage on the market resources and intelligence of overseas distributors, we plan to jointly host different marketing event and provide supports to any suitable regional distributors that we may engage in the future.

Upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities

We intend to invest in upgrading our manufacturing facilities and purchasing new equipment to improve our production capability, enhance the quality of our watch products, increase automation and increase cost-effectiveness of our production process. We intend to upgrade certain of our workshops to become dust-free workshops to increase the precision and quality of our watch products. In addition, we intend to purchase additional equipment with more advanced technology in order to increase automation and our production capabilities. Furthermore, we plan to construct a small expansion to our existing plant for additional assembly lines and workshops for the production of dials, case and watchband in our Ouwosi Plant commencing in the end of 2015 and to be completed in the first half of 2016. Also, as sales and therefore production demand increases, we anticipate that we will reach a bottleneck in our production capacity for certain components, necessitating our purchase of new equipment in the upcoming periods in order to increase production capacity.

We also intend to enhance our operational efficiency, cost-effectiveness, and profitability by strengthening our inventory management capability, and by further fine-tuning our product mix. In particular, we believe that we will be able to increase our utilisation rate by increasing use of our excess plastic watch production capacity through achieving increased sales of *Color* branded watches in accordance with our business strategies, as our *Color* branded watches are made primarily with plastic. Focusing on plastic watches will also improve profitability as the low prices and cost of production allows us to easily vary watch designs to satisfy different customer demands.

Strengthening our core competitiveness by improving our watch design and development capabilities

We believe that the success of our business largely depends on our ability to continue producing a wide variety of designs based on fashion trends. Furthermore, we believe that maintaining a broad product offering with fashionable designs will give us a competitive advantage over other OEM manufacturers. Therefore, we intend to improve our watch design and development capabilities to strengthen our competitiveness and to support our "fast-fashion" product strategy.

We plan to expand our product design and development team by recruiting additional design talents as well as provide more training to our team to uphold our design and artistic knowledge. Further, we plan to enter into strategic cooperation with art and design institute for new product development to enhance our knowledge in material applications and visual designs. Moreover, in conjunction with a number of reputable industry associations, we hosted a watch competition amongst university students (2014年*Time2U*杯國際大學生手錶產品創新設計大賽) in June 2014 and we plan to continue to host similar design competition annually in the future to promote our publicity and enhance our corporate image in the industry, especially amongst the youth population, as well as gaining exposures to a variety of design ideas and opportunities to cooperate with industry elites.

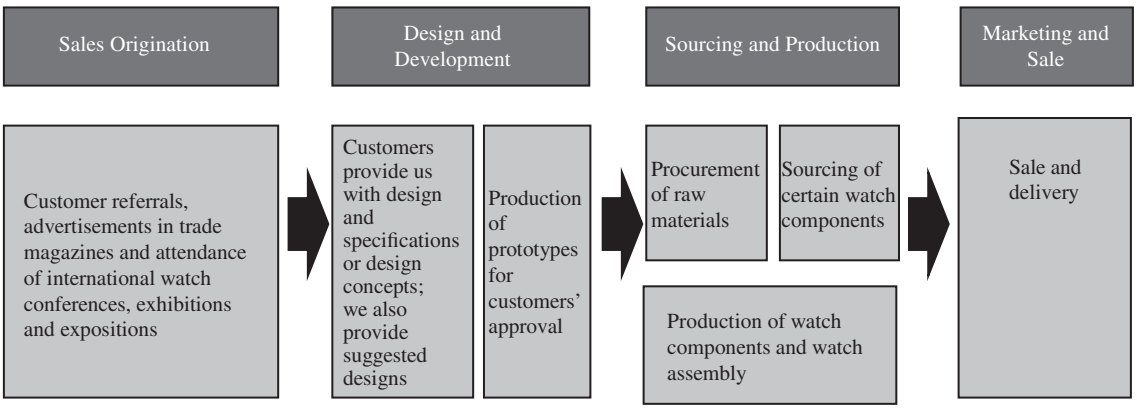
In addition, we plan to invest in technologically advanced machines and equipment and recruit relevant design engineers to establish a mould design and fabrication centre for the fabrication of moulds we use for the production of watch components. We believe the ability to fabricate moulds and tools in-house would provide flexibility and promote efficiency in design and manufacture of our products to better serve our customers as well as enhance confidentiality protections of our proprietary designs.

OUR BUSINESS MODEL

We are a leading watch brand-owner in the PRC as well as a leading manufacturer and supplier of quartz analogue watches in the PRC. We are primarily engaged in the design, production and assembly of watches for our OEM customers and design, manufacture and sale of watches under our brands and major sub-brand *Time2U, Jonquet,* and *Color*.

OEM business operations

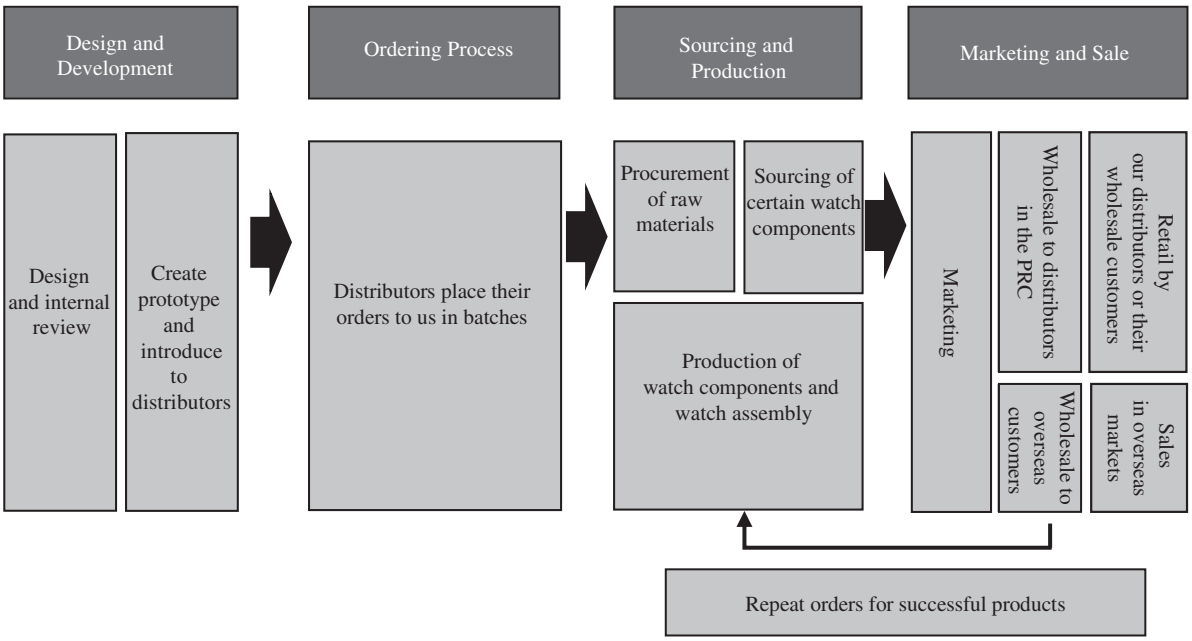
The following diagram illustrates the business model of our OEM business operations:



Under our OEM business model, we manufacture watches primarily based on our customers' design and specifications, and in addition, we often participate in the design and development of watches in accordance with our OEM customers' concepts, needs, requirements and standards. We also from time to time provide our OEM customers with suggested designs developed by our in-house design team. We are generally responsible for procuring the necessary raw materials and components in accordance with the specifications of our OEM customers, which mainly include brand owners or sourcing agents acting for brand owners.

Branded watches business operations

The following diagram illustrates the business model of our branded watches business operations:



We manage all aspects of the design, development and production of our branded watches. After a design is developed and approved, prototypes of the new watch will be created and introduced to distributors. Our distributors generally place orders with us on a regular basis. We do not engage in direct retailing of our branded watches and we sell our branded watches on a wholesale basis, and the retailing of our branded watches primarily made through the extensive distributorship network of our various distributors. We believe such sales strategy of our branded watches is beneficial to our Group as this allows us to penetrate target markets expediently by leveraging the retail expertise, management resources, local knowledge and local connections of our distributors. Our distributors resell our branded watches to (i) consumers or (ii) to their wholesale customers. To test the market acceptance of our branded watches in overseas markets, we began wholesaling our branded watches to overseas customers since 2013. In 2014, we also began wholesaling our brand watches directly to customers overseas. As at 30 April 2014, our branded watches had been sold to customers located in eight countries and regions outside the PRC.

OUR BRANDS AND PRODUCTS

Substantially all of our revenue are derived from two of our sales segments — (i) sale of watches on an OEM basis and (ii) sale of watches under our proprietary brands. For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, sales of our OEM watches represented approximately 77.3%, 63.4%, 52.1% and 51.5% of our total revenue, respectively, and for the same periods, sales of our branded watches represented approximately 22.7%, 33.8%, 46.0% and 47.8% of our total revenue, respectively. As we intend to focus on expanding our branded watches business, we expect that going forward, sales of our branded watches may account for increasingly significant portions of our total revenue and profit. Meanwhile, we also intend to maintain steady growth in our OEM business as we pursue the expansion of our branded watch business.

We also derive a small portion of our revenue from trading of third-party branded watches. In distributing our branded watches, we occasionally procure watches from third-party brands and trade them to our distributors to complement our range of products and services. The revenue derived from the sale of such products represented gross sale proceeds and is only a service ancillary to our primary operations, and we intend to gradually phase-out such operations.

Sales breakdown of our products

The table below sets out a breakdown of our revenue by sales mix for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
OEM watches	255,151	77.3%	292,243	63.4%	302,386	52.1%	85,626	50.9%	110,879	51.5%
Branded watches	75,092	22.7%	155,899	33.8%	267,181	46.0%	78,453	46.6%	102,888	47.8%
Third-party watches	—	—	12,665	2.8%	10,879	1.9%	4,299	2.5%	1,503	0.7%
TOTAL	330,243	100.0%	460,807	100.0%	580,446	100.0%	168,378	100.0%	215,270	100.0%

Our OEM watches

We design, develop, manufacture and assemble watches, primarily quartzes analogue watches, on an OEM basis for our customers. Please see "—Customers—OEM customers" in this document for further details. We design and produce watches for international and domestic corporations and brand owners. According to Euromonitor, we were one of the top five quartz analogue watch manufacturers in the PRC for the year ended 31 December 2013.

Our OEM watches are manufactured primarily based on the design and specifications of our OEM customers. In addition, we frequently provide various watch design and development advice and services, such as provision of design ideas, market trend information and product enhancement to our OEM customers in accordance with their concepts and requirements. We also frequently provide our OEM customers with suggested designs developed by our in-house design team.

We believe that our experience in producing OEM watches to a broad range for domestic and international customers allow us to keep abreast of the latest trends of the watch industry and therefore gives us a competitive advantage in our design capability.

Our branded watches

We currently offer a diverse range of watches under our brands and major sub-brand, namely, *Time2U*, *Jonquet* and *Color*, and the various series of watches under each of the brands and major sub-brand, respectively.

Leveraging our success and anchored by our extensive experience in the OEM business, we believe that we are therefore well-positioned to develop and launch our own brands of watches in the PRC and the global markets. We began widely distributing the watches of *Time2U* and *Jonquet* in 2010 and subsequently introduced the sub-brand *Color* under *Time2U* in 2012. Our flagship brand, *Time2U*, has been gaining recognition and market share in the PRC. According to Euromonitor, for the year ended 31 December 2013, *Time2U* was the leading domestic watch brand in the PRC in the segment of economic quartz analogue watches in terms of retail value. We intend to continue promoting the recognition of our brands in the PRC and Hong Kong, as well as strategically targeted countries globally such as Europe, South America, Southeast Asia and the Middle East.

We believe that our watches under *Time2U*, *Jonquet* and *Color* are strategically positioned to complement each other. Under the overall concept of positioning watches as "fast-fashion" products, meaning that watches are trendy fashion accessories that are designed and manufactured quickly and cheaply to allow mainstream consumer to take advantage of current styles at a relatively lower price. Each of our brands has a distinctive style and is targeted at a different consumer segment.

Time2U (excluding Color)

Time2U is our flagship brand and sales of our *Time2U* branded watches represented 17.6%, 20.6%, 18.3% and 15.5% of our total revenue, respectively, for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014. *Time2U* branded watches are economical quartz analogue watches and come in a diverse range of fashionable and trendy designs.

We target *Time2U* branded watches at fashion-conscious men and women between ages of 20 and 35. The targeted demographic represents the growing generation of middle income consumers in the PRC who tend to be young, trendy and have a certain level of disposable income. As at 30 April 2014, we offered 22 series of watches under *Time2U* (exclusive of offerings under *Color*) with distinctive designs that cater for men and women, respectively, of various demographics.

Set out below are certain general characteristics of our *Time2U* branded watches and selected major series:

Year of Launch:	2010
Watch case:	Primarily steel or alloy
Watchband:	Leather strap or alloy or steel bracelet
Movement:	Quartz (automatic)
Price Range:	Mostly RMB200 to 1,000
Representative Series:	*幻彩 (Rainbow)*. *Rainbow* is a series and a sub-brand under *Time2U*, characterised by its color-changing dial design. In April 2013, we entered into a three-year strategic cooperation agreement with Rainbow Watch GmbH, a German watch producer which owns the patents and copyrights to certain patented technology and registered watch designs that would enable us to produce watches with unique design.

極致花語 (Infinite Floral). The floral series is characterized by floral themed, three-dimensional embossed dial, which attempts to blend traditional Chinese painting with innovative modern elements.

Jonquet

Jonquet is our premium watch brand and *Jonquet* branded watches have the highest average prices among our branded watches. Sales of our *Jonquet* branded watches represented 5.1%, 6.3%, 8.4% and 8.6% of our total revenue, respectively, for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014.

Our *Jonquet* branded watches are generally styled elegantly, to give a sense of tradition and maturely made with steel, alloy, or leather bracelets and are assembled with mechanical movements sourced from Japan manufacturers. As at 30 April 2014, our *Jonquet* brand offered 7 distinctive series of watches. We target *Jonquet* branded watches at cosmopolitan adults from the ages of 23 to 45.

Set out below are certain general characteristics of our *Jonquet* branded watches:

Year of launch:	2010
Watch case:	Primarily steel
Watchband:	Leather strap or steel bracelet
Movement:	Mechanical (Automatic) (Japan, PRC)
Price Range:	Mostly RMB1,000 to RMB2,000
Representative Series:	*靈犀 (Consonance)*. Consonance is a series of classic mechanical watches specially designed for the modern woman, portraying an image of elegance.

經典至尚 (Modern Classic). Modern Classic is a series of watches specially designed for the modern man, portraying an image of maturity, success and sophistication.

時尚簡約 (Simply Stylish) is characterized by a tourbillion movement, visible on the dial and complemented by a classic design and leather straps.

Color

Launched in the year ended 31 December 2012, *Color* is our major sub-brand derived under *Time2U* and sales of our *Color* branded watches grew rapidly and reached 19.3% of our total revenue for the year ended 31 December 2013. While *Color* is a sub-brand under *Time2U* and thus all *Color* branded watches bear a *Time2U* logo, it has its own distinctive characteristics with its own target consumers, design and pricing different from *Time2U*. *Color* target teenagers as well as young adults between the ages of 14 to 26.

With the tagline "No Color Not Young", our *Color* branded watches embody our "fast-fashion" strategy. *Color* branded watches are principally quartz analogue watches priced economically and characterized by bright colours with matching cases and bracelets. The distinctive colours of the watches are also meant to induce consumers to collect watches of different colours to match their daily outfits. Another distinctive feature of *Color* is our patented multi-functional packaging boxes which could be stacked for decorative purposes and could also serve as coin saving boxes and picture frames.

We match the colouring of the watches and the relevant packaging boxes to enhance the uniformity in the way that *Color* branded watches are displayed. As at the 30 April 2014, *Color* offered 33 distinctive models of watches, with each design offered in multiple colours.

Set out below are certain general characteristics of our *Color* branded watches:

Year of launch:	2012
Watch case:	Alloy or plastic
Watchband:	Plastic bracelet
Movement:	Quartz (Automatic)
Price Range:	Mostly RMB35 to RMB200
Representative Series:	*星座 (Zodiac)*. The theme of the dial of the Zodiac series is the logos of the 12 western Zodiacs on the dial, complemented with various colourful plastic bracelets, so that the wearers can select the watch with the desired colour to match their outfits.

生肖 (Chinese Zodiac). The Chinese Zodiac series is characterized by each of the animals of the 12 Chinese Zodiacs and colourful and contrasting plastic bracelets. Each watch comes with two interchangeable plastic bracelets.

動感賽車 (Speedy Racer). Drawing its inspiration from car dashboard, the *Speedy Racer* series watches express a sense of speed, power as well as artfulness.

SALES, MARKETING AND DISTRIBUTION

We derive most of our revenue from the sales of (i) our OEM watches; and (ii) our branded watches. We also derive revenue from trading third-party branded watches. We employ different sales and distribution strategies for selling and distributing OEM watches and our branded watches, respectively.

Sales and marketing of OEM watches

We generally sell and distribute our OEM watches directly to our OEM customers, which include (i) domestic and international companies that directly purchase from us; and (ii) trading and sourcing companies of our OEM end-customers. We typically do not have long-term agreements with our OEM customers, and instead conducting our OEM business on the basis of individual purchase orders from our OEM customers. We recognise sales of OEM watches upon delivery.

Over the years, we have built a solid reputation in providing quality OEM watches and have established a solid and diversified customer base in the PRC, and have also exported our OEM watches to over 50 countries internationally in Europe, Americas and Asia (including Hong Kong and Taiwan). For the years 2011, 2012, 2013 and four months ended 30 April 2014, we had 175, 118, 144 and 70 OEM customers.

We export our watches to various countries globally. Some of our watches are exported to European Union countries and the United States.

The following table sets forth a breakdown of our revenue from our OEM customers by geography base on the location of our customers for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
The PRC	121,296	47.5%	171,477	58.8%	231,454	76.5%	72,450	84.6%	85,399	77.0%
Asia (excluding PRC)	70,112	27.5%	81,243	27.8%	29,595	9.8%	4,683	5.5%	13,927	12.6%
Americas	26,080	10.2%	23,192	7.9%	16,011	5.4%	1,515	1.8%	2,102	1.9%
Europe	37,202	14.6%	16,216	5.5%	25,190	8.3%	6,978	8.1%	9,291	8.4%
Africa	180	0.1%	78	0.0%	109	0.0%	—	—%	133	0.1%
Oceania	281	0.1%	37	0.0%	27	0.0%	—	—%	27	0.0%
TOTAL	255,151	100.0%	292,243	100.0%	302,386	100.0%	85,626	100.0%	110,879	100.0%

For the years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014, revenue generated from OEM customers outside the PRC amounted to approximately RMB133.9 million, RMB120.8 million, RMB70.9 million and RMB25.5 million, respectively, representing 52.5%, 41.2%, 23.5% and 23.0% of our total revenue from sales of OEM watches. The decrease in export sales for the year ended 31 December 2013 was because we ceased receiving purchase orders from one of our major customers.

Some of our OEM customers conduct quality inspection of our OEM watches at our production facilities prior to delivery and any issues would be fixed prior to delivery and therefore, during the Track Record Period, there had not been any material return of watches due to manufacturing defects.

Pricing of OEM watches

The profitability of our OEM watches depends to an extent on the price competitiveness of our watches. In order to maintain our competitiveness, we adopt a cost-plus policy in our OEM pricing and our prices are determined through negotiations with our customers on a case-by-case basis. We take into account various factors, including but not limited to, our target profit margin of the specific products, cost of sales, expected trend in raw material costs, relationship with the specific customer, size of the order, purchasing power of the customers and general economic conditions in the PRC and our export destinations.

Sales and distribution of our branded watches

During the Track Record Period, most of our sales of branded watches were domestic sales, and we began direct sales of our branded watches to overseas customers in 2013. Domestic sales of our

branded watches are made on a wholesale basis to our distributors with whom we have entered into respective distributorship agreements. Our distributors then resell our branded watches to (i) consumers or (ii) their wholesale customers, which includes sub-distributors and third-party retailers.

We recognise revenue from the sales of goods to our distributors upon delivery of our branded watches. Our relationship with each of our distributors is generally one of seller and buyer. We currently do not own or operate any points of sale or directly manage any retail operations, and we do not sell our branded watches directly to or have contractual relationships with the parties to whom our distributors resell our branded watches. Instead, we have a certain degree of control over the retailing of our branded watches through managing our distributors.

Since 2013, we also exported our branded watches on a wholesale basis to overseas customers. For the year ended 31 December 2013 and the four months ended 30 April 2014, revenue from the export sales of our branded watches representing 0.4% and 9.5% of our total revenue, respectively. We consider this strategy is appropriate for us to test the market acceptance of our branded watches in overseas market. It is a part of our overall expansion strategy to build an international distribution network similar to our domestic distribution network as our brands grow and gain awareness in the international market. As at 30 April 2014, our branded watches had been sold on a wholesale basis to customers located in eight countries and regions outside the PRC.

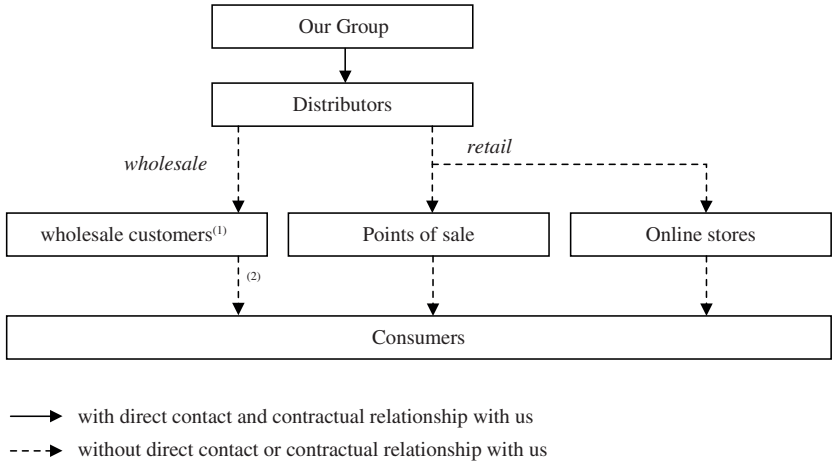
The following table sets out a breakdown of our revenue from the sales of branded watches by brands for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
Branded watches										
- *Time2U*	58,154	77.4%	95,024	60.9%	105,934	39.7%	39,151	49.9%	33,275	32.3%
- *Color*	—	—	31,782	20.4%	112,305	42.0%	24,915	31.8%	51,042	49.6%
- *Jonquet*	16,938	22.6%	29,093	18.7%	48,942	18.3%	14,387	18.3%	18,571	18.1%
TOTAL	75,092	100.0%	155,899	100.0%	267,181	100.0%	78,453	100.0%	102,888	100.0%

Distributorship Model in the PRC

Domestic sales of our branded watches are made on a wholesale basis to our distributors, who then resell our branded watches (i) to consumers at various points of sale and on-line stores which they operate or (ii) to their wholesale customers, who then resell our branded watches to consumers through their respective retail channels. To the best of our Directors' knowledge, the wholesale customers of our distributors include operators of third-party retailers and sub-distributors.

The following diagram illustrates the distribution model for our branded watches in the PRC:



Notes:

(1) To the best knowledge of our Directors, includes operators of third-party retailers and sub-distributors.

(2) The wholesale customers may not sell directly to consumers.

We manage our distributors by way of distributorship agreements, which govern our relationships with our respective distributors. We do not have contractual relationships with the wholesale customers of our distributors and have no direct control over their respective distribution channels, but we exert a certain degree of control over our distributors (and through our distributors, the wholesale customers) through our distributorship agreements.

According to Euromonitor, our distributorship model is one of the typical operation models adopted by low-end and economic brand owners in the watch market in the PRC. By delegating to our distributors (i) the management of points of sale of our branded watches; (ii) relationships with their wholesale customers; and (iii) arrangements with third-party retailers and on-line sales, we believe that this operation model allows our branded watches to reach more geographical regions in the PRC and penetrate into the market more quickly and effectively, by leveraging the local market knowledge, established network and sales channels of our distributors. This operation model not only allows us to utilise our internal resources to grow as a brand owner but also minimises inventory and sales risks to our Group and allows us to focus on our core competitive strengths of brand management and product development.

Our distributors

As at 31 December 2011, 2012 and 2013 and 30 April 2014, we had 26, 29, 30 and 28 distributors, respectively. All of our distributors are Independent Third Parties. Our distributors include (i) wholesalers and retailers of watch and related products; (ii) wholesalers and retailers of office equipment and stationery products; (iii) retail chain operators of specialty shops; (iv) stationery and book stores; and (v) operators of on-line stores.

The following table sets out the movement in the number of our distributors during the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2011	**2012**	**2013**	**2014**
Distributors at the end of the previous year/period	22	26	29	30
Non-renewal from previous year/period	0	0	11	4
Addition during the year/period	4	3	12	2
Distributors at the end of the year/period	26	29	30	28

Additional distributors were engaged during each of the two years ended 31 December 2011 and 2012, respectively, reflecting the expansion of our distribution network as our branded watch business operations grew. We did not renew the distributorship agreements with certain distributors at the beginning of 2013 and 2014 as (i) we considered the distribution network of certain of such distributors no longer matched our distribution strategy; and (ii) we terminated business relationship with private individuals for better risk control and management. As a replacement and to further enhance our distribution network, we have engaged 12 additional distributors in the year ended 31 December 2013 and 2 additional distributors in the four months ended 30 April 2014.

During the Track Record Period, we had not had any material disputes and we were not a party to any legal or arbitration proceedings with any of our distributors.

The following map illustrates the geographical coverage of our distributors as at 30 April 2014, (darker shaded area indicate provinces or regions where we have distribution coverage):

The following table sets forth a breakdown of revenue from the sales of branded watches to our distributors by geographic regions in the PRC for the periods indicated:

	For the year ended 31 December									For the four months ended		
PRC Regions	**2011**			**2012**			**2013**			**30 April 2014**		
	(RMB in thousands except for percentages)											
	Number of distributors	**Revenue**	**Percentage of revenue**	**Number of distributors**	**Revenue**	**Percentage of revenue**	**Number of distributors**	**Revenue**	**Percentage of revenue**	**Number of distributors**	**Revenue**	**Percentage of revenue**
Eastern PRC	6	25,218	33.6%	7	62,368	40.0%	8	92,190	34.8%	7	29,744	34.8%
Northern PRC	8	22,879	30.5%	8	41,426	26.6%	7	67,743	25.6%	7	24,374	29.5%
Northeastern PRC	4	8,727	11.6%	4	18,223	11.7%	4	22,954	8.7%	4	6,443	7.8%
Central Southern PRC	4	8,368	11.1%	4	13,183	8.5%	3	23,685	8.9%	3	6,401	7.8%
Northwestern PRC	2	3,525	4.7%	2	5,794	3.7%	2	10,698	4.0%	2	3,448	4.2%
Southwestern PRC	1	3,341	4.4%	1	5,482	3.5%	2	15,300	5.8%	2	4,524	5.5%
Others [(Note)]	1	3,034	4.1%	3	9,423	6.0%	4	32,321	12.2%	3	8,609	10.4%
TOTAL	26	75,092	100.0%	29	155,899	100.0%	30	264,891	100.0%	28	82,543	100%

Note: Includes distributors responsible for on-line sales and distributors responsible for our distribution channels in more than one region, such as stationery and book stores. Please also see "—Sales and distribution of our branded watches—Retail channels of our branded watches" for further details covering multiple regions.

Criteria for selection of potential distributors

We select our distributors with reference to their scale of operations and distribution channels that match our distribution strategy and targeted consumers formulated by our management from time to time. In the course of the selection process, we takes into account a number of factors, including:

- scale of operations, financial resources, market reputation, credit worthiness and management capabilities;
- compatibility to our market positioning, such as compatibility of distribution channels and location of retail outlets to our overall distribution strategy, pricing and target consumers;
- relationships with their respective wholesale customers; and
- market influence and competitiveness in the local market.

Distributorship agreements

We enter into a one-year distributorship agreements with each of our distributors with standardised terms and conditions in line with our sales and distribution policy for our branded watches. We review our distributorship agreements and renewed annually by mutual agreement between the parties at the beginning of each year. We manage our distributors by way of such distributorship agreements, which govern our relationships with our respective distributors. For the potential risks associated with our distribution model, please see "Risk Factors—Risks relating to our business—We are subject to risks associated with the distribution model of our branded watches—Our ability to monitor the performance of our distributors and the quality of service provided by sales staff at the points of sale is limited" in this document for further details.

The following summarises the salient terms of our typical existing distributorship agreements:

Duration:	• The term of our distributorship agreements is one year.
Territory and exclusivity:	• Our distributors are respectively authorised to exclusively sell our branded watches only within a designated geographic location or designated sales channel.
Brand:	• Specific brand(s) are specified under each distributorship agreement.
Sale and pricing policies:	• Our products are sold to distributors at a certain discount rate to the suggested retail prices. Our distributors (and through our distributors, their wholesale customers) are required to adhere to our pricing and discount policies in respect of the suggested retail prices of our products unless with our prior approvals.
Risk transfer:	• The title and risks of the goods are passed to our distributors once the products are delivered to them.
Goods return and obsolete stock arrangements:	• Unless due to quality defect, no return of goods is allowed.
Sales target:	• Annual sales target is specified and as an incentive, if a distributor exceeds such sales target, sales rebate will be granted to the distributor.

Payment and credit terms:	• We generally offer our distributors a credit period of 60 days.
Other rights and obligations of our distributors:	• Our distributors are solely responsible for all legal and financial aspects of establishing and managing their sales network, including but not limited to, undergoing all necessary business and tax registration procedures required by law. Our distributors are required to promote our products in accordance with our marketing materials, and if applicable, renovate the points of sale in accordance with our instructions. Our distributors may not use our trade name or trademarks other than selling or promoting our products and they are prohibited from selling counterfeit products. • Our distributors are allowed to engage sub-distributors, and are responsible to manage the sub-distributors and enforce compliance by the sub-distributors with terms and conditions of our distributorship agreements. • Our distributors are requested to submit monthly report on sales performance, changes in their points of sale and inventory level (all the above figures including those of their wholesale customers) according to our standardised form.
Sales support:	• We are responsible for providing (i) assistance with initial set-up of the points of sale; (ii) brands and products trainings; (iii) suggestions to display of our products; and (iv) promotional materials.
Conditions for termination and renewal:	• Our distributor is liable for damages caused by any breach of the distributorship agreement. If either party violates the terms of a distributorship agreement, the other party has a right of termination. Our distributor shall notify us one month before expiry of the distributorship agreement should it desire to renew the agreement.

Although sales targets are specified under the distributorship agreements, they are not minimum purchase obligations of our distributors. Such sales targets are negotiated annually prior to renewal of the distributorship agreements at the beginning of each year to incentivise our distributors by way of sales rebate and for our annual planning purposes. Failure to meet the sales target will not subject a distributor to any legal obligations but we will take such failure into account on the review of the renewal of the relevant distribution agreement.

Management of our distribution network

We do not have contractual relationships with the wholesale customers, such as third-party retailers and sub-distributors, of our distributors. We rely on our distributors to monitor the business behaviour of such wholesale customers. For the potential risks associated with our distribution model, please see "Risk Factors—Risk relating to our business—We are subject to risks associated with the

distribution model of our branded watches—Our ability to monitor the performance of our distributors and the quality of service provided by sales staff at the points of sale is limited" in this document for further details.

To avoid cannibalisation amongst our distributors, we grant exclusivity to our distributors mainly by designated geographical regions. We also engage distributors who may have cross-regional capabilities with specialised sales channels, target customers or sales locations. In cases where we engaged more than one distributor over the same geographical region, such distributors were differentiated by different distribution channels targeting different consumer groups, such as, specialty sale counter and stationery store chain. Moreover, as at 30 April 2014, we had engaged 2 distributors for on-line sales of our branded watches. Our Directors consider that potential adverse impact on our distributors due to competition among each other is remote as different distributors target different geographical regions and/or consumer groups.

Furthermore, our distributors are required to inform us (i) prior to establishing new points of sale; and (ii) the total numbers of points of sales, both of themselves and their wholesale customers under their respective exclusive regions. Through monitoring the locations in which our distributors and their wholesale customers establish points of sale, we minimise possible cannibalisation and competition amongst our distributors.

Our distributors are managed and monitored by our sales team, consisting of 49 sales staff, led by 6 regional sales managers, as at 30 April 2014. Our sales team is divided into different geographical regions and distribution channels, and monitor our distributors in accordance with our distribution agreements and internal sales and distribution policy.

We have adopted an internal management manual to monitor and evaluate the performance of our distributors and we continue to update and improve such internal management manual from time to time. Such monitoring and evaluation in accordance with our internal management manual form the basis of whether we continue business relationships with our distributors. As at the Latest Practicable Date, our internal management manual regarding the monitoring and evaluation of our distributors covers the following areas:

Responsibility:

- On a quarterly basis, sales team members are responsible for monitoring and evaluating the relevant regional distributors.
- Sale team members will perform random cross-regional site-visits to distributors outside their own regions.

Standard for Evaluation:

- Our existing distributors are evaluated by reference to a number of criteria, such as:
  - sales performance;
  - pricing policy (i.e., whether the distributor adhered to our suggested retail price);

- o quality of marketing and promotional events;
- o timely submission of monthly sales and inventory report.

Reporting to Management:

- Sales team members will submit completed evaluation form to our general manager or assistant general manager, who will analyze such reports to formulate business strategies.
- In the case of unsatisfactory performance, we would request the distributor to rectify the issues within one quarter.

To the best knowledge of our Directors, during the Track Record Period, we did not experience any material non-compliance with the terms and conditions of our distributorship agreements that were not timely rectified by the relevant distributors.

Support and services provided to our distributors

We provide various display materials, such as posters, backdrops and our specially designed display racks, to our distributors for displaying and promoting our branded watches at the retail outlets, so that our branded watches would have a uniform theme and consistent display format which we believe could strengthen our brands images and enhance visibility to attract consumer attentions. We also provide trainings to the sales staff at the retail outlets of our distributors on basic product knowledge of our branded watches, such as functionality and daily maintenance, upon request. We are neither responsible for the establishment costs of the points of sale, nor for the expenses incurred in their business operations. If requested, we will provide promotional display materials to certain wholesale customers of our distributors who retail our branded watches in their retail outlets.

In some circumstances, certain of our branded watches are popular in some geographic locations but not others. To better serve our distributors and to facilitate their sales of our branded watches, if requested by our distributors, we may assist, at our discretion, in liaising reallocation of stocks between distributors in different geographical regions.

Retail channels for our branded watches

Retail channels of our branded watches primarily consists of (i) specialty sales counters in department stores and shopping malls; (ii) stationery stores and book stores; (iii) apparel and accessories retail chains; (iv) hypermarkets; and (v) on-line stores. These retail channels are either directly operated or managed by our distributors or, to the best of our Directors' knowledge after due enquiry, operated by the wholesale customers of our distributors. For the retail outlets operated by the wholesale customers of our distributors, we rely on our distributors to manage them and to report to us the nature of such operations. Therefore, we manage the growth of the retail network of our branded watches by selecting suitable distributors having the network in the desired geographical regions and retail channels that matches our target consumers. Our regional sales managers discuss regularly with our distributors to share with them our expectations and direction with respect to our retail channels.

Specialty sales counters

Our watches are retailed at specialty sales counters at department stores and shopping malls. Our watches at relatively higher price points, namely *Time2U* and *Jonquet* branded watches, are mainly carried at these specialty sales counters. These specialty sales counters are decorated with our logos and generally have a section that displays our products exclusively. We provide support to our distributors by providing display materials, suggestion for the design of specialty counters, and introductory training to our distributors' sale staff. We believe that the retailing of our watches at department stores and shopping malls enable us to increase visibility and enhance the image of our brands.

Stationery stores and book stores

According to Euromonitor, stationery stores have evolved from offering products related to school studies to offering a wide range of products, such as fashion accessories, targeting the younger generation. Certain of our distributors and their wholesale customers, are operators of regional or multi-regional stationery store chains and book store chains and some of them are around university campuses as university students are a demographic that fits the consumer profile of *Color* branded watches. The result is that our watches are displayed in a vast retail network nationally without substantial investments by us. *Color* branded watches are particularly suitable for this arrangement as they are positioned as fashion accessories of affordable prices and have the shortest production cycle which generally share the same target market of these stationery stores and book stores.

Apparel and accessory retail chains

Our branded watches are also carried by certain apparel and accessory retail chains to provide complementary products in their retail outlets. Since our branded watches are marketed as "fast-fashion" products and are offered at competitive prices, they have synergy for displaying together with and cross-selling with apparel items.

Hypermarkets

Hypermarkets in the PRC carry a wide range of products, including fashion accessories. Operators of hypermarkets would purchase our branded watches from our distributors and resell them at their retail outlets as complementary products.

On-line sales

Currently, we have engaged two distributors who specialise in on-line sales and operate on-line sales platform of watch products. As part of our expansion strategy, we intend to work closely with our distributors, including the provision of financial resources to expand our on-line retail channels.

Pricing of our branded watches

We request our distributors to strictly follow our standardised national suggested retail prices for all our branded watches in order to maintain our brand image and avoid price competition. Suggested retail prices are determined by taking into account cost of production, market prices of similar products and our marketing strategy. Our watches are sold to distributors at a pre-determined discount to the suggested retail prices.

After-sale services and warranties of branded watches

We request our distributors to conduct quality inspections upon receipt of our products and they may exchange defective products. Once accepted, our distributors are not allowed to return products to us.

Each of our branded watches comes with a warranty card that provide a one-year warranty from the date of invoice issued. In accordance with the Product Quality Law and Consumer Protection Law, please refer to the section headed "Regulations" in this document for details of these regulations, during the warranty period, the consumers may either contact our distributors or us directly via our consumer-service hotline to request for repair of any malfunctioning or manufacturing defects of our branded watches. During the Track Record Period and up to the Latest Practicable Date, we did not incur any significant expenses in relation to product warranty that would materially and adversely affect our business, results of operations and financial condition. As such, no provision has been made in this regard.

Marketing and promotion

We focus on business-to-business relationships when marketing our OEM watches, whereas we target the general consumer and focus on improving our brand awareness when marketing our branded watches. To strengthen and uphold our corporate and product image and publicity, we increasingly devoted our resources in marketing and promotional activities during the Track Record Period. Our marketing and promotion expenses were RMB12.3 million, RMB17.2 million, RMB20.5 million and RMB6.9 million for the years ended 31 December 2011, 2012, 2013 and the four months ended 30 April 2014, respectively.

Marketing of OEM services

We engage in the following types of marketing activities for our OEM watches:

Watch fair and trade exhibitions

Attending exhibitions such as watch fairs, industry conferences and trade shows is one of our primary ways to meet new OEM customers and exhibit our latest product offerings. We regularly attend local and overseas watch fairs, industry conferences and trade shows, including the Canton Fair (廣交會), the East China Fair (華東進出口商品交易會) and the Hong Kong Gifts and Premium Fair (香港禮品及贈品展覽會).

OEM design catalogues

To promote our latest design and collection, we prepare product catalogues and brochures featuring our OEM designs, which are designed to appeal to brand owners. We update the contents of our OEM design catalogues and brochures from time to time.

Follow-up with existing customers

Our sales team follow up regularly with our existing OEM customers *via* telephone and in-person visits. Our sales team from time to time inform our OEM customers of our newest watch designs and offerings, and also invite them to our production facilities for viewings. Our sales team also solicit feedbacks from our OEM customers and inform our design team on suggestions from customers.

Marketing and promotion of our branded watches

We believe that effective and comprehensive marketing strategies targeting various groups of potential customers are crucial for promoting and enhancing the brand image of brands and major sub-brand *Time2U*, *Jonquet* and *Color*. To deepen our customer loyalty and recognition, we have carried out the following principal marketing activities during the Track Record Period:

Media advertisement

We advertise our watches through a number of different media:

- *television*: we commission the creation of and placed television commercials for our branded watches with national television channels during programmes that are popular among our target consumers, with a focus on spotlighting new products.

- *print*: we placed print advertisements in industry, travel, fashion and lifestyle magazines and newspapers, with readership that match our target consumers.

- *internet:* we market and promote our branded watches on our websites and our customers can access the latest information about our brands and watches.

The following are examples of our printed commercials:

Outdoor advertisement

We run advertising campaigns typically along with the launch of new watch series on various outdoor placements such as billboards on the side of highways and light boxes in shopping malls, university campuses and public transit stations in various cities across the PRC.

Attendance of watch fairs, industry conferences and trade shows

We regularly attend exhibitions such as watch fairs, industry conferences and trade shows including Basel Watch Fair in Switzerland and Hong Kong Watch & Clock Fair to display our latest branded watch offering.

Distributors site visits

We invite our distributors to our production plants to view our newest designs and watches from time to time.

Promotional events

Our distributors from time to time participate in promotional events at or near our various points of sale. If requested, we accommodate such events by providing posters, standardised displays and authorising a discount to our nationwide suggested retail prices of our watches.

In-store marketing

We provide standardised product display and marketing materials, such as backdrops, banners, posters and leaflets for distributors to decorate the points of sale, thereby enhancing public recognition and reinforcing the brand image of our brands.

To promote our latest design and collection, we have also prepared watch catalogues and brochures featuring our branded watches, which are designed to appeal to consumers and are available at points of sale selling our products. We update our catalogues and brochures from time to time.

Seasonality

For sales our OEM watches, during the Track Record Period, we experienced some seasonality towards the third and fourth quarters of the year. For sales of our branded watches, for 2011 and 2012, respectively, we experienced higher sales volume in the periods leading up to the Christmas holidays. However, in the year ended 31 December 2013, we had relatively strong sale performance in the second quarter due to the growth in sales of our *Color* branded watch, which negated some of the seasonality effect that we had expected. However, as we are in the consumer product industry, we believe that we may experience some seasonality in the future period so that sales would be stronger towards the Christmas holidays.

CUSTOMERS

We have two main categories of customers — OEM customers and branded watches customers. Sales to our five largest customers represented 33.8%, 37.0%, 34.3% and 37.3% of our total revenue for the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, respectively. Sales to our largest customer for the same periods represented 11.6%, 9.4%, 10.5% and 10.5% of our total revenue. We have a business relationship of between half to 10 years with our five largest customers during the Track Record Period.

None of our Directors, our chief executive or any person who, to the best knowledge and information of our Directors, owned more than 5% of our issued share capital or any of our subsidiaries, or any of their respective close associates, had any interest in any of our top five customers during the Track Record Period.

OEM customers

For the years ended 31 December 2011, 2012, 2013 and the four months ended 30 April 2014, we had 175, 118, 144 and 70 OEM customers, of which 6, 6, 11 and 7 of them are also our distributors or customers of our branded watches. During the Track Record Period, majority of our OEM customers were located in PRC, while our watches were also delivered to customers located in Europe, Americas and Asia (including Hong Kong). For details of geographical breakdown of revenue from our OEM customers, please see "—Sales, marketing and distribution—sales and marketing of OEM watches" in this section.

Our OEM watches are made-to-order watches sold to various customers bearing the corporate logo or brands of such customers or their customers. Our OEM customers generally include (i) domestic and international companies that directly purchase from us; and (ii) trading and sourcing companies of our OEM end-customers. To the best of our Director's knowledge, the end-customers of our watches that purchase our OEM watches, whether directly or indirectly, included:

- corporations of various industries, such as automobile, who order OEM watches as complimentary gift or merchandise for their marketing and promotional purposes;

- brand owners of consumer products, such as apparel and cosmetics, who sell our OEM products as ancillary or complementary products; and

- brand owners of watches.

While our OEM customers sell watches under their own brands, our Directors believe that watches produced for such OEM customers do not compete directly with our branded watches for the following reasons:

- we do not target the same economic and geographical consumers as our OEM customers;
- OEM watches we produce for these OEM customers have different brand images from our brands; and
- the designs of our OEM watches are distinct from the designs of our branded watches.

Therefore, we had not experienced and do not expect that the growth of our branded watches business will materially and adversely affect our business relationships with our OEM customers.

Credit policy to OEM customers

We generally offer a credit period of up to 60 days to our domestic OEM customers. For OEM sales to overseas or new customers, we generally require a deposit after confirmation of purchase orders and full payment prior to delivery of goods.

Customers of branded watches

During the Track Record Period, the principal customers of our branded watches were our distributors in the PRC. Please see "—Sales, marketing and distribution—Sales and distribution of our branded watches—Our distributors" for further details regarding our distributors. As at 30 April 2014, we have half a year to four years of relationships with our distributors. Since 2013, we have also sold our branded watches to overseas customers located in eight countries and regions outside China.

Please see "—Our brand and products—Our branded watches" for a description of our targeted consumer group of our branded watches under different brands.

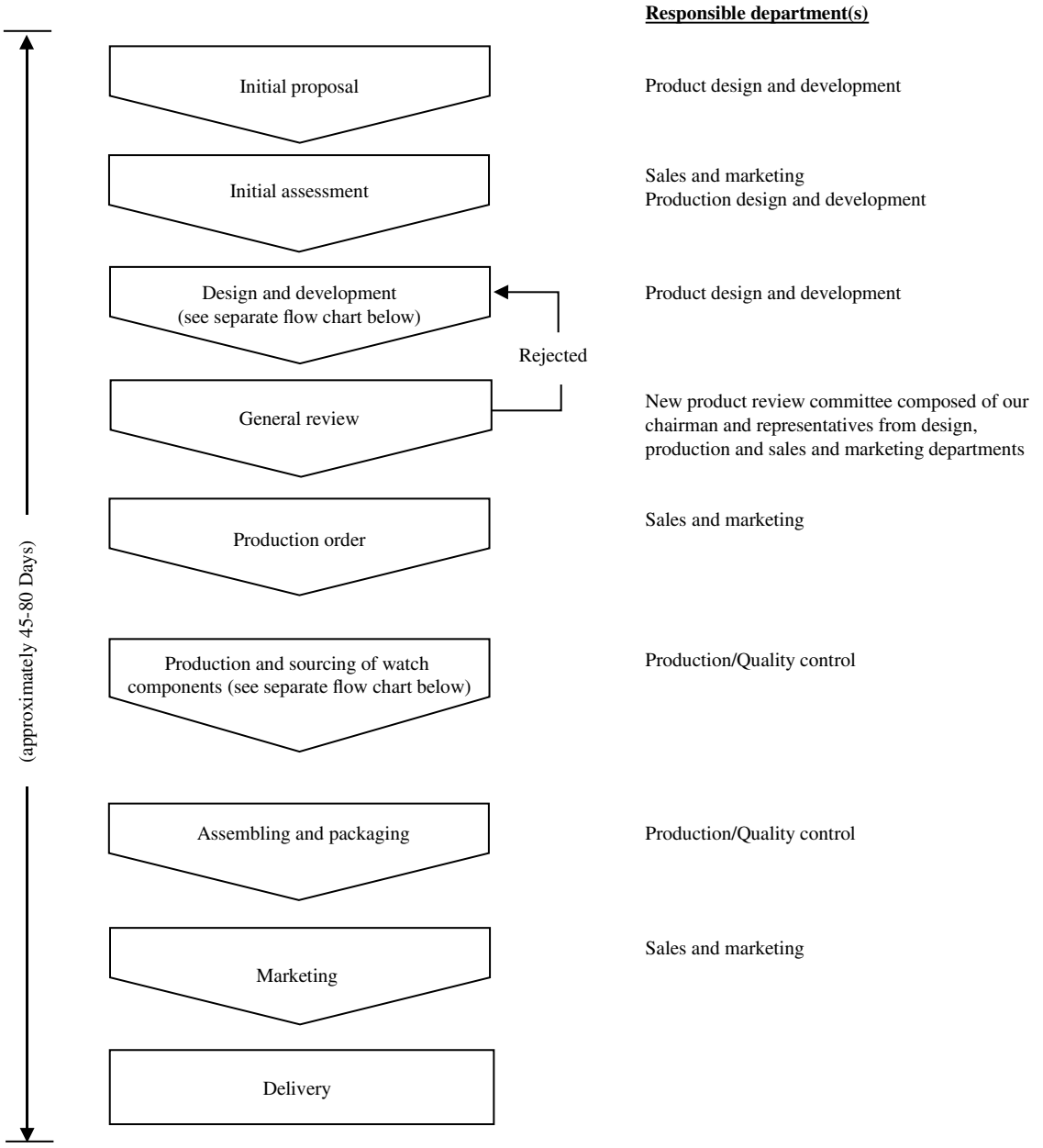
Credit policy to customers of branded watches

We generally grant a credit period of 60 days to our distributors and while our export customers of branded watches are requested to make full payment upon delivery.

DESIGN AND PRODUCTION

We produce our watches in-house with the capability of manufacturing watch components and assembling as well as packaging the final products. While we have our own facilities to manufacture certain parts and components of our watches, we also procure certain components and outsourced certain production procedures to other third-party subcontractors which we believe to be more cost efficient and beneficial to the Group as a whole.

The following flow chart is a summary of design, sourcing, production and production delivery process:



Design and product development

As we position our branded watches primarily as fashion watches, we place great emphasis on the visual design of our branded watches. We also offer design ideas or provide design suggestions and services as part and parcel of our OEM services. Therefore, we actively strive to design and customize our watches in accordance with the prevailing fashion trends and consumer preferences in the PRC and globally. For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, our design and product development expenses were RMB2.5 million, RMB4.7 million, RMB2.6 million and RMB0.7 million, respectively, representing approximately 14.7%, 12.6%, 8.5% and 7.6% of our administrative expenses for the same periods.

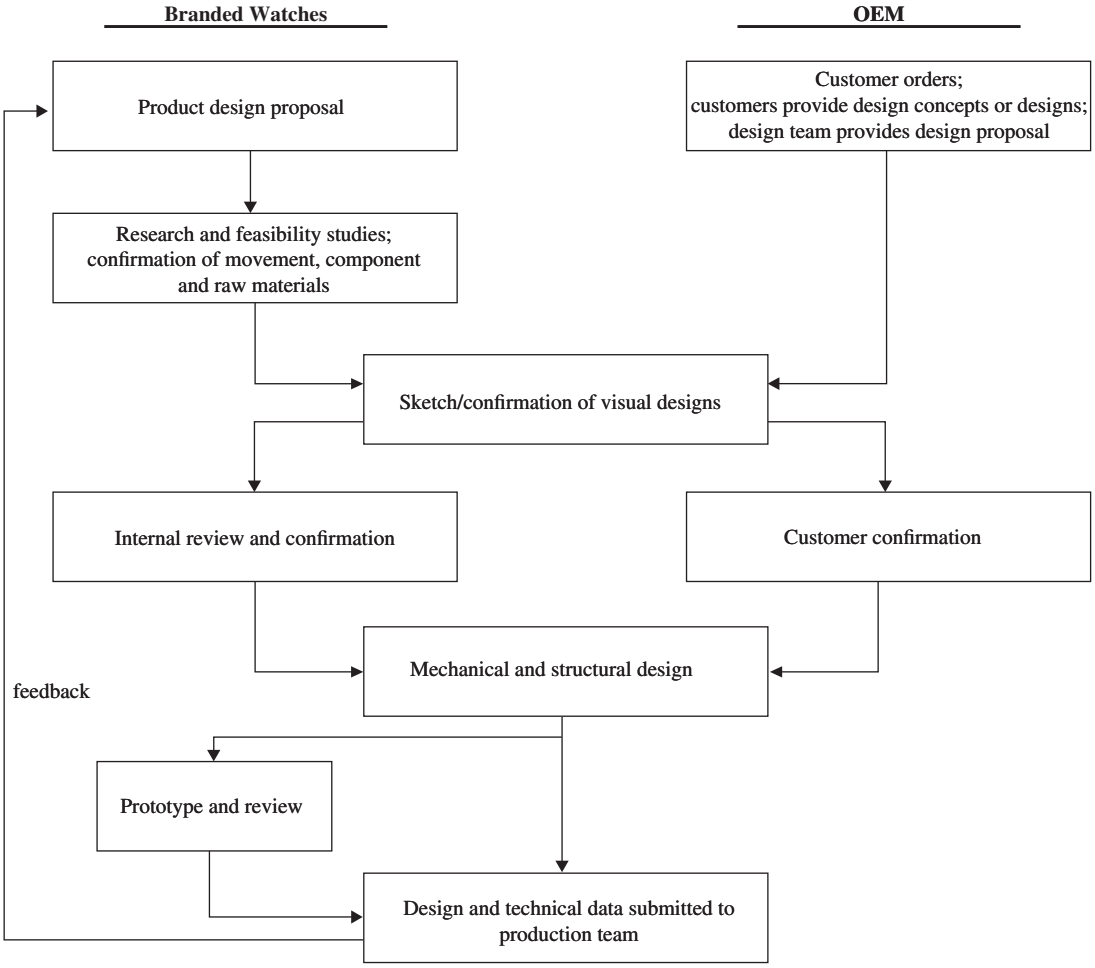
Design capabilities

We have an in-house design team comprising 11 design artists and technical specialists as at 30 April 2014. Design artists are responsible for designing the visual aspects of watches while the technical specialists work with the production team to design the mechanical and structural aspects of watches necessary to implement the artists' visual designs and concepts. We require our design team members to keep abreast of changing fashion trends in the PRC and globally, by reviewing market information collected from a variety of sources, such as feedback from our sales team, industry events and watch fairs, fashion magazines and industry publications. During the year ended 31 December 2013, we offered more than 155 models of watches for our OEM customers and designed more than 41 series of watches. As at the Latest Practicable Date, we had obtained 17 design patents and 13 utility models in the PRC.

Our OEM engagements allow our designers to be exposed to the latest international fashion trends. As at the Latest Practicable Date, our strong and innovative design capabilities had earned us 17 design patents and 13 utility models.

Design process

The diagram below is a summary of our product design and development process:

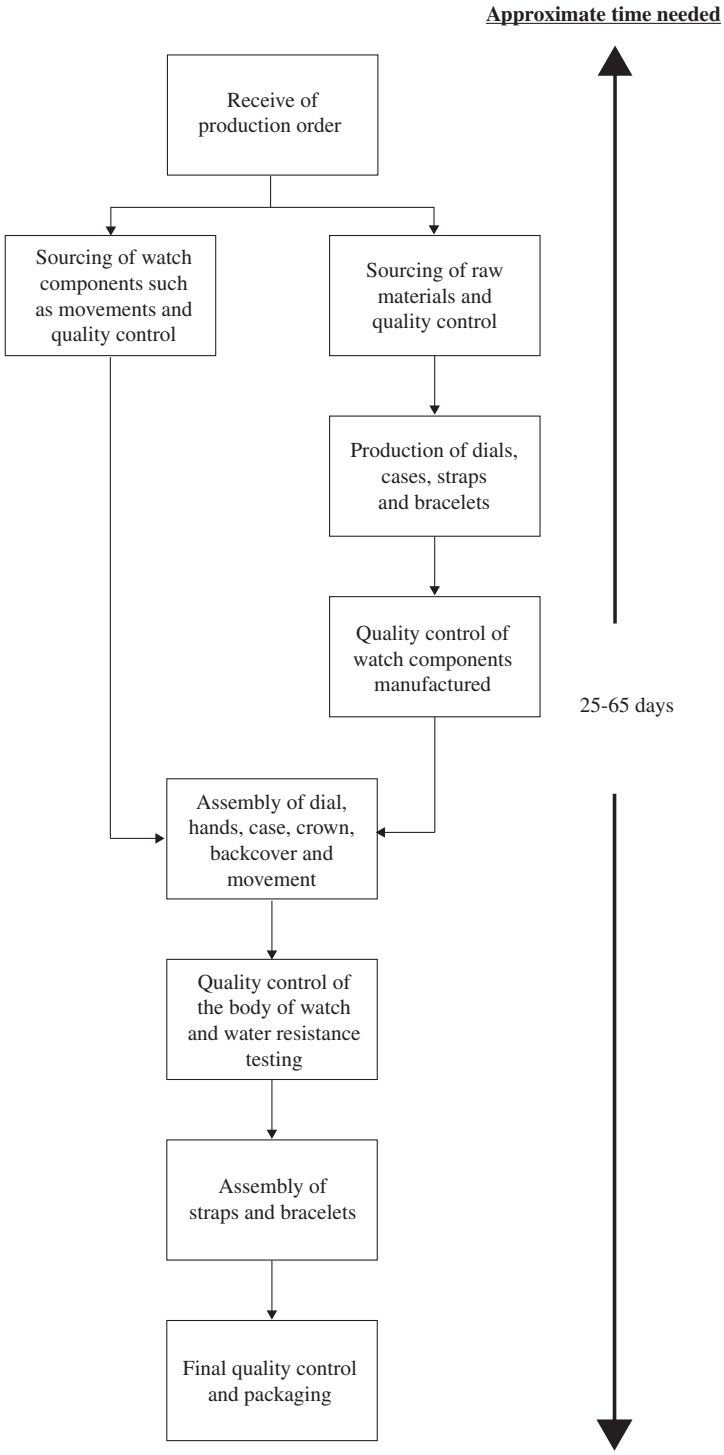


In accordance with the latest market trend or customer specification (for OEM watches), our product development process begins with a product design proposal, which consists of conceptual framework, initial sketches, the movement to be used and desired image of the product. Once the design proposal has been approved, our design team will work with our procurement team to confirm the choice of movement, ornaments, bracelets and other raw materials required. Subsequently the final sketch of the visual design will be prepared for approval. Once the final visual design is approved or confirmed by our customers, the technical specialists of design team would sketch the mechanical and structural design for production of prototypes in the case of branded watches, or send to production team for mass production in the case of OEM watches.

Prototypes of new designs of our branded watches are reviewed by our general manager. Once approved, the technical specifications of the watch are submitted to the production team in preparation for future production orders.

Production and assembly process

The following diagram summarises our process in sourcing and producing watch components and watches:



Production order

With certain exceptions, we generally commence production only when there is a confirmed production order. Production orders are issued based on actual purchased orders in the case of OEM watches. In the case of branded watches, production orders are issued based on orders from distributors, except that for certain popular products, sales team forecasts the production need and we produce such popular products in advance.

Production of watch components

We produce components, such as dials, the shell of watch cases and straps that we consider are (i) important to the overall visual design and appearance of watches and/or (ii) cost-effective for us to manufacture in-house. Please see "—Sourcing and procurement" for details of what we manufacture in-house. The finished components are inspected by the quality control team before being sent to the respective inventories of the various watch components for further assembling.

Sourcing of watch components

We source certain components including the movements, the hands, steel straps, the back covers and the crowns from Independent Third Party suppliers as these components either (i) require specialised production technique or equipment that are not cost-effective for us to acquire or (ii) less important to the overall visual design and appearance. Please see "—Sourcing and procurement—sourcing of watch components" for further details.

Subcontracting

We mainly subcontract the plating procedure of the watch cases to our subcontractors. We do not enter into subcontracting agreements with such subcontractors. We do not expect material challenges in finding qualified subcontractors for such procedures. Our Directors consider that by engaging subcontractors, our internal production resources can be deployed more efficiently for core production work.

During the Track Record Period, we had contracted five subcontractors for plating, each of which is an Independent Third Party. For the years ended 31 December 2011,2012, 2013 and four months ended 30 April 2014, our subcontracting fees amounted to RMB8.8 million, RMB12.5 million, RMB15.4 million and RMB6.3 million respectively, representing 3.9%, 4.0%, 3.9%, and 4.4% of our total cost of sales in the same periods.

Criteria for selecting subcontractors

We select our subcontractors based on the same criteria as we select our suppliers. Please see "Sourcing and procurement—Selection of suppliers" in this document.

Assembly

Our assembly lines manually assemble the different components into final products. The process involves assembling the dial, hands, crown, back cover, movement and the case together to form the body of the watch. Then the body of watch would be tested for water resistance. Subsequently, the strap or the bracelet would be attached to the body of the watch. Once the watch passes final quality control, the watch would be packaged.

Product facilities and capacities

As at the Latest Practicable Date, we have two production facilities in operation in Zhangzhou, Fujian Province, the PRC, with an aggregate gross floor area of 41,665 sq.m. Our two production facilities are in close geographical proximity of each other and both located in the Jinfeng Industrial Zone of Xiangcheng District, Zhengzhou City, Fujian. Currently, the Ouwosi Plant is used for the production of steel cases and assembly of watches while the Hongyuan Plant has a broader usage, but our management adjust work allocation from time to time to optimise efficiency. The following table sets out the location, gross floor area and principal usage of our production facilities:

Facilities	Gross floor area	Principal Usage
Hongyuan Plant	23,993 sq.m.	Production of watch components and assembly of watches; warehouse; office
Ouwosi Plant	17,672 sq.m.	Production of watch components and assembly of branded watches; warehouse; office

For other details of our production facilities, please see "—Properties".

The following table sets out the theoretical maximum production capacities (in number of watches), approximate actual production volume (in number of watches) and utilisation rate (in percentage) of theoretical maximum production capacity for each of steel, alloy and plastic watches, respectively, for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2011	**2012**	**2013**	**2014**
	Number of Watches in thousands (except for percentages)			
Steel watches				
Theoretical maximum production capacity[(1)]	3,660	3,660	3,660	1,220
Actual production volume[(2)]	1,061	1,690	2,328	1,092
Utilisation rate[(3)]	29.0%	46.2%	63.6%	89.5%
Alloy watches				
Theoretical maximum production capacity[(1)]	9,150	9,150	9,150	3,050
Actual production volume[(2)]	7,483	7,562	6,844	2,194
Utilisation rate[(3)]	81.8%	82.6%	74.8%	71.9%
Plastic watches				
Theoretical maximum production capacity[(1)]	10,294	10,294	10,294	3,431
Actual production volume[(2)]	2,292	2,717	7,810	2,490
Utilisation rate[(3)]	22.3%	26.4%	75.9%	72.6%

(1) Production capacity for our watches during any time period refers to the theoretical maximum number of watches our production facilities can assemble during such a period. We estimate our production capacity of watches by our production capacity of watch cases as manufacturing watch cases is typically the bottleneck in our production procedures. The theoretical maximum production capacity of steel and alloy cases is estimated by the maximum production capacity of the respective watch cases that we can produce in an eight hours shift times 305 working days (accounting for days needed for repairs, maintenance and holidays). The theoretical maximum production capacity of plastic cases is estimated by the maximum number of watch cases that we can produce in 20 hours (as plastic cases can be produced by machines continuously for 20 hours taking into account time required to change moulds) times 305 working days (accounting for days needed for repairs, maintenance and holidays). Production capacity of watch cases is used for the estimation of theoretical maximum production capacity of our watches as production of watch cases is the bottleneck in our production procedures. Our Directors believe the theoretical maximum production capacity as so defined is in line with the practice in the PRC watch industry.

(2) Actual production volume is the number of watch cases we have actually produced in the relevant periods.

(3) Utilisation rate is calculated by dividing actual production volume by theoretical maximum production capacity.

Our utilisation rate for producing steel watches increased from 29.0% for the year ended 31 December 2011 to 46.2% for the year ended 31 December 2012, further increased to 63.6% for the year ended 31 December 2013 and further increased to 89.5% for the four months ended 30 April 2014. These increases corresponded with our business expansion and increased production orders during the Track Record Period.

Our utilisation rate for producing alloy watches increased slightly from 81.8% for the year ended 31 December 2011 to 82.6% for the year ended 31 December 2012, and decreased to 74.8% for the year ended 31 December 2013 and 71.9% for the four months ended 30 April 2014. The decrease was mainly due to changes in sales mix under the orders from our OEM Customers in the relevant periods. In addition, due to effects of seasonality, production orders tend to be lower in the first half of the year.

Our utilisation rate for producing plastic watches increased from 22.3% for the year ended 31 December 2011 to 26.4% for the year ended 31 December 2012, and further increased to 75.9% for the year ended 31 December 2013. Such increases were primarily attributed to the launch of our major sub-brand *Color* in mid-2012 and the subsequent growth in sales and production of *Color* branded watches. The utilisation rate decreased slightly to 72.6% for the four months ended 30 April 2014, primarily due to effects of seasonality, as production orders tend to be lower in the first half of the year.

In anticipation of greater production demands, and with a view to producing watches with higher quality while increasing efficiency, we intend to purchase equipment and make related capital investments to expand our production capacity and capabilities such as upgrading of our production equipment and workshops and establishment of a mould fabrication centre and construction of additional workshop. Please see "—Our strategies—Upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities" for further details.

Please see "Future Plans and Use of Proceeds" in this document for further details of our plans for capacity expansion and other capital expenditure plans we are contemplating.

Key Equipment and tools

Equipment

We utilised a number of machines for the manufacture and production of watch components and sub-components such as plastic cases and steel bracelets. Set forth below is a list of our major equipment:

Equipment	**Number of Units**
Plastic injection machines	51
High-speed press machines	2
EDM Machine	5
Die casting machines	6
Miscellaneous machining equipment	24
Grinding machine	2
Open tilting press	10
Computer imaging machine	2

We assume an expected useful life of 8-10 years for our equipment. We carry out repair and maintenance of our major equipment daily and also during planned annual maintenance. Our production staff keeps regular log of any repairs and maintenance. Some of our major pieces of equipment have reached or will soon reach the expiration of their expected useful life for deprecation purposes. We will continue to use these machines with regular repair and maintenance, with no immediate schedule for replacement, as long as they continue to be functional. However, we intend to purchase new equipment that will increase our level of automation and quality of productions. Please see "—Our strategies—Upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities" for further details.

As our watch assembly process primarily involves manual processes, we do not utilise any machinery for assembling watches to any substantial extent, except for certain tools.

Moulds

Metal stamping and plastic injection moulds are crucial to the manufacturing of our watch components and were also one of our major capital expenditures during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, our total expenditure on moulds amounted to RMB39.8 million, RMB36.0 million, RMB55.5 million and RMB23.0 million respectively. During the Track Record Period, we acquired all the moulds from third parties who are specialised in mould fabrication. With a view to enhance our production flexibility and improve confidentiality of our watch designs, we plan to set up our own mould design and fabrication centre to reduce our reliance on supply of moulds by third parties. Please see "—Our strategies" in this section and the section headed "Future Plans and Use of Proceeds" for further details of our plan for the establishment of our mould production centre.

SOURCING AND PROCUREMENT

Sourcing of raw materials

For interchangeable raw materials such as plastic resins, metal sheets and steel, our policy is to keep a sufficient level of inventory in accordance with our production plan for 45 days, in order to enable a prompt response to customer orders. For non-interchangeable raw materials, we source upon confirmation of production orders.

We generally do not enter into any long-term contracts with our suppliers. We believe that the principal raw materials we use can be sourced from a number of other suppliers at prices comparable to those being offered by our existing suppliers. During the Track Record Period, we had not experience any difficulties in sourcing raw materials and we do not anticipate any difficulties in this regard in the foreseeable future. During the Track Record Period, we had been able to pass on the increase in raw material costs to our customers.

Please see "Financial Information — Significant factors affecting our results of operations and financial condition — Cost of direct materials and direct labour cost" for a sensitivity analysis of our profit resulting from hypothetical fluctuation in cost of direct materials.

Sourcing of watch components

We design and assemble all our branded watches and OEM watches. We produce certain watch components while other watch components are sourced from Independent Third Party suppliers. The following table generally summarises certain components that are manufactured in-house or sourced from third parties.

Components/Watch Type	Plastic Watch	Alloy Watch	Steel Watch
Bracelets/Strap[(Note)]	In-house/ third party	Third party	Third party
Dial	In-house/ third party	In-house/ third party	In-house
Case — shell	In-house	In-house	In-house
Case — back cover	In-house/third party (according to design)	Third party	Third party

Note: We also produce leather straps in-house.

Our policy is to keep a sufficient level of interchangeable components (other than movements) in accordance with our production plan for 45 days. For non-interchangeable components (other than movements), we source upon confirmation of production orders. For movements, our policy is to keep a sufficient level of inventory in accordance with our production plan for three months. Except for some of the Japan-made and Swiss-made movements sourced through Hong Kong suppliers, other major components such as movements, hands, glass covers and crowns are sourced from the PRC and the purchases are mainly made in RMB.

During the Track Record Period, we had not experienced any difficulties in sourcing watch components and we do not anticipate any difficulties in this regard in the foreseeable future.

Selection of suppliers

Our watch components and raw materials are supplied by suppliers that have satisfied our quality standard and are on our approved supplier list. We usually solicit quotes from two to three potential suppliers for each order of watch component or raw materials, respectively. We primarily focus on the following criteria when we select our suppliers:

- production capacity and production lead time of potential suppliers;
- the price, payment conditions and delivery date of the specific quotation;
- business scale and reputation of the product quality of the potential suppliers and their ability to timely produce and deliver the required quantity of products; and
- the quality requirement for each model of our watches.

For the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014 purchases from our five largest suppliers represented 48.4%, 43.7%, 44.4% and 44.5%, respectively, of our total purchases. For the same periods, purchases from our largest supplier represented 11.8%, 12.2%, 11.4% and 12.9%, respectively, of our total purchase. We have maintained a business relationship of between 3 and 9 years with our five largest suppliers during the Track Record Periods.

None of our Directors, our chief executive or any person who, to the best knowledge and information of our Directors, owned more than 5% of our issued share capital or any of our subsidiaries, or any of their respective close associates, had any interest in any of our five largest suppliers during the Track Record Period.

Settlement

We are offered a credit period of a range of 0 to 60 days from the day of delivery from our suppliers. Certain prepayments are required for purchases of watch movements and various raw materials.

QUALITY CONTROL

We believe that the quality of our OEM as well as branded watches has been a key to our success, and is crucial to our future prospects.

We have implemented quality control procedures in each critical step of the production and assembly process to ensure the quality of our watches meets the requirements and expectations of our customers. We require the raw material we source, our watch components and our watches to be in

compliance with the applicable quality standards for the relevant watch series. Our Directors confirm that, during the Track Record Period, we have complied with the product quality standards as required under the PRC law in all material aspects, and did not experience any significant problem of quality defects or product returns from our customers.

Quality control department

As at 30 April 2014, our quality control department was consisted of 57 members. Our quality control personnel have a average of approximately two and a half years of experience in quality control. We provide our quality control department employees with regular training regarding our quality control standards and procedures. Our quality control procedures are divided into four main stages: (i) input quality control; (ii) production/in-process quality control; (iii) final quality control and (iv) outgoing quality control.

Input quality control

Our input quality control team inspects the raw materials and watch components we procure as well as the watch components that we manufacture before such supplies are respectively used in our production and assembly processes.

Our procurement department and our input quality control team inspect the raw materials upon arrival. We return batches of raw materials that do not pass our quality control measures to the suppliers for exchange or refund.

Our procurement department and our input quality control team also inspect the watch components that we procure. If the watch components meet our quality requirement, the watch components would be entered into our production and assembly lines. Watch components procured from our suppliers that do not meet our control requirement are returned to the suppliers for exchange or refund.

Inspection results are recorded and such data are considered in subsequent selection of watch component suppliers.

Production/In-process quality control

For each type of watch components we manufacture, our production personnel and quality control personnel carry out quality inspections at various stage of the process by random sampling. Our production and quality control personnel also carry out quality inspections at various stages of the assembly process to check for aesthetics and possible defects.

Final quality control and outgoing quality control

We inspect our finished watches for quality and functionality for compliance with national, industry and our own quality standards. Inspection metrics include water resistance, size, appearance and accuracy of the watches. Watches that pass final quality control will be sent to our warehouses. Before watches are delivered to distributors or customers from our warehouses, we perform last outgoing quality control by inspecting samples from each batch of watches.

Quality control standards certificates

Certificate	Issuing organisation	Areas of accreditation	Date of Issue (validity period)
GB/T19001-2008/ISO 9001:2008	CQM Certification	Quality management systems	21 October 2011 (until 20 October 2014)
GB/T 28001-2001	CQM Certification	Occupational Health and safety	21 October 2011 (until 20 October 2014)
GB/T 24001-2004/ISO 14001: 2004	CQM Certification	Environmental management systems	21 October 2011 (until 20 October 2014)

INVENTORY MANAGEMENT

Our inventory comprises mainly (i) raw materials and components such as watch movements, steel and leather watch straps; (ii) work in progress; and (iii) finished goods. We believe that controlling levels of inventory is important to our overall profitability.

Inventory turnover days

For the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, our average inventory turnover days were 111 days, 106 days, 94 days and 79 days, respectively. The balance of our inventory as at 31 December 2011, 2012 and 2013 and 30 April 2014 represented for 38.5%, 41.1%, 32.7% and 30.5% of our current assets, respectively. Please see "Financial Information—Selected items of combined statements of financial position—Inventories" in this document for a detailed analysis on our inventory level.

Inventory of raw materials and watch components

We review and monitor our inventory level periodically and generally keep a minimal level of raw materials and components. For interchangeable raw materials and components, our policy is to keep a sufficient level of inventory in accordance with our production plan for 45 days. For non-interchangeable raw materials, we source upon confirmation of production orders. For movements, our policy is to keep a sufficient level of inventory in accordance with our production plan for 3 months.

Inventory monitoring of our finished watches

As (i) we only produce watches upon confirmation of orders from our customers, or upon receiving preliminary confirmations from our distributors of their intent to purchase our branded watches, and deliver watches to our customers and our distributors after completion of production; (ii) we only produce certain number of popular models of branded watches in advance of orders from our distributors in accordance with sales trend; and (iii) we generally do not allow return of our goods from our customers or our distributors, we had not experienced any material issues during the Track Record Period with respect to accumulation of finished products.

LOGISTICAL ARRANGEMENTS

Our raw materials, watch components and finished watches are stored primarily at our various warehouses located at our Hongyuan Plant and Ouwosi Plant. We engage third-party logistics companies to deliver our products to our OEM customers and distributors in the PRC. For overseas customers, we normally deliver our products free on board and we engage third-party logistics companies to deliver the products to the ports that our customers specify. These logistic companies bear the risks and losses associated with the delivery of our products.

MARKET AND COMPETITION

Industry

Please see "Industry Overview" in this document for details regarding the industry in which we operate, such as industry maturity and size, market trends and prospects.

Key Business Drivers

As a brand owner and manufacturer of fashion watches, our key business drivers include, among others, (i) income growth; (ii) local manufacturers' efforts in building their brands; and (iii) marketing activities in changing consumers' perception. Please see "Industry Overview" in this document for further details regarding the key drivers of our business.

Competitive Landscape

The PRC watch industry, including the economic quartz analogue watch market, is highly competitive and fragmented. Foreign brands target the higher end of the price range, while domestic brands primarily compete in the lower end of the price range. As we have watches in both the economic and mid-tier price ranges, we view ourselves as competing with both foreign brands and domestic brands. *Time2U* was the second largest brand by market share in terms of retail sales value in the PRC economic quartz analogue watch category for the year ended 31 December 2013 and the largest domestic watch brand in terms of retail sales value for the year ended 31 December 2013 according to Euromonitor.

Please see "Industry Overview" in this document for further details regarding our competitors, market share and ranking. Please also see "Risk Factors—Risks relating to our Industry—We operate in a highly competitive environment and we cannot assure you that we will be able to grow or sustain our competitiveness".

INTELLECTUAL PROPERTY

Our operations depend in part on our trademarks, patents, and other intellectual property rights, including trade names, website, domain names and business information system software which are either licenced to us or owned by us. We own the trademarks, such as "Time2U", "时间由你" and "JONQUET", and have pending trademark applications, in relation to our brands "*Time2U*" and "*Jonquet*". As at the Latest Practicable Date, we were the registered owner of 44 trademarks and 17 design patents and 13 utility models that are relevant to the ordinary course of our business operations. Among all the intellectual properties we registered, our Directors consider that our "*Time2U*" and "*Jonquet*" trademarks registered under class 14 in the principal markets to which our products are sold are the most important intellectual properties to our business and operations. For details of our intellectual property rights, which are material to our business and operations, please see "Appendix V—Statutory and General Information—Further information about our Company and our subsidiaries—Material intellectual property rights of our Group" in this document.

We recognise the importance of protecting and enforcing intellectual property rights. We rely on various intellectual property laws, especially trademark laws, to protect our proprietary rights. If any infringement of our intellectual property rights is found, we will seek to take appropriate action to defend our brands *Time2U* and *Jonquet*.

We are not aware of any material infringement of our intellectual property rights during the Track Record Period and up to the Latest Practicable Date and we believe that we have taken all reasonable steps to prevent infringement of our intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claim against us or any of our subsidiaries in relation to the infringement, including those arising from the design of our products, of any intellectual property rights of Independent Third Parties.

Please see "Risk Factors—We may not be able to protect adequately or enforce our intellectual property rights," and "Risk Factors—Sale of counterfeit or imitated products of our watches may affect our reputation and profitability."

EMPLOYEES

As at 30 April 2014, we had a total of 1,555 full-time employees. Substantially all of our employees are located in the PRC. The following table shows a breakdown of our employees by function:

	As at 30 April 2014 Number of employees
Management	42
Human Resources, Administrative & Finance	101
Design	11
Production and Quality Control	1,285
Sales and Marketing	107
Procurement	9
Total	1,555

Training

We provide introductory training to all our employees when they first join us, including safety and basic skills training. We also provide training from time to time to enhance their industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards. To improve the technical skills of our employees, we engage external experts to give seminars from time to time on various technical topics with respect to the design and production of watches.

Staff benefits

Pursuant to the applicable PRC laws and regulations, we are required to contribute to various social insurance funds (including pension contribution plans, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance), and housing provident fund for our employees in the PRC.

During the Track Record Period, we had fully contributed to social insurance funds for our employees. However, we only fully contributed to housing funds for our employees since January 2014. For details for our historical non-compliance with the requirements under the Regulation on Management of the Housing Accumulation Fund ("住房公積金管理條例"), please see "—Compliance with relevant laws and requirements" in this section.

Employee remuneration

We incurred labour costs of RMB31.0 million, RMB38.8 million, RMB51.2 million and RMB19.3 for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, respectively, representing 9.4%, 8.4%, 8.8% and 9.0% of our revenue for the corresponding periods.

We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

In order to motivate the sales and marketing employees, during the Track Record Period, our general manager would award a discretionary bonus annually to a sales and marketing employee if such marketing and sales representative meets an annual target that has been set with the management with the beginning of a year. We have adopted a formalised incentive scheme that took effect on 1 January 2014.

Recruitment policies and employee relationship

We believe that we have maintained good relationships with our employees and our management policies, working environment, development opportunities and employee benefits have contributed to the maintenance of good employee relations and employee retention.

We generally recruit our employees through job postings on the internet. During the Track Record Period, we have not experienced any work stoppage or labour strike in the past and have not experienced any significant difficulty in recruiting or retaining qualified staff.

PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned three properties, one of which was vacant and two of which were used as our production facilities. Such properties are located in Xiangcheng District of Zhangzhou City in Fujian Province with a total gross floor area of approximately 37,000 sq.m.

We have obtained the land use rights certificates for all of our three owned properties. We have obtained the relevant building ownership certificates for all the buildings on our three owned properties except for a transformer room and two guard houses in the Hongyuan Plant because Zhangzhou Hongyuan has not completed the relevant application procedures for constructing such buildings and has not been issued with the requisite building ownership certificates for them. According to our PRC legal advisers, Global Law Office, according to the Town Planning Law ("城鄉規劃法") and the Construction Project Quality Administrative Regulation ("建設工程質量管理條例"), the relevant department in charge of urban and rural planning is entitled to order Zhangzhou Hongyuan to take steps to rectify within a prescribed period of time in case that such rectification action can be taken to eliminate the adverse effect on the planning implementation and to impose a fine from 5% to 10% of the construction costs. If no rectification action can be taken, the relevant department is entitled to order a demolishment of the buildings within a prescribed period of time and to impose a fine of up to 10% of the construction costs. Moreover, the competent administrative department for construction is entitled to order Zhangzhou Hongyuan to rectify within a prescribed period of time and to impose a fine from 2% to 4% of the contact value of construction. Our PRC legal advisers have advised us that the lack of building ownership certificates for the transformer room and guard houses will prevent us from lawfully transferring or mortgaging the buildings to a third party. We currently do not expect to transfer or mortgage any of the buildings to any third party.

Our Directors are of the view that the transformer room and two guard houses in the Hongyuan Plant without building ownership certificates are not, individually or collectively, crucial to, and will not have a material impact on, our operation and financial position primarily because (i) we can easily relocate from such areas; (ii) the safety conditions of the buildings are not negatively impacted by the lack of building ownership certificates; (iii) compared with similar buildings in comparable neighbourhood, we believe that there is no material difference in the land cost and construction expenses in relation to the buildings in connection with the lack of building ownership certificates; and (iv) we believe in the event that we are required to terminate our usage of these buildings, (a) the replacement premises for the buildings are readily available, (b) the estimated time and cost for relocation would not be material, and (c) our operations located at these buildings could be relocated to new sites without material interruption to our business and our financial condition would not be materially affected. In light of the above, we believe that further remedial measures are not practically necessary.

Leased properties

As of the Latest Practicable Date, we rented four warehouses located in Xiangcheng District of Zhangzhou City in Fujian Province from Hongbang Electronics with a total gross floor area of approximately 5,992 sq.m. Please see "Connected Transaction — Exempted Continuing Connected Transactions" in this document for further details regarding the terms of the lease from Hongbang Electronics.

The landlord of the warehouses we rented has not obtained any of the requisite permits or approvals for the construction of such warehouses at the Hongyuan Plant and has not obtained the relevant building ownership certificates. As such, according to our PRC legal advisers, the aforesaid warehouses as an illegal structure may be required to be demolished and the relevant lease with Hongbang Electronics may be deemed invalid and we may have to relocate from such warehouses at the Hongyuan Plant.

Our Directors believe that the above defects in our leased properties will not have a material adverse effect on our business, financial condition and results of operations as (i) the relevant properties represent a minor portion of the total area of our properties; (ii) the relevant properties are not used for our key business operations and are not crucial to the operations of the Company; (iii) compared with similar properties in comparable neighbourhood, there is no material difference in the rental expenses arising in connection with such defects, and (iv) we believe in the event that we are required to terminate our usage of these properties, *(a)* the replacement premises for these leased properties are readily available, *(b)* the estimated time and cost for relocation would not be material, and *(c)* our operations located at these properties could be relocated to new sites without material interruption to our business and our financial condition would not be materially affected. On this basis, our Directors are of the view that the defective properties individually and collectively are not crucial to our operations.

FINANCIAL RISK MANAGEMENT

We have financial risk management practices aimed at reducing foreign exchange rate, credit, interest rate risk and other risks. For further details, please see "Financial Information—Qualitative and quantitative disclosure of financial risk" in this document.

Foreign Exchange and Currency Exposure

A notable portion of our revenue, specifically revenue derived from our export OEM sales, is denominated in the U.S. Dollar. Our costs of sales are principally denominated in the Renminbi. Please see "Financial Information—Qualitative and quantitative disclosure of financial risk" in this document for further information.

Hedging

During the years ended 31 December 2011 and 2012, we entered into certain foreign exchange forward contracts to hedge our foreign currency risk associated with our export OEM sales. As at 31 December 2011 and 2012, such foreign exchange forward contracts carried notional principal amounts of USD2.0 million and nil, respectively. Please see "Financial Information — Selected items of combined statements of financial position — Derivative financial instruments" for further details.

Our foreign-currency hedging has been managed by our manager in the finance department under the supervision of our general manager. Our Directors consider that our exposure to foreign currency risks has been minimal during the Track Record Period and the hedging through the use of financial derivative instrument involves risks and internal resources that outweigh benefits to our Group, so that we ceased to enter into any foreign exchange forward contract since 2013. Our Directors confirmed that the entering into derivative financial instruments during the years ended 31 December 2011 and 2012 was for hedging purpose and not for speculation do not currently intend to utilize any foreign exchange forward contract.

For further details of our derivative financial instruments and the relevant accounting policy, please refer to note 3 and 25 to the Accountants' Report in Appendix I of the document.

ENVIRONMENTAL AND SAFETY MATTERS

Environmental Matters

We are subject to the PRC environmental laws and regulations, such as the Environmental Protection Law, the Law on Prevention and Control of Water Pollution of the PRC, the Law on Prevention and Control of Atmospheric Pollution, the Law on Prevention and Control of Environmental Noise Pollution of the PRC and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

According to these environmental laws and regulations, all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

During the Track Record Period, Fujian Ouwosi did not apply for re-examination on environmental impact assessment when the construction project had been materially changed. In addition, Zhangzhou Hongyuan and Fujian Ouwosi did not attend to the environmental acceptance procedures prior to the commencement of the operations of the production facilities in the Hongyuan Plant and the Ouwosi Plant. Save for the aforesaid incidents of non-compliance, our Directors are not aware of any material non-compliance of our Group under the PRC environmental laws and regulations.

For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, our expenditure in respect of applicable environmental protection requirements was approximately RMB72,000, RMB58,000, RMB111,000 and RMB54,000, respectively. Our Directors believe that the chances of encountering potential future environmental risks are minimal and therefore do not plan to undertake any additional measures to address the environmental risks.

Our production facilities currently in operations have obtained the discharge permit and the necessary approvals for the operation. It is further confirmed by our PRC legal advisers, Global Law Office, that, pursuant to the confirmations provided by relevant environmental protection authority, we were not in violation of any PRC environmental law and regulation during the Track Record Period save for the aforesaid incidents of non-compliance.

Occupational Health and Safety

During the Track Record Period, Zhangzhou Hongyuan and Fujian Ouwosi did not attend to the filing procedures for the acceptance of facilities for the prevention and control of occupational diseases and hazards before the commencement of the use of the office building and production facilities in the Hongyuan Plant and the Ouwosi Plant constructed by them as required under the Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Occupational Health of Construction Projects (建設項目職業衛生"三同時"監督管理暫行辦法). Save for the aforesaid incidents of non-compliance, our Directors are not aware of any material non-compliance of our Group under all applicable labour, occupational health and safety laws and regulations and we have strictly implemented internal safety guidelines and operating procedures. Since the commencement of our business, none of our employees has been involved in any major accident in the course of their employment and we have not been subject to disciplinary actions with respect to labour protection issues.

In order to ensure the occupational health and safety of our employees, we implement operational procedures and safety standards for our manufacturing process. We also provide our employees with occupational safety education and training to enhance their occupational health and safety awareness. We also carry out equipment maintenance on a regular basis to ensure the occupational health and safety of our employees. We will continue our efforts in ensuring the occupational health and safety of our employees and comply with relevant labour, occupational health and safety laws and regulations.

AWARDS

Our business and products are recognised in the PRC as evidenced by the following awards and certificates:

Year of grant	Awards/accreditations	Issued by
2008	"Vice Chairman Unit"	China Horologe Association
2009	"Golden Prize of Creative Promotion Products in the Etiquette and Leisure Products Design Competition"	China Gift Products Association and China Light Industrial Products Association
2011	"Fujian Famous Export Brand for Priority Cultivation and Development in 2011 and 2013"	Fujian Provincial Department of Foreign Trade & Economic Cooperation

Year of grant	Awards/accreditations	Issued by
2011	"Zhangzhou Technological and Engineering Innovative Model Unit"	Fujian Provincial Department of Science and Technology, Stated-owned Asset Supervision and Administration Commission of Fujian Provinces, Trade Union of Fujian Province, Fujian Provincial Economic and Trade Commission
2012	Membership Certificate	China Chamber of Commerce for Import & Export of Light Industrial Products and Arts-crafts
2012	*Time2U*, "Famous Trademark of Fujian Province"	Administration for Industry & Commerce of Fujian
	Time2U, "Noticeable Trademark of Zhangzhou City"	The People's Government of Zhangzhou City
2013	2012 Advanced Enterprise in Quality Management	Fujian Provincial Bureau of Quality and Technology Supervision
	"Famous Products of Fujian Province" (*Time2U* Quartz Watches)	The People's Government of Fujian Province
	Permanent Membership Certificate of the Provincial Technology Centre for Enterprises	International Council Private Label Manufacturers Association

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal proceedings

In July 2010, Zhangzhou Hongyuan provided a corporate guarantee of RMB20 million to a bank in respect of bank borrowings by an Independent Third Party. In September 2011, such Independent Third Party defaulted in repayment of such bank borrowings and the relevant interest in an aggregate amount of approximately RMB15.3 million and, as a guarantor to such bank borrowings, Zhangzhou Hongyuan settled the amount on behalf of the Independent Third Party at the request of the bank. As at 31 December 2011, the repayment made on behalf of the Independent Third Party was outstanding and reflected as other receivable in our Group's combined statements of financial position. After a series of pursuit for the outstanding amount through the civil court against the independent third party, the management considered recoverability of the outstanding amount to be remote and recognised an impairment loss of the other receivable in full in 2012.

We ceased to offer any corporate guarantee since 2012. In July 2014, we adopted measures including appointing personnels to enforce strict prohibition on the provision of corporate guarantee by our Company to any party except members of our Group. Our independent internal control

consultant is of the opinion that the internal control measures adopted by our Company would effectively reduce the risk of recurrence of similar event in future. Our Directors confirm that such corporate guarantee offered was one-off and no other corporate guarantee had been provided during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, our Directors confirm that, as at the Latest Practicable Date, we had not been involved in any actual or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse effect on our reputation, business, results of operations and financial condition.

Licences and permits

As advised by Global Law Office, our PRC legal advisers, during the Track Record Period, saved as disclosed herein, we have obtained all material requisite licences, permits and approvals for our business operations in the PRC, and we do not expect any legal impediments to renewing the relevant licences permits and approvals.

Compliance with relevant laws and requirements

Save for certain incidents of non-compliance set out below, our Directors are not aware of any material non-compliance of our Group under applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date. The Directors are of the view that these incidents of non-compliance, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

Details of the non-compliance incident	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	Rectification actions taken and status
Zhangzhou Hongyuan and Fujian Ouwosi did not attend to the filing procedures for the acceptance of facilities for the prevention and control of occupational diseases and hazards before the commencement of the use of the office building and production facilities at the Hongyuan Plant and the Ouwosi Plant constructed by them.	The relevant administrative staff of Zhangzhou Hongyuan and Fujian Ouwosi were inadvertent and did not pay sufficient attention to the relevant laws and regulations.	According to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Occupational Health of Construction Projects ("建設項目職業衛生"三同時"監督管理暫行辦法"), the production safety supervision and management department is entitled to issue warning and order rectification within a prescribed period of time. If we are unable to rectify within the prescribed time, we may be fined from RMB100,000 to RMB500,000. We may also be ordered to stop our production which may cause occupational diseases and hazards, or shut down or stop our relevant construction project if the case is serious. The Health Bureau of Xiangcheng, Zhangzhou (漳州市薌城區衛生局) issued confirmations on 8 May 2014 confirming that it would not investigate or impose any punishment on Zhangzhou Hongyuan and Fujian Ouwosi in respect of such past non-compliance.	Zhangzhou Hongyuan and Fujian Ouwosi completed the relevant procedures for the acceptance of facilities for the prevention and control of occupational diseases on 14 October 2013. Going forward, we have adopted a set of policies and procedures in this regard. Our administrative department is responsible for monitoring the requisite filing procedures in relation to our production facilities and we will engage a PRC legal adviser to render professional advice as to compliance with the applicable PRC requirements if necessary.

Details of the non-compliance incident	**Reason(s) for non-compliance**	**Legal consequences and potential maximum penalties and other financial liabilities**	**Rectification actions taken and status**
		On the basis (1) that Zhangzhou Hongyuan and Fujian Ouwosi had rectified and completed the requisite procedures; and (2) the aforesaid confirmations issued by the competent authority, i.e. the Health Bureau of Xiangcheng, Zhangzhou (漳州市薌城區衛生局), our PRC Legal Advisers have advised us that the risks that Zhangzhou Hongyuan and Fujian Ouwosi will be subject to fines or other penalties for such non-compliance are remote. Accordingly, no provision has been made by our Company in this regard.	
Fujian Ouwosi did not apply for re-examination on environmental impact assessment in time when the construction project had been materially changed; Zhangzhou Hongyuan and Fujian Ouwosi did not attend to the environmental acceptance procedures prior to the commencement of the operations of the production facilities in the Hongyuan Plant and the Ouwosi Plant.	The relevant administrative staff of Zhangzhou Hongyuan and Fujian Ouwosi were inadvertent and did not pay sufficient attention to the relevant laws and regulations.	Pursuant to the Environmental Impact Assessment Law of the PRC ("中華人民共和國環境影響評價法"), the environmental protection department is entitled to order a cessation of the construction and take steps to rectify within a prescribed period of time. If we are unable to rectify within the prescribed time, we may be fined from RMB50,000 to RMB200,000 and the responsible personnel will be imposed on administrative punishment. Pursuant to the Regulations on the Administration of Environmental Protection for Construction Projects ("建設項目環境保護管理條例"), the environmental protection department is entitled to order a cessation of operation or use of the production facilities and impose a fine of up to RMB100,000. The Environmental Protection Bureau of Xiangcheng, Zhangzhou (漳州市薌城區環保局) issued confirmations on 15 April 2014 confirming that it would not investigate or impose any punishment on Zhangzhou Hongyuan and Fujian Ouwosi in respect of such past non-compliance. On the basis (1) that Zhangzhou Hongyuan and Fujian Ouwosi had rectified and completed the requisite procedures; and (2) the aforesaid confirmations issued by the competent authority, i.e. the Environmental Protection Bureau of Xiangcheng, Zhangzhou (漳州市薌城區環保局), our PRC Legal Advisers have advised us that the risks that Zhangzhou Hongyuan and Fujian Ouwosi will be subject to fines or other penalties for such non-compliance are remote. Accordingly, no provision has been made by our Company in this regard.	Fujian Ouwosi completed the procedure on re-examination of environmental impact assessment on 8 July 2013; Zhangzhou Hongyuan and Fujian Ouwosi completed the relevant environmental acceptance procedures on 28 February 2014. Going forward, we have adopted a set of policies and procedures in this regard. Our administrative department is responsible for monitoring the requisite filing procedures in relation to our production facilities and we will engage a PRC legal adviser to render professional advice as to compliance with the applicable PRC requirements if necessary.

Details of the non-compliance incident	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	Rectification actions taken and status
Zhangzhou Hongyuan and Fujian Ouwosi had not completed the account opening formalities for the housing provident fund for all of their employees since their respective establishments up to June 2013 and had not fully paid the housing provident fund for some of their employees during the period from July 2013 to December 2013.	The human resources department was not familiar with the relevant laws and regulations and was unaware of the requirement to attend to the account opening formalities in respect of the housing provident fund for our employees. Furthermore, due to the inconsistent practices by local authorities in the PRC in respect of housing provident funds contributions, it is difficult for our employees who came from rural areas to transfer their housing provident fund to other localities, coupled with the fact that housing was provided to these employees, in which circumstances such employees have not been willing to register and contribute to the housing provident fund.	Pursuant to the Regulations on the Administration of Housing Provident Fund ("住房公積金管理條例") and the relevant laws and regulations, for any incidents of non-compliance taken place with the statutory limitation period, the department in charge of housing fund is entitled to order us to pay the underpaid housing provident fund within the prescribed time, failing which such department may apply to the court for mandatory enforcement. Our Directors confirmed that as at the Latest Practicable Date, Zhangzhou Hongyuan and Fujian Ouwosi had not been ordered to pay the relevant housing provident fund. The Housing Provident Fund Management Centre of Zhangzhou (漳州市住房公積金管理中心) issued confirmations on 25 April 2014 confirming that it would not order Zhangzhou Hongyuan and Fujian Ouwosi to pay the underpaid housing provident fund and it would not investigate or impose any punishment against the companies in respect of such past non-compliance. On the basis (1) that Zhangzhou Hongyuan and Fujian Ouwosi completed the account opening formalities for the housing provident fund of the relevant employees on 6 July 2013 and had fully paid the housing provident fund for all of that employees since January 2014; and (2) of the aforesaid confirmations issued by the competent authority, i.e. the Housing Provident Fund Management Centre of Zhangzhou (漳州市住房公積金管理中心), our PRC Legal Advisers have advised us that the risks that Zhangzhou Hongyuan and Fujian Ouwosi will be subject to penalties for such non-compliance are remote. Accordingly, no provision has been made by our Company in this regard.	Zhangzhou Hongyuan and Fujian Ouwosi completed the account opening formalities for the housing provident fund of the relevant employees on 6 July 2013 and had fully paid the housing provident fund for all of our employees since January 2014. Going forward, we have adopted a set of policies and procedures in this regard. Our human resources department is responsible for attending all account opening formalities as well as calculating and making sufficient housing provident fund contributions for our employees and we will engage a PRC legal adviser to render professional advice as to compliance with the applicable PRC requirements if necessary.

Details of the non-compliance incident	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	Rectification actions taken and status
Various capital contributions from the then shareholders of Zhangzhou Hongyuan were made contrary to the approved mode or time limit of contribution.	The then shareholders of Zhangzhou Hongyuan were not familiar with the relevant PRC laws and regulations in relation to the contribution of registered capital.	Pursuant to the Certain Provisions on Capital Contribution of the Parties to a Sino-Foreign Equity Joint Venture Enterprise ("中外合資經營企業合營各方出資的若干規定"), the approval certificate will be automatically invalid in case of any failure to inject the first instalment contribution, and Zhangzhou Hongyuan shall apply for deregistration with the relevant administrative authority for industry and commerce; otherwise, the relevant administrative authority for industry and commerce shall revoke the business licence of Zhangzhou Hongyuan and make an announcement accordingly. For any failure to inject the other instalments of contribution exceeding three months after the time limit, the relevant administrative authority for industry and commerce and the foreign investment authority shall order a rectification within one month. If the instalment of contribution has not been injected within the notified period, the foreign investment authority is entitled to revoke the approval certificate of Zhangzhou Hongyuan and Zhangzhou Hongyuan shall apply for deregistration. If Zhangzhou Hongyuan fails to apply for such deregistration, the relevant administrative authority for industry and commerce is entitled to revoke the business licence of Zhangzhou Hongyuan and make an announcement accordingly. The Foreign Trade and Economic Cooperation Bureau of Xiangcheng, Zhangzhou (漳州市薌城區對外貿易經濟合作局), issued a confirmation on 29 May 2014 confirming that it would not investigate or impose any punishment on Zhangzhou Hongyuan in respect of such past non-compliance. On the basis that (1) the registered capital of Zhangzhou Hongyuan has been fully paid up subsequently; (2) the establishment and all material historical changes of Zhangzhou Hongyuan were approved and registered at the relevant competent PRC authorities; and (3) the aforesaid confirmation issued by the Foreign Trade and Economic Cooperation Bureau of Xiangcheng, Zhangzhou (漳州市薌城區對外貿易經濟合作局), being the competent authority to issue such confirmation, our PRC Legal Advisers have advised us that the likelihood of Zhangzhou Hongyuan having its approval certificate and/or business licence revoked for such non-compliance is very low. Accordingly, no provision has been made by our Company in this regard.	The registered capital of Zhangzhou Hongyuan has been fully paid up subsequently. Going forward, we have adopted a set of policies and procedures in this regard. Our administrative department is responsible for monitoring the requisite filing procedures in relation to our production facilities and we will engage a PRC legal adviser to render professional advice as to compliance with the applicable PRC requirements if necessary.

Details of the non-compliance incident	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	Rectification actions taken and status
The directors of Jiulongjiu failed to lay its profit and loss accounts and balance sheets at its annual general meetings from 1 September 2005 to the latest meeting on 3 September 2013, contrary to section 122 of the Predecessor Companies Ordinance.	Due to unintended and inadvertent omission of Jiulongjiu's officer who was responsible for its company secretarial and corporate administrative matters, the relevant accounts and balance sheets were not laid by Mr. Lin, Ms. Yan, Mr. Yan Jia and Ms. Yan Minhui, being the then directors of Jiulongjiu, at the annual general meetings.	As advised by Mr. George T.Y. Hui, our Hong Kong legal counsel, only directors of Jiulongjiu (rather than Jiulongjiu itself) would be liable under section 122 of the Predecessor Companies Ordinance. The maximum penalties for a director of Jiulongjiu are a fine of HK$300,000 and 12 months' imprisonment. As advised by Mr. George T.Y. Hui, our Hong Kong legal counsel, by reason of section 351A of the Predecessor Companies Ordinance and/or section 916 of the Companies Ordinance, no complaint and criminal proceedings can now be brought for the default in respect of the failure to table and lay accounts at the annual general meetings from 1 September 2005 to 3 September 2010. However, with respect to the non-compliance relating to the annual general meetings from 2 September 2011 to 3 September 2013, Mr. George T.Y. Hui, our Hong Kong legal counsel has advised us that the risk of a Jiulongjiu director being prosecuted for the offence is low and even if a director of Jiulongjiu were prosecuted and convicted, he or she should not be liable to a term of imprisonment or to a fine of more than HK$10,000. Accordingly, no provision has been made by our Company in this regard.	We have appointed Mr. Tsui Wing Tak as company secretary of our Company to oversee the due compliance with the statutory requirements under the Companies Ordinance. An audit committee has been established to oversee our financial reporting and internal procedures.

INTERNAL CONTROL MEASURE TO ENSURE FUTURE COMPLIANCE

In order to ensure future compliance with applicable laws and regulations and related policies in different operations aspects, we have taken or will take the following actions to enhance our internal control measures:

(i) our Directors and senior management have attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers prior to Listing. We will continue to arrange various trainings to our management and our staff in the administrative and human resources departments to be provided by our legal adviser or appropriate accredited institutions from time to time regarding updates and compliance on the occupational safety, environmental protection, contribution to housing product funds and other relevant laws and regulations;

(ii) we have adopted a new internal operational manual, under which internal control measures, policies and procedures have been adopted and implemented upon the recommendations from our internal control consultant;

(iii) we have appointed Mr. Tsui Wing Tak as our company secretary in July 2014 who will be responsible for our company secretarial matters. Mr. Tsui has more than 20 years of

experience in corporate finance, accounting, and company secretarial matters. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements. Please see "Directors and Senior Management" of this document for more detailed biographical information of Mr. Tsui;

(iv) we have designated our company secretary to be responsible for assessing and monitoring compliance with our internal control policies, recommending additional internal control measures if required, coordinating compliance training for our employees and reporting of the above to our Directors;

(v) we will engage a PRC legal adviser to render professional advice as to compliance with the statutory PRC requirements applicable to our Group if necessary;

(vi) we have also appointed Cinda International Capital Limited as our compliance adviser to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules; and

(vii) we [have] established the audit committee which comprises three independent non-executive Directors. Mr. Nie Xing and Mr. Yu Chon Man, our independent non-executive Directors and members of the audit committee, possesses accounting experience. The audit committee [has] also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Review by Internal Control Consultant

In preparation for the Listing, we have engaged an independent internal control consultant ("**Internal Control Consultant**") to conduct an evaluation of our Group's internal control system, including the review and follow-up of the effectiveness of the enhanced internal control measures over the non-compliance incidents. The Internal Control Consultant has confirmed that we have implemented all the recommended internal control measures and the measures are adequate and effective in enhancing our internal control system and to prevent future non-compliance.

Views of our Directors and the Sole Sponsor

Based on the above, our Directors are of the view that the non-compliance incidents were inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper and detailed internal control system and implement corporate governance measures to monitor on-going compliance and prevent future non-compliance with the relevant laws and regulations. Our Directors believe that such internal control system and corporate governance measures are adequate and effective to ensure on-going compliance with the relevant laws

and regulations by our Group. Our Directors (including the independent non-executive Directors) are satisfied and the Sole Sponsor concurs that the above non-compliance incidents would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability for listing of our Company under Rule 8.04 of the Listing Rules on the following basis:

(i) the occurrence of the non-compliance incidents was solely due to past inadvertent oversight or unfamiliarity with the relevant rules and regulations and did not involve dishonesty or fraud on the part of our Directors;

(ii) our Directors responded in a timely manner to rectify the non-compliance once they were aware of such incidents;

(iii) the relevant authorities have confirmed that notwithstanding the non-compliance incidents, our Group has been complying with the relevant rules and regulations;

(iv) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are in place measures for preventing recurrence of non-compliance as disclosed above which our Directors believe are adequate and effective;

(v) since the implementation of the enhanced internal control and corporate governance measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been accused of any breach of rules and regulations other than the non-compliance incidents as disclosed above; and

(vi) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

INSURANCE

We carry insurance to protect against a range of contingencies, including, among others, loss or theft of, and damage to, property, plants and equipment, motor vehicles, inventory in our production facilities and offices. We are not required under PRC law to maintain, and we do not maintain, any product liability insurance. We believe that this is not common industry practice in the PRC to maintain such insurance.

The premiums we paid for our insurance were approximately RMB122,000, RMB121,000, RMB219,000 and RMB70,000, respectively for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 respectively.

Our Directors believe that our insurance coverage is adequate. During the Track Record Period, we had not make nor been the subject of any material insurance claim.

NO SIGNIFICANT INTERRUPTION

There have been no interruptions in our business that may have or have had a significant effect on our financial position in the twelve months preceding the date of this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (assuming that the [REDACTED] is HK$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range, and the Over-allotment Option is not exercised), Visual Wise, which is owned by Mr. Lin as to 62% and Ms. Yan as to 38%, will hold [REDACTED]% of the issued share capital of our Company.

As Visual Wise, Mr. Lin and Ms. Yan are directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of them will be regarded as our Controlling Shareholder under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, none of the Controlling Shareholders was engaged, or interested, in any business which, directly or indirectly, competed or might compete with our business which was discloseable under Rule 8.10 of the Listing Rules.

Our Board is satisfied that we can operate independently from our Controlling Shareholders and their close associates after the Listing, taking into consideration the factors set out below.

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Our executive Directors, namely Mr. Lin and Ms. Yan, are also our Controlling Shareholders as well as the directors of Visual Wise, another Controlling Shareholder. Despite the aforesaid, our Directors do not foresee any issue which may affect our management independence for the following reasons.

First, Visual Wise has no business other than holding the shareholding interest in our Company, thus Mr. Lin's and Ms. Yan's directorships in Visual Wise will not affect the management independence.

In addition, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. Three of our Board members are independent non-executive Directors who have extensive experience in different professions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. The fact that two of our executive Directors are Controlling Shareholders will not affect the independence of the Board as a whole.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests. If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Directors shall declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles and the applicable laws of the Cayman Islands. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles.

In addition, our Group has a senior management team which is capable of carrying out the business decision of our Group independently. None of our senior management team has any managerial role or beneficial interest in Visual Wise or has any family relationship with our Controlling Shareholders or any of their respective close associates.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (see the paragraph headed "Deed of Non-Competition" below), our Directors are satisfied that they are able to manage our business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

Our Directors consider that our Group can operate independently from our Controlling Shareholders and their close associates. While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors and Senior Management" in this document), without unduly requiring the support of our Controlling Shareholders and their close associates.

Further, our Group holds all the patents, trademarks, designs, domain names and other intellectual property rights with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We also have access to our customers and suppliers who are third parties independent from and not connected with our Controlling Shareholders and their respective close associates. We have our own sales and marketing teams which are led by our senior management, and have our own marketing, distribution and customer relationship operations which are operated independently from our Controlling Shareholders and their respective close associates.

Our Group leased from Hongbang Electronics (a company owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36%) certain premises as its warehouses as more particularly disclosed in the section headed "Connected Transactions" in this document. Given that (a) we had completed the relocation of all our production facilities from the premises to the self-owned portion of our factory complex, and the leased premises has since been used as warehouses only; (b) our Group has the right to effect an early termination of the lease and to renew the lease at our option upon expiry of the term of the lease; and (c) there are similar premises available in the vicinity, our Directors do not consider that our Group place undue reliance on the Controlling Shareholders in this regard.

Save as the aforesaid, our Directors do not foresee there will be any business dealing between our Group and the Controlling Shareholders and their close associates upon the Listing. Our Group will fully comply with Chapter 14A of the Listing Rules if any connected transactions arise in the future.

Financial viability and independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, accounting and finance department and treasury function for cash receipts and payments.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the amount of total borrowings of our Group that were secured by the assets of or guaranteed by Mr. Lin, Ms. Yan and/or their associates (details of which are set out in note 27 to the Accountants' Report set out in Appendix I to this document) was approximately RMB106.6 million, RMB153.9 million, RMB121.3 million and RMB87.7 million respectively. These borrowings will either be repaid prior to the Listing, or if they are to subsist after the Listing, the relevant banks and/or guarantee agency have given in-principle consents to release the above personal guarantees, to be replaced by a corporate guarantee or replacement security given by one or more members of our Group upon the Listing.

Moreover, we make financial decisions according to our own business requirements and in this connection, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the Listing and thus there is no financial dependence on them.

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders have entered into with and in favour of our Company (for ourselves and as trustee for our subsidiaries) the Deed of Non-Competition. Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for ourselves and for the benefits of our subsidiaries), on a joint and several

basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the business of designing, producing, assembling and brand promotion of watches) in the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as the Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) if there is any project or new business opportunity that relates to the Restricted Activity, (i) promptly refer such project or new business opportunity to our Group for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, and (ii) use its/his/her best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his close associates;

(e) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(f) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-Competition do not apply to:

(a) the holding of, or interests in, the shares of any members of our Group;

(b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his/her close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of the Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for ourselves and for the benefit of our subsidiaries):

(a) to allow the Directors, their respective representatives and our auditors to have sufficient access to the records of each of the Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-Competition;

(b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition by the Controlling Shareholders;

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-Competition and a consent to disclose such letter in our annual report.

The Deed of Non-Competition will become effective upon the [REDACTED] becoming unconditional. The obligations of the Controlling Shareholders under the Deed of Non-Competition will remain in effect during the period (the "**Relevant Period**") from the Listing Date until the earlier of the date on which:

(a) the Controlling Shareholders, together with their close associates, whether individually or taken together, ceases to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or

(b) the Shares cease to be listed and traded on the Stock Exchange.

We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of "control".

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;

(ii) an annual declaration as to full compliance with the terms of the Deed of Non-Competition will be made by the Controlling Shareholders, and will be disclosed in our annual reports;

(iii) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested; and

(v) pursuant to the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual report.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Leasing of premises from Hongbang Electronics

Pursuant to a tenancy agreement (the "**Tenancy Agreement**") dated 22 July 2014 and entered into between Hongbang Electronics as lessor and Zhangzhou Hongyuan as lessee, Hongbang Electronics agreed to lease to Zhangzhou Hongyuan warehouses situated at Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC (the "**Premises**") with a gross floor area of 5,992.08 sq.m., for a term commencing on 1 July 2014 and terminating on 30 June 2017 at a quarterly rent of RMB107,857.4 (equivalent to a monthly rent of RMB35,952) (exclusive of management fee and other outgoings), which is determined based on the prevailing market rent assessed by Asset Appraisal Limited as stated below. During the Track Record Period, our Group leased from Hongbang Electronics certain premises as part of our production sites and warehouses at Jinfeng Industrial Zone, of which the Premises form part. In July 2014, we completed the relocation of all our production facilities from the leased premises to the self-owned portion of our factory complex, and the Premises has since been used as warehouses only. We will continue to use the Premises as warehouses.

Zhangzhou Hongyuan has also been granted the right to effect an early termination of the Tenancy Agreement and to renew these lease at our option upon expiry of the term of the Tenancy Agreement.

Asset Appraisal Limited, an independent valuer, after considering the prevailing market rental of similar properties at the vicinity, is of the opinion that the current monthly market rent of the Premises is RMB35,952 (exclusive of government tax, management fees and other outgoings).

Please refer to property numbered 4 in the Property Valuation set out in Appendix III to this document for further details of the Premises.

The annual value of rent paid to Hongbang Electronics for the three years ended 31 December 2011, 2012, 2013 was approximately RMB90,000, RMB90,000 and RMB766,000, respectively. It is anticipated that the aggregate annual value of rent payable to Hongbang Electronics for each of the three years ending 31 December 2014, 2015 and 2016 will be approximately RMB599,000, RMB431,000 and RMB431,000.

Hongbang Electronics is a limited liability company established in the PRC and is owned by Mr. Lin as to 69.64% and by Ms. Yan as to 30.36%. As both Mr. Lin and Ms. Yan are executive Directors and substantial shareholders of our Company, Hongbang Electronics is a connected person of our Company for the purpose of Chapter 14A of the Listing Rules. Thus, the leasing of premises from Hongbang Electronics will constitute continuing connected transaction for our Company upon Listing. However, it will be fully exempt from the annual reporting, annual review, announcement, circular and shareholders' approval requirements stipulated under the Listing Rules because the continuing connected transaction is conducted on normal commercial terms and all the percentage ratios (other than the profits ratio) (as defined in the Listing Rules) are less than 0.1%.

Our Directors, including the independent non-executive Directors, are of the view that the leasing of the Premises forms part of our ordinary and usual course of business, and consider that the Tenancy Agreement is on normal commercial terms which is fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Board of Directors

Our Board is consisted of six Directors, including three executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information in respect of the members of our Board.

Name	Age	Time of joining our Group	Current Position/title	Major duties and responsibilities	Date of appointment for the current term
Lin Zhiqiang (林志強) (Spouse of Yan Xiaotong)	46	December 1994	Chairman and Executive Director	Responsible for the overall strategic planning and business development of our Group	December 2012 (redesignated as executive Director in July 2014)
Yan Xiaotong (嚴曉彤) (Spouse of Lin Zhiqiang)	46	December 1994	Chief Executive Officer and Executive Director	Responsible for the overall strategic planning, business development and administrative management of our Group	July 2014
Dang Shuguo (黨書國)	41	August 2011	Executive Director	Responsible for the brand promotion and e-commerce of our Group	July 2014
Chang Wei (常偉)	37	[●] 2014	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	[●] 2014
Nie Xing (聶星)	50	[●] 2014	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	[●] 2014
Yu Chon Man (余俊敏)	36	[●] 2014	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	[●] 2014

Senior Management

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Age	Time of joining our Group	Current Position/title	Major duties and responsibilities	Date of appointment for the current position
Tsui Wing Tak (徐永得)	45	July 2014	Chief Financial Officer and Company Secretary	Responsible for the financial reporting and investors' relationship matters of our Group	July 2014
Hu Mingquan (胡明全)	35	August 2002	Deputy General Manager	Responsible for the sales and marketing of our Group	January 2013
Wu Xiaoxiang (吳曉湘)	33	March 2003	Deputy General Manager	Responsible for the watch design of our Group	March 2013
Li Yaxiang (李亞祥)	39	July 2012	Deputy General Manager	Responsible for the manufacturing operation of our Group	December 2012
Zheng Yuetong (鄭月通)	33	May 2012	Finance Manager	Responsible for managing the financial affairs of our Group	July 2012

EXECUTIVE DIRECTORS

Mr. Lin Zhiqiang (林志強先生), aged 46, is an executive Director and the chairman of our Company. He is responsible for the overall strategic planning and business development of our Group. He was appointed as the chairman of our Board and an executive Director with effect from July 2014. Mr. Lin is the spouse of Ms. Yan Xiaotong, the chief executive officer of our Company and an executive Director. In addition, he is a director and a 62% shareholder of Visual Wise. Mr. Lin also serves as a director of Speedy Glory, Jiulongjiu, Time2U (HK), Zhangzhou Hongyuan and Fujian Ouwosi.

Mr. Lin is one of the founders of our Group. He co-founded Zhangzhou Hongyuan with Ms. Yan Xiaotong through Qiaoxing Factory in December 1994. Accordingly, he has accumulated approximately 20 years of experience in the watch industry. Prior to that, he worked in Zhangzhou Construction Co., Ltd (漳州市建築工程公司), a construction company in the PRC, from 1989 to 1997. Mr. Lin was awarded with the Youth Medal of Fujian Province (福建青年五四獎章) in May 2007 and named as the National Model Worker of Light Industry (全國輕工行業勞動模範) in December 2007. Mr. Lin holds several social titles including the vice chairman of the tenth council of Fujian Youth Entrepreneur's Association (福建省青年企業家協會), the honorary chairman of the ninth council of Zhangzhou Youth Entrepreneur's Association (漳州市青年企業家協會), the executive director of the

sixth chamber of the Youth Council of Fujian Province (福建省青年商會), the vice chairman of the first council of the Enterprises and Entrepreneurs Association of Xiangcheng District, Zhangzhou City (漳州市薌城區企業與企業家聯合會), a member of the 12th Chinese People's Political Consultative Conference in Zhangzhou City of Fujian Province and a member of the Subcommittee on Wristwatch of National Technical Committee on Watch Standardization Administration (SAC/TC160/SC2) (全國鐘錶標準化技術委員會手錶分技術委員會(SAC/TC160/SC2)). Mr. Lin graduated from Zhangzhou Technology Secondary Vocational School (漳州市職業技術中專) in art in July 1985 and he completed a postgraduate course in the Economic and Law Department of Fujian Normal University (福建師範大學) with a diploma in economic and political science in December 1998. In December 2007, Mr. Lin completed the Senior Research Study on Watch Design (鐘錶外觀設計高級研修班) held by the China Horologe Association (中國鐘錶協會).

During the three years immediately preceding the date of this document, Mr. Lin has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Yan Xiaotong (嚴曉彤女士), aged 46, is an executive Director and the chief executive officer of our Company. She is primarily responsible for the overall strategic planning, business development and administrative management of our Group. She was appointed as the chief executive officer of our Company and an executive Director with effect from July 2014. Ms. Yan is the spouse of Mr. Lin Zhiqiang, the chairman of our Company and an executive Director. In addition, she is a director and a 38% shareholder of Visual Wise. Ms. Yan also serves as a director of Jiulongjiu and Fujian Ouwosi.

Ms. Yan is one of the founders of our Group. She co-founded Zhangzhou Hongyuan with Mr. Lin Zhiqiang through Qiaoxing Factory in December 1994. Accordingly, Ms. Yan has accumulated approximately 20 years of experience in the watch industry. Prior to that, she served as the deputy plant manager overseeing the plant operation of Zhangzhou Huachang Electronic Co., Ltd (漳州市華昌電子有限公司), an electronics manufacturer in the PRC, from 1986 to 1994. Ms. Yan graduated from Zhangzhou Secondary Vocational School of Fujian Province (福建省漳州市職業中學) in art in July 1985.

During the three years immediately preceding the date of this document, Ms. Yan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Dang Shuguo (黨書國先生), aged 41, is an executive Director. He is primarily responsible for the brand promotion and e-commerce of our Group. He was appointed as an executive Director with effect from July 2014.

Mr. Dang has over 15 years of experience in the brand promotion industry. He joined our Group in August 2011 as a deputy manager responsible for our brand promotion in the PRC. Prior to joining our Group, Mr. Dang served as the deputy general manager of the department of business affairs in 263 Internet Communication Co., Ltd. (二六三網路通信股份有限公司), a communication service provider in the PRC, from 1998 to 2001. From 2002 to 2006, he was the director of the website department in Beijing Boda New Continent Advertising Co. Ltd. (北京博達新大陸廣告有限公司), an

advertising company in the PRC. From 2006 to 2008, he worked as the country manager of Beijing Fenghuachuangxiang Internet Co., Ltd. (北京風華創想網絡有限公司), a communication service provider in the PRC. Mr. Dang then worked as the deputy general manager and the director of website department of such company from 2008 to 2010. Mr. Dang subsequently worked as the vice president of IZP (China) Internet Technologies Co., Ltd. (億贊普(中國)網絡技術有限公司), a communication service provider in the PRC, from 2011 to 2012. Mr. Dang received a bachelor's degree in sociology and management from Peking University in July 1996.

During the three years immediately preceding the date of this document, Mr. Dang has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Wei (常偉先生), aged 37, is an independent non-executive Director, who was appointed on [●] 2014, and responsible for overseeing the management of our Group independently. Mr. Chang has around eight years of experience in the publication industry. Since July 2006, Mr. Chang has been the legal representative of Zhongxingshi (Beijing) International Advertising Co., Ltd. (中興時（北京）國際廣告有限公司). Since 2010, Mr. Chang has been the chief editor of the "Perfect Time" (時計), a magazine operated by Beijing Decheng Advertising Co., Ltd. (北京德誠沃森廣告有限公司) in the PRC. He has been a member of the Committee of Collection and Research of China Horologe Association (中國鐘錶協會收藏研究委員會) and the Beijing Association of Collectors (北京收藏家協會) since 2013 and 2005, respectively. He is also the author of "Thirty Lectures on Horologe Collections" (《鐘錶收藏知識30講》), "China and Horologe" (《中國與鐘錶》) and "Appreciation of Well-known Watches" (《名錶名鑑》), which were first published in 2005 and subsequently published in 2009 and 2013.

Mr. Chang completed the course of marketing and obtained the diploma from Shanxi Industrial and Commercial Training Institute (山西工商專修學院) in July 2000.

Mr. Nie Xing (聶星先生), aged 50, is an independent non-executive Director, who was appointed on [●] 2014, and responsible for overseeing the management of our Group independently. Mr. Nie has over 10 years of management experience. Mr. Nie became the deputy chief operating officer of China Green (Holdings) Limited (中國綠色食品(控股)有限公司) (Stock Code: 904), a company listed on the Stock Exchange specialised in green food business, in June 2001 and was subsequently appointed as an executive director in November 2008. Mr. Nie resigned from the office of executive director in November 2013 but remains the deputy chief operating officer of such company. He was an executive director of such company from 2008 to 2013. From 2003 to 2008, Mr. Nie was an independent director of Guomai Technologies Inc. (國脈科技股份有限公司), a telecom outsourcing service provider listed on the Shenzhen Stock Exchange. Since 2008, Mr. Nie has been an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of China Lilang Limited (中國利郎有限公司) (Stock Code: 01234), a men's clothing company listed on the Stock Exchange.

Mr. Nie received a bachelor's degree in economics from the Jiangxi College of Finance and Economics (江西財經學院) (subsequently renamed as Jiangxi University of Finance and Economics (江西財經大學)) in July 1986 and received a master's degree in business administration from the Open University of Hong Kong through distance learning in December 2000.

Mr. Yu Chon Man (余俊敏先生), aged 36, is an independent non-executive Director, who was appointed on [●] 2014, and responsible for overseeing the management of our Group independently. Mr. Yu has over 10 years of experience in the accounting and finance industry. Mr. Yu worked as an accountant from 2001 to 2006 and a manager from 2006 to 2008 in Deloitte Touche Tohmatsu. He has been the financial controller, qualified accountant and company secretary of China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司) (Stock Code: 750), a company listed on the Stock Exchange specialised in the manufacture and sale of solar power products, since June 2008 responsible for its financial reporting and general investor affairs. He has been an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Rising Power Group Holdings Limited (昇力集團控股有限公司) (Stock Code: 8047), a company listed on the Stock Exchange specialised in energy management and energy conservation, from June 2014 to July 2014.

Mr. Yu received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively.

DIRECTORS' INTERESTS

Save as disclosed in this document, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholder as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Unless otherwise stated below, none of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tsui Wing Tak (徐永得先生), aged 45, is the chief financial officer of our Group and the company secretary of our Company. He is responsible for the financial reporting and investors' relationship matters of our Group. He was appointed as the financial controller of our Group and the company secretary of our Company with effect from July 2014.

Mr. Tsui has over 20 years of experience in corporate finance and accounting. The following table sets out the previous working experience of Mr. Tsui.

Year	Name of Company	Position	Company's business activities
1992 to 1994	S.W. Wu & Co. CPA Limited	Audit Senior	Certified Public Accountants
1994 to 1997	Deloitte Touche Tohmatsu	Senior Accountant	Certified Public Accountants
1997 to 2000	Diamondlite Limited	Financial Controller	Trading, Manufacturing, Retail of Jewelry
2000 to 2002	Sino Resources Group Limited (Stock Code: 223) (formerly known as Kenfair International (Holdings) Limited)	Financial Controller and Company Secretary	Organising Trade Fairs
2002 to 2003	TIS Securities (HK) Limited	Senior Manager	Corporate Finance
2003 to 2004	Joy Silver Limited (formerly known as Baron Capital Limited)	Financial Controller and Associate Director of Corporate Finance House	Corporate Finance
2004 to 2006	China Vanguard Group Limited (Stock Code: 8156) (formerly known as B&B Group Holdings Limited)	Independent Non-Executive Director	Lottery Solutions in China

Year	Name of Company	Position	Company's business activities
	Celebrate International Holdings Limited (Stock Code: 8212) (formerly known as Aptus Holdings Limited)	Independent Non-Executive Director	Food and Beverage Trading
January 2005 to October 2005	Changsheng (Holdings) Company Limited	Financial Controller	Property Development
2006 to 2007	China Vanguard Group Limited (Stock Code: 8156) (formerly known as B&B Group Holdings Limited)	Company Secretary	Lottery Solutions in China
	Celebrate International Holdings Limited (Stock Code: 8212) (formerly known as Aptus Holdings Limited)	Company Secretary and Qualified Accountant	Food and Beverage Trading
2007 to 2008	North China Shipping Holding Company Limited	Financial Controller	Shipping and Investment Holding
2008 to 2010	China Investment and Finance Limited (Stock Code: 1226) (formerly known as Garron International Limited)	Financial Controller and Company Secretary	Investment Company
2010 to 2011	Eagle Legend Asia Limited (Stock Code: 936) (formerly known as Manta Holdings Company Limited)	Chief Financial Officer and Company Secretary	Construction Equipment
2011 to 2012	Goldenmars Technology (H.K.) Limited	Chief Financial Officer	Electronics
January 2014 to May 2014	China National Culture Group Limited (Stock Code: 745)	Executive Director, Company Secretary and Authorized Representative	Media

Mr. Tsui received a bachelor's degree in economics from Macquarie University, Australia in September 1992. He has been a Fellow of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia since July 2010 and November 1995, respectively.

Mr. Hu Mingquan (胡明全先生), aged 35, is the deputy general manager of Zhangzhou Hongyuan. He is responsible for the sales and marketing of our Group. He was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from January 2013.

Mr. Hu joined our Group in August 2002 as a sale staff. Accordingly, he has over 10 years of experience in sales and marketing in the watch industry. Prior to joining our Group, Mr. Hu worked as the quality control manager in Taishan Food Zhangzhou Co., Ltd. (泰山食品漳州有限公司), a food company in the PRC, from 2000 to 2002. Mr. Hu received a bachelor's degree in business management from Beijing Technology and Commerce University (北京工商大學) in June 2000.

Ms. Wu Xiaoxiang (吳曉湘女士), aged 33, is the deputy general manager of Zhangzhou Hongyuan. She is responsible for the watch design of our Group. She was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from March 2013.

Ms. Wu joined our Group in March 2003 as a watch designer. Accordingly, she has over 10 years of experience in the watch industry. Prior to joining our Group, Ms. Wu worked as a product designer in the design department of Zhangzhou Hongyi Printing Plant (漳州宏藝印花廠), a printing house in the PRC, from 1999 to 2001 and a product designer in the design department of Zhangzhou Jima Color Printing Co., Ltd. (漳州吉馬彩印有限公司), a printing house in the PRC, from 2001 to 2002. She then worked as a designer in the design department of Zhangzhou Shenguang Cosmetic Co., Ltd. (漳州神廣化妝品有限公司), a cosmetics manufacturer in the PRC, from 2002 to 2003. Ms. Wu graduated from Zhangzhou No.1 Secondary Vocational School of Fujian Province (福建省漳州第一中專職業學校) in decorating and design in July 1999.

Mr. Li Yaxiang (李亞祥先生), aged 39, is the deputy general manager of Zhangzhou Hongyuan. He is responsible for the manufacturing operation of our Group. He was appointed as the deputy general manager of Zhangzhou Hongyuan with effect from December 2012.

Mr. Li re-joined our Group in July 2012 as a manager in the dial plant of our Group. Mr. Li has over 15 years of experience in the watch manufacturing industry. Prior to joining our Group, Mr. Li worked as a technician in the dial plant of Xiamen Honglian Watch Co., Ltd. (廈門鴻聯錶業有限公司), a watch manufacturer in the PRC, from 1992 to 1995. He worked as a mould coordinator in Xiamen Taikun Watch Co., Ltd (廈門太坤鐘錶有限公司), a watch manufacturer in the PRC, from 1995 to 2002. Mr. Li then worked as a manager in the dial plant of our Group from 2003 to 2008. Afterwards, Mr. Li worked as a manager in the manufacturing department of Zhangzhou Jitai Electronics Co., Ltd. (漳州市集泰電子有限公司) from 2008 to 2012. Mr. Li graduated with a diploma in mould from Jimei School of Light Industry (集美輕工學院) in August 1991.

Mr. Zheng Yuetong (鄭月通先生), aged 33, is financial manager of Zhangzhou Hongyuan. He is responsible for managing the financial affairs of our Group. He was appointed as the finance manager of Zhangzhou Hongyuan with effect from July 2012.

Mr. Zheng joined our Group in May 2012. Mr. Zheng has over 10 years of experience in the finance and accounting industry. Prior to joining our Group, Mr. Zheng worked as an accounting staff in Fujian Sanan Group Co., Ltd. (福建三安集團有限公司), a company specialised in ferroalloy manufacturing in the PRC, from 2004 to 2009. He then worked as a manager in the finance department of Xiamen Nanhui Artwork Co., Ltd (廈門南輝藝品有限公司), a company specialised in crafts manufacturing in the PRC, from 2009 to 2010. Mr. Zheng worked as a manager in the finance department of Damin International Holdings Limited (大閩國際控股有限公司), a company specialised in processing of plants in the PRC, from 2010 to 2012. Mr. Zheng received a bachelor's degree in economics from Jimei University (集美大學) in July 2004.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established the Audit Committee with written terms of reference pursuant to Rule 3.22 of the Listing Rules and paragraph C3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee is consisted of three members, including Mr. Yu Chon Man, Mr. Chang Wei and Mr. Nie Xing. Mr. Nie Xing currently serves as the chairman of the Audit Committee.

The duties of our Audit Committee include, without limitation, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements, our annual report and accounts and our interim report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Nomination Committee

We have established the Nomination Committee with written terms of reference pursuant to paragraph A5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Nomination Committee is consisted of three members, including Mr. Nie Xing, Ms. Yan and Mr. Chang Wei. Mr. Nie Xing currently serves as the chairman of the Nomination Committee.

The duties of our Nomination Committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting

or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors, in particular the chairman and the chief executive officer.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference pursuant to Rule 3.26 of the Listing Rules and paragraph B1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee is consisted of three members, including Mr. Nie Xing, Mr. Lin and Mr. Chang Wei. Mr. Nie Xing currently serves as the chairman of the Remuneration Committee.

The duties of our Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to our Board of the remuneration of our non-executive Directors; and (c) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For the years ended 31 December 2011, 2012 and 2013, and the four months ended 30 April 2014, the aggregate amount of salaries, allowances and other benefits, contributions to retirement schemes and discretionary bonuses paid by us to our Directors were approximately HK$0.5 million, HK$0.7 million, HK$0.6 million and HK$0.2 million, respectively.

The aggregate amount of salaries, allowances and other benefits, contributions to retirement schemes and discretionary bonuses paid by us to the five highest paid individuals of our Group (including Directors) for the years ended 31 December 2011, 2012 and 2013, and the four months ended 30 April 2014 were approximately HK$0.9 million, HK$0.9 million, HK$1.7 million and HK$0.6 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as inducement to join or upon joining our Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors waived any emolument.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors payable in respect of the financial year ending 31 December 2014 to be approximately HK$0.6 million.

Except as disclosed above, no other payments were paid, or were payable, by us to our Directors, or the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please see "Statutory and General Information — 15. Share Option Scheme" in Appendix V to this document.

COMPLIANCE ADVISER

We have appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser shall advise us on the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;

(iii) where we propose to use the proceeds from the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information of this document; and

(iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or other issues set out in Rule 13.10 of the Listing Rules.

Cinda International Capital Limited shall inform our Company regarding any amendments or additions to the Listing Rules announced by the Stock Exchange as soon as possible. Cinda International Capital Limited shall also inform our Company regarding any amendments or additions to applicable laws, regulations or codes.

The term of the appointment of Cinda International Capital Limited shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The following is a description of our Company's authorised and issued share capital immediately before and after completion of the [REDACTED] and the Capitalisation Issue:

		HK$
Authorised share capital:		
1,500,000,000	Shares	15,000,000.00
Issued share capital:		
96,370	Shares in issue as at the date of this document	963.70
Shares to be issued:		
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
Total issued Shares on completion of the [REDACTED]		
[REDACTED]	Shares *(Note)*	[REDACTED]

Note: If the Over-allotment Option is exercised in full, [REDACTED] additional Shares will be issued resulting in an aggregate of [REDACTED] Shares to be in issue.

ASSUMPTION

The above table assumes that the [REDACTED] becomes unconditional and does not take into account any Shares which may be allotted and issued or repurchased pursuant to the general mandates given to the Directors described in the paragraphs headed "General mandate to issue Shares" and "General mandate to repurchase Shares" in this section.

RANKING

The [REDACTED], including the additional Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this document and, in particular, will qualify for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and

(ii) the aggregate nominal amount of the share capital of our Company repurchased by us (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "3. Resolutions in writing of all Shareholders passed on [●] 2014" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "7. Repurchase by our Company of our own securities" in Appendix V to this document.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws in the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "3. Resolutions in writing of all Shareholders passed on [●] 2014" in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED]and the Capitalisation Issue, the following persons will have interests or short positions in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(a) ***Interest in the Shares***

Name	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding**
Visual Wise	Beneficial owner	[REDACTED] (L)	[REDACTED] *(Note 3)*
Mr. Lin	Interest in controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED] *(Note 3)*
Ms. Yan	Interest in controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED] *(Note 3)*

Notes:

1. The letter "L" denotes a person's long position in such Shares.

2. These Shares are held by Visual Wise, which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%. By virtue of the SFO, Mr. Lin and Ms. Yan are deemed to be interested in the Shares held by Visual Wise.

3. Assuming the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range.

(b) ***Interest in the share capital of other members of our Group***

Name	**Relevant company**	**Capacity**	**Approximate percentage of shareholding**
Zhanglong Hongqiao	Fujian Ouwosi	Beneficial owner	20%

You should read this section in conjunction with our audited combined financial statements as at and for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, which are set out in the Accountants' Report set out as Appendix I to this document. You should read the whole of the Accountant's Report included as Appendix I to this document and not rely merely on the information in this section. The combined financial statements have been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk Factors" in this document for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

OVERVIEW

We are a leading domestic watch brand-owner of economic quartz analogue watches and a leading OEM manufacturer of quartz analogue watches in the PRC. For our OEM watches, we sell directly to our OEM customers, which are located both in the PRC and in Europe, Americas and Asia (excluding the PRC). On the other hand, domestic sales of our branded watches are made on a wholesale basis to our distributors, who then resell our branded watches to (i) consumers at various points of sale and on-line stores which they operate; or (ii) to their wholesale customers, who then resell our branded watches to consumers through their respective retail channels. As of 30 April 2014, we had engaged 28 distributors across 24 provinces, autonomous regions and centrally-administered municipalities in the PRC. Since 2013, we also exported our branded watches on a wholesale basis to overseas customers.

We experienced rapid growth in revenue and profit for the year during the Track Record Period. Our revenue increased from RMB330.2 million for the year ended 31 December 2011 to RMB460.8 million for the year ended 31 December 2012, and further increased to RMB580.4 million for the year ended 31 December 2013. Our profit for the year increased from RMB41.7 million for the year ended 31 December 2011 to RMB51.7 million for the year ended 31 December 2012 and further increased to RMB84.7 million for the year ended 31 December 2013. Our revenue and profit for the four months ended 30 April 2014 were RMB215.3 million and RMB37.0 million, respectively.

BASIS OF PRESENTATION

Pursuant to our Reorganisation as more fully described in the section headed "History, Reorganisation and Corporate Structure" in this document and in "Statutory and General Information" included as Appendix V to this document, our Company became the holding company of the subsidiaries now comprising our Group on 30 July 2014.

Our combined financial statements as at and for the years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014 included in Appendix I have been prepared on the historical cost convention, and have incorporated the financial statement items of combining entities or business in which they common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of our Controlling Shareholders.

On 29 July 2013, additional shares of our former subsidiary, Temps de Mode, were issued to New Prestige and Speedy Glory and our beneficial interest in Temps de Mode was diluted from 70% to 30%. Temps de Mode then became an associate of our Group and its financial condition and results ceased to be combined in our Group's financial statements and began to be accounted for using equity method of accounting. For details of the issues allotted and issued to Speedy Glory and New Prestige, please see "History, Reorganisation and Corporate Structure — Our associated company".

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, financial position and results of operations have been and will be significantly affected by a number of factors, many of which may not be within our control. The principal factors affecting our results of operations and financial condition are set out below.

Sales mix, product mix and pricing

We have a sales mix mainly comprising OEM and branded watches, and a product mix within our branded watches comprising our *Time2U*, *Jonquet* and *Color* branded watches. Each component in our sales mix and product mix has a different contribution to our revenue and gross profit margin. Our sales mix and product mix changes over time and the magnitude of such changes may impact our revenue and profitability. We have adjusted and will continue to adjust our sales mix and product mix in an effort to increase our profitability.

Our ability to continue to price our watches at levels that reflect brand equity and in response to changes in production costs is crucial to our financial performance. We price our watches according to factors such as prevailing market conditions, costs of raw materials and production as well as our competitors' pricing. Based on the above factors, any adjustment to prices of our watches will directly impact our revenue, profitability and results of operations.

Demand for our OEM watches

Demand for our OEM watch is affected by a variety of factors including, but not limited to, the global economic conditions and the economic conditions in PRC. Any adverse change in global or PRC economic conditions may reduce demand for our OEM watches. During the Track Record Period, the economic downturn in Europe had an impact on overseas demand of our OEM watches. For the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, revenue

derived from the export sales of our OEM watches amounted to RMB133.9 million, RMB120.8 million, RMB70.9 million and RMB25.5 million, respectively. We believe that the change in global economic conditions will continue to have an impact on the overseas demand of our OEM watches, which in turn affecting our revenue from and future growth of sales of OEM watches.

Ability to maintain and expand our sales and distribution network

Sales performance of our branded watches depends our ability to maintain and expand our sales and distribution network through our distributors, in particular, our ability in identifying and engaging distributor with larger sales network and more diversed sales channel. As at 31 December 2011, 2012, 2013 and 30 April 2014, we had 26, 29, 30 and 28 distributors, respectively. For further details of our sales and distribution network of our branded watches, please see "Business—Sales, marketing and distribution—Sales and distribution of our branded watches" in this document. For the years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014, our revenue from sales of branded watches were approximately RMB75.1 million, RMB155.9 million, RMB267.2 million and RMB102.9 million, respectively, representing an increasing portion of approximately 22.7%, 33.8%, 46.0% and 47.8% of our total revenue, respectively. We intend to increase our penetration in existing markets and expand our distribution network to new markets through engaging distributors with more extensive distribution network in order to achieve sales and profit growth. If we are unsuccessful in managing the expansion of distribution network of our branded watches, our future growth and profitability may be adversely affected.

Cost of direct materials and direct labour cost

Cost of direct materials and direct labour cost are the major components of our cost of sales. For the years ended 31 December 2011, 2012, 2013 and for the four months ended 30 April 2014, cost of direct materials accounted for 71.2%, 70.2%, 69.8% and 69.7% of our cost of sales, respectively, and direct labour cost accounted for 10.8%, 9.9%, 10.8% and 11.6% of our cost of sales, respectively. Any unfavourable fluctuation in the market price of our direct materials or direct labour costs may have a material adverse impact on our cost of sales. If we are unable to pass on the increased costs to our customers, our business, results of operations, financial condition and profitability may also be materially and adversely affected.

The below tables illustrate the sensitivity on our profit resulting respectively from hypothetical fluctuations in cost of direct materials and direct labour costs for the periods indicated:

Hypothetical fluctuations[1]	**+35.3%**	**+24.5%**	**+23.1%**	**-23.1%**	**-24.5%**	**-35.3%**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change in cost of direct materials						
For the year ended 31 December 2011	34,027	23,616	22,267	(22,267)	(23,616)	(34,027)
For the year ended 31 December 2012	44,965	31,208	29,424	(29,424)	(31,208)	(44,964)
For the year ended 31 December 2013	49,654	34,462	32,493	(32,493)	(34,462)	(49,653)
For the four months ended 30 April 2014	15,332	10,641	10,033	(10,033)	(10,641)	(15,332)
Change in profit for the year/period[3]						
For the year ended 31 December 2011	(25,384)	(17,618)	(16,611)	16,611	17,618	25,384
For the year ended 31 December 2012	(31,206)	(21,658)	(20,420)	20,420	21,658	31,205
For the year ended 31 December 2013	(36,396)	(25,261)	(23,817)	23,817	25,261	36,396
For the four months ended 30 April 2014	(11,361)	(7,885)	(7,435)	7.435	7,885	11,361

Hypothetical fluctuations[2]	**+50.4%**	**+36.0%**	**+26.6%**	**-26.6%**	**-36.0%**	**-50.4%**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change in direct labour costs						
For the year ended 31 December 2011	12,377	8,841	6,532	(6,532)	(8,841)	(12,377)
For the year ended 31 December 2012	15,665	11,190	8,268	(8,268)	(11,190)	(15,665)
For the year ended 31 December 2013	21,302	15,215	11,242	(11,242)	(15,215)	(21,302)
For the four months ended 30 April 2014	8,346	5,962	4,405	(4,405)	(5,962)	(8,346)
Change in profit for the year/period[3]						
For the year ended 31 December 2011	(9,233)	(6,595)	(4,873)	6,532	6,595	9,233
For the year ended 31 December 2012	(10,872)	(7,766)	(5,738)	5,738	7,766	10,872
For the year ended 31 December 2013	(15,614)	(11,153)	(8,241)	8,241	11,153	15,614
For the four months ended 30 April 2014	(6,185)	(4,418)	(3,264)	3,264	4,418	6,185

Notes:

1) Hypothetical fluctuations in cost of direct materials are assumed to be 23.1%, 24.5% and 35.3% with reference to the changes in our cost of direct materials during the Track Record Period.

2) Hypothetical fluctuations in direct labour costs are assumed to be 26.6%, 36.0% and 50.4% with reference to the changes in our direct labour costs during the Track Record Period.

3) Save for hypothetical fluctuations in cost of direct materials and direct labour cost, respectively, all other factors are assumed to be unchanged.

Brand recognition and cost of promoting our brands

In recent years, we have been increasingly devoted our resources in the developing, manufacturing and selling our branded watches. In 2010, we began selling our *Time2U* and *Jonquet* branded watches in the PRC and in 2012, we further launched our *Color* branded watches. We believe that brand recognition plays a critical role influencing consumers' purchasing decisions. As such, consumers' recognition of our brands may affect the selling prices and market demand for our watches, our profitability, and our ability to expand our business. For the years ended 31 December 2011, 2012, 2013 and for the four months ended 30 April 2014, we have spent RMB12.3 million, RMB17.2 million, RMB20.5 million and RMB6.9 million on our brand promotion and marketing activities, representing 3.7%, 3.7%, 3.5% and 3.2% of our revenue, respectively. As our brands grow, we intend to invest more heavily in the marketing and promotion of our branded watches. Please see "Business—Sales, marketing and distribution—Marketing and promotion" for further details. Our success in attracting increasing number of consumers depends on our ability to enhance brand recognition and to maintain brand image and culture that appeals to consumers. If we are unsuccessful in promoting our brands or fail to maintain our brand position, market perception and consumer acceptance of our brands may be eroded, and our business, results of operations and prospects may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have prepared our financial statements in accordance with HKFRSs, which requires us to make judgments, 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 we believe to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which we revise the estimate 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. Our significant accounting policies and critical accounting estimates are summarised in notes 3 and 4 to our combined financial information included in the Accountants' Report set out as Appendix I to this document. We believe that the following are the most significant estimates and judgments used in the preparation of our combined financial information.

Revenue recognition

Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, we recognise revenue in the combined statement of profit or loss and other comprehensive income as follows:

(i) ***Sales of goods***

We recognise revenue when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) ***Interest income***

We accrue interest income from a financial asset (other than a financial asset at fair value through profit or loss) on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Impairment of property, plant and equipment

We assess whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires us 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. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Impairment of trade and other receivables

We make allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, we have to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. We review useful lives and residual values at the end of the reporting period based on changes in circumstances.

Income tax

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. We carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. We recognise deferred tax assets are as tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Our management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Impairment of inventories

We make provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

SUMMARY OF RESULTS OF OPERATIONS

Set forth below are a summary of our Group's combined statements of profit or loss and other comprehensive income for the periods indicated, extracted from the Accountants' Report included as Appendix I to this document:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
			(RMB in thousands)		
Revenue	330,243	460,807	580,446	168,378	215,270
Cost of sales	(228,038)	(312,656)	(391,697)	(115,054)	(142,293)
Gross profit	102,205	148,151	188,749	53,324	72,977
Other income and gain	1,771	1,243	1,621	147	800
Selling and distribution expenses	(19,583)	(25,369)	(30,424)	(8,542)	(10,770)
Administrative expenses	(16,964)	(36,845)	(30,584)	(10,484)	(9,659)
Share of loss of an associate	—	—	(1,020)	—	(509)
Finance costs	(11,564)	(12,762)	(12,727)	(4,765)	(2,902)
Profit before taxation	55,865	74,418	115,615	29,680	49,937
Taxation	(14,204)	(22,747)	(30,870)	(7,607)	(12,914)
Profit for the year/period	41,661	51,671	84,745	22,073	37,023
Profit/(loss) for the year/period attributable to:					
Owners of the Company	41,661	51,675	85,227	22,240	36,666
Non-controlling interests	—	(4)	(482)	(167)	357
	41,661	51,671	84,745	22,073	37,023

DESCRIPTION OF SELECTED INCOME STATEMENTS ITEMS

Revenue

We generate our revenue by (i) selling OEM watches; (ii) selling our branded watches; and (iii) trading third-party branded watches. We generally sell our OEM watches directly to our customers, and we sell a substantial majority of our branded watches to our distributors. Since 2013, we also exported our branded watches on a wholesale basis to overseas customers. Trading of third-party branded watches has been ancillary to distribution of our branded watch. We occasionally procure watches of third party's brands and resale to our distributors. Our revenue is recognised upon delivery of the goods to location designated by our customers and distributors. Revenue represents sales net of returns, rebate, discount and value-added taxes.

The following table sets forth the breakdown of our revenue by sales mix and product mix, and their respective percentage of revenue for the periods presented:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
OEM watches	255,151	77.3%	292,243	63.4%	302,386	52.1%	85,626	50.9%	110,879	51.5%
Branded watches										
- *Time2U*	58,154	17.6%	95,024	20.6%	105,934	18.3%	39,151	23.3%	33,275	15.5%
- *Color*	—	—	31,782	6.9%	112,305	19.3%	24,915	14.8%	51,042	23.7%
- *Jonquet*	16,938	5.1%	29,093	6.3%	48,942	8.4%	14,387	8.5%	18,571	8.6%
	75,092	22.7%	155,899	33.8%	267,181	46.0%	78,453	46.6%	102,888	47.8%
Third-party watches	—	—	12,665	2.8%	10,879	1.9%	4,299	2.5%	1,503	0.7%
TOTAL	330,243	100.0%	460,807	100.0%	580,446	100.0%	168,378	100.0%	215,270	100.0%

During the Track Record Period, sales of OEM watches contributed a majority of our revenue. Our sales mix has shifted towards our branded watches, which was a combined result of (i) the increased sales volume of our branded watches, in particular, since the introduction of *Color* in the second half of 2012 and (ii) the relatively higher average selling price per unit of our branded watches compared to our OEM watches.

During the Track Record Period, our OEM watches and branded watches were sold to domestic customers in the PRC and exported to customers in countries or regions outside the PRC. The following table sets forth the breakdown of our revenue from sales of OEM and branded watches respectively by geographical location of customer for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue	Revenue	Percentage of revenue
OEM watches										
- Domestic	121,296	47.5%	171,477	58.7%	231,453	76.5%	72,450	84.6%	85,399	77.0%
- Export	133,855	52.5%	120,766	41.3%	70,933	23.5%	13,176	15.4%	25,480	23.0%
	255,151	100.0%	292,243	100.0%	302,386	100.0%	85,626	100.0%	110,879	100.0%
Branded watches										
- Domestic	75,092	100.0%	155,899	100.0%	264,891	99.1%	78,403	99.9%	82,543	80.2%
- Export	—	—	—	—	2,290	0.9%	50	0.1%	20,345	19.8%
	75,092	100.0%	155,899	100.0%	267,181	100.0%	78,453	100.0%	102,888	100.0%

While our revenue from the sale of OEM watches gradually increased, the proportion of export sale of our OEM watches gradually decreased during the Track Record Period. The decrease in export sale of our OEM watches during the years ended 31 December 2011, 2012 and 2013 was primarily attributable to (i) the reduction in purchase orders from OEM customers in Europe that, our Directors believe, mainly because of the weaken economies in Europe since late 2011, and (ii) we ceased receiving orders from one of our major OEM customers in Hong Kong who, to the best knowledge of our Directors, ceased its operations in the merchandising of watch products. Nonetheless, we had successfully expanded our domestic sales of our OEM watches in the PRC. For the years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014, domestic sale of our OEM watches accounted for approximately 47.5%, 58.7%, 76.5% and 77.0% of our revenue from sales of OEM watches, respectively.

Our overall increase in revenue was primarily driven by the growth in sales volume of our branded watches mainly as a result of (i) the introduction of *Color* in the second half of 2012, and (ii) engagement of additional distributors in 2012 and 2013.

Sales volume and average selling price

The following table set forth our sales volume and average selling price per unit of watch for each component of our sales mix for the period indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	Thousand units	*RMB*	*Thousand units*	*RMB*	*Thousand units*	*RMB*	*Thousand units*	*RMB*	*Thousand units*	*RMB*
OEM watches	10,413	24.5	9,928	29.4	11,696	25.9	3,550	24.1	3,891	28.5
Branded watches	520	144.4	1,858	83.9	5,069	52.7	1,201	65.3	1,878	54.8
Third-party watches	—	—	5	2,533.0	8	1,359.9	2	2,149.5	1	1,503.0

Fluctuations in sales volume primarily reflected our customers' overall demand for our OEM watches and branded watches and the introduction of new product line or product design to the market, while the changes in average selling price of our products are primarily affected by factors such as (i) variation of selling prices due to different specifications and/or design of watches required by our OEM customer for different order and (ii) the introduction of product line or watch designs that target different consumer group and had relatively higher or lower pre-determined retail prices.

Cost of sales

Our cost of sales primarily comprises direct materials, direct labour costs, manufacturing overheads and cost of third-party watches.

The following table sets forth the breakdown of our cost of sales for the periods presented:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
Direct materials	162,272	71.2%	219,554	70.2%	273,247	69.8%	80,620	70.1%	99,225	69.7%
Direct labour costs	24,557	10.8%	31,082	9.9%	42,265	10.8%	11,010	9.6%	16,561	11.6%
Manufacturing overhead	36,216	15.9%	45,092	14.4%	60,540	15.5%	18,032	15.7%	22,248	15.6%
Cost of third-party watches	—	—%	10,961	3.5%	9,392	2.4%	3,727	3.2%	1,316	0.9%
Others	4,993	2.1%	5,967	2.0%	6,253	1.5%	1,665	1.4%	2,943	2.2%
TOTAL	228,038	100.0%	312,656	100.0%	391,697	100.0%	115,054	100.0%	142,293	100.0%

Direct materials

Direct materials comprise cost of materials or watch components used in our production such as watches movement, cases, straps, packaging materials and dials. The following sets forth a breakdown of our direct materials by nature for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
Watch movements	96,393	59.4%	127,378	58.0%	140,661	51.5%	45,199	56.1%	43,454	43.8%
Cases	35,468	21.9%	47,227	21.5%	62,644	22.9%	17,262	21.4%	27,230	27.4%
Straps	12,750	7.9%	19,413	8.8%	29,505	10.8%	8,156	10.1%	12,283	12.4%
Packaging materials	9,207	5.7%	13,807	6.3%	23,092	8.5%	6,606	8.2%	9,414	9.5%
Dials	5,935	3.7%	7,978	3.6%	11,816	4.3%	2,580	3.2%	5,609	5.7%
Others	2,519	1.4%	3,751	1.8%	5,529	2.0%	817	1.0%	1,235	1.2%
TOTAL	162,272	100.0%	219,554	100.0%	273,247	100.0%	80,620	100.0%	99,225	100.0%

Watch movements is our major direct material and cost of which accounted for 59.4%, 58.0%, 51.5% and 43.8% of our total cost of direct materials for the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, respectively. The decrease in our cost of watch movements in proportion to total cost of direct materials was primarily because we tend to use watch movements of relatively lower prices and allocated more resources towards enhancing the external appearance and packaging of our watches to accommodate our "fast-fashion" marketing strategy of our branded watches. As a result, the aggregate costs of other components in direct materials increasingly accounted for 40.6%, 42.0%, 48.5% and 56.2% of our direct materials for the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, respectively.

Other components of cost of sales

Direct labour costs primarily comprise salaries and wages and employee benefits such as social insurance contributions. Manufacturing overhead primarily consists of depreciation, subcontracting fees, utilities and consumables. Costs of watches for resale was the purchases costs of watches under third-party brands that we resale to our distributors. Other components in cost of sales mainly comprise value-added tax and business taxes and surcharges.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
OEM watches	73,553	28.8%	84,338	28.9%	87,038	28.8%	23,036	26.9%	33,205	29.9%
Branded watches	28,652	38.2%	62,109	39.8%	100,224	37.5%	29,716	37.9%	39,585	38.5%
Third-party watches	—	—	1,704	13.5%	1,487	13.7%	572	13.3%	187	12.4%
TOTAL	102,205	30.9%	148,151	32.2%	188,749	32.5%	53,324	31.7%	72,977	33.9%

Our overall gross profit and gross profit margin have both improved during the Track Record Period. The increase in our overall gross profit primarily reflected the increase in aggregate sales volume of our OEM and branded watches. The improvement of our overall gross profit margin during the Track Record Period was primarily due to the increasing contribution of gross profit from the sale of our branded watches which entails a higher gross profit margin than that of OEM watches. Moreover, as we tend to accept more profitable orders of OEM watches in order to focus our resources in developing our branded watches business, gross profit margin of our OEM watches also slightly increased during the Track Record Period.

Other income and gain

Other income and gain comprised interest income, government grant, sale of scrap materials and gain on disposal of a subsidiary. For the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, our other income and gain was RMB1.8 million, RMB1.2 million, RMB1.6 million and RMB0.8 million, respectively.

Government grants we received were one-off in nature and had no future condition attached.

Gain on deemed disposal of a subsidiary represents a gain recognised upon deemed disposal of our former subsidiary, Temps de Mode, in 2013. On 29 July 2013, our shareholding in Temps de Mode diluted from 70% to 30%, and such decrease in shareholding was recorded as a deemed disposal. Since Temps de Mode had net liabilities as at the time of disposal, the deemed disposal resulted in a gain for 2013. For details of the disposal of a subsidiary, please refer to note 31 to the Accountants' Report included as Appendix I to this document.

Selling and distribution expenses

Selling and distribution expenses comprise marketing and advertising expenses, salaries and staff benefits, delivery expenses of our watches and other miscellaneous selling and distribution expenses. Marketing and advertising expenses primarily consisted of advertising fees such as fees for television and magazine advertisements, exhibition expenses, travelling and other expenses incurred in relation to our marketing activities.

The following table sets forth a breakdown of selling and distribution expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
Marketing and advertising	12,280	62.7%	17,228	67.9%	20,537	67.5%	5,682	66.5%	6,874	63.8%
Salaries and staff benefits	3,230	16.5%	3,886	15.3%	4,833	15.9%	1,419	16.6%	2,011	18.7%
Delivery expenses	2,432	12.4%	2,601	10.3%	3,259	10.7%	815	9.5%	1,213	11.3%
Others	1,641	8.4%	1,654	6.5%	1,795	5.9%	626	7.4%	672	6.2%
TOTAL	19,583	100.0%	25,369	100.0%	30,424	100.0%	8,542	100.0%	10,770	100.0%

Administrative expenses

Administrative expenses primarily include salaries and staff benefits, depreciation and amortisation, listing expenses, bank charges, entertainment, costs of research and development, office expenses, travelling expenses, taxes and stamp duty, motor vehicle expenses, impairment of trade and other receivables and other administrative expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2011		2012		2013		2013		2014	
							(unaudited)			
	(RMB in thousands, except for percentages)									
Salaries and staff benefits	4,129	24.3%	4,579	12.4%	6,385	20.9%	1,532	14.6%	2,350	24.3%
Depreciation and amortisation	4,236	25.0%	4,262	11.6%	4,477	14.6%	1,440	13.7%	1,489	15.4%
Listing expenses	—	—%	—	—%	2,751	9.0%	—	0.0%	1,534	15.9%
Bank charges	2,154	12.7%	2,684	7.3%	3,104	10.1%	1,893	18.1%	214	2.2%
Entertainment	464	2.7%	741	2.0%	2,378	7.8%	850	8.1%	999	10.3%
Research and development	2,497	14.7%	4,658	12.6%	2,590	8.5%	1,786	17.0%	734	7.6%
Office expenses	1,127	6.6%	1,206	3.3%	2,990	9.8%	1,056	10.1%	755	7.8%
Travelling expenses	254	1.5%	449	1.2%	1,682	5.5%	632	6.0%	670	6.9%
Taxes and stamp duty	1,100	6.5%	1,200	3.3%	1,195	3.9%	503	4.8%	527	5.5%
Motor vehicle expenses	316	1.9%	720	2.0%	797	2.6%	296	2.8%	302	3.1%
Impairment of trade and other receivables (Note)	151	0.9%	15,360	41.7%	—	—%	—	0.0%	—	0.0%
Others	536	3.2%	986	2.6%	2,235	7.3%	496	4.8%	85	1.0%
TOTAL	16,964	100.0%	36,845	100.0%	30,584	100.0%	10,484	100.0%	9,659	100.0%

Note: In 2012, we recognised an impairment loss of approximately RMB15.3 million in respect of an other receivable from a third party. Please see "— Selected items of combined statements of financial position — Deposits, prepayments and other receivables" in this section for further details.

Finance costs

Our finance costs represent interest on bank borrowings and loan from a third party. For the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, our finance costs were approximately RMB11.6 million, RMB12.8 million, RMB12.7 million and RMB2.9 million, respectively.

Share of loss of an associate

Share of loss of an associate represents the share of profit or loss of our interest in Temps de Mode using equity method of accounting subsequent to our deemed disposal of Temps de Mode in July 2013. Share of loss of an associate amounted to approximately RMB1.0 million for the year ended 31 December 2013 and RMB0.5 million for the four months ended 30 April 2014.

Please refer to further details of our associate to Note 16 to the Accountants' Report included as Appendix I to this document.

Taxation

Taxation represents income tax paid or payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We had no tax payable in other jurisdictions other than the PRC during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014, our taxation was RMB14.2 million, RMB22.7 million, RMB30.9 million and RMB12.9 million, respectively, and our effective tax rate, calculated as taxation for the year divided by profit before taxation in the respective periods, was approximately 25.4%, 30.6%, 26.7% and 25.9%, respectively.

Hong Kong profits tax

No provision for Hong Kong profits tax had been made during the Track Record Period as our Group's income during the Track Record Period neither arose nor derived from Hong Kong.

EIT

Our subsidiaries are subject to EIT in the PRC. Under the EIT Law and EIT rules, the statutory tax rate for all our PRC subsidiaries has been 25.0% since 1 January 2008.

During the Track Record Period and up to the Latest Practicable Date, we have paid all applicable taxes when due and there are no matters in dispute or unresolved with any tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

The following discussion is based on historical operating results. As a result of the factors discussed under the section headed "Critical accounting policies and estimates" in this section, such operating results may not be indicative of our future operating performance.

Four months ended 30 April 2014 compared with four months ended 30 April 2013

Revenue

Our revenue increased by RMB46.9 million or 27.9% from RMB168.4 million for the four months ended 30 April 2013 to RMB215.3 million for the four months ended 30 April 2014. The increase in revenue was mainly attributable to increase in sales volume of our branded watches, and an increase in average selling price of our OEM watches.

Revenue from OEM watches

Our revenue from OEM watches increased by RMB25.3 million or 29.6% from RMB85.6 million for the four months ended 30 April 2013 to RMB110.9 million for the four months ended 30 April 2014. The increase was primarily attributable to (i) increase in average selling price of our OEM watches as we received certain domestic orders for higher end series of watches where we charged relatively higher prices; and (ii) increase in sales volume of OEM watches by around 9.6% mainly contributed by orders from one of our major customers in Hong Kong.

Revenue from branded watches

Our revenue from branded watches increased by RMB24.4 million or 31.1% from RMB78.5 million for the four months ended 30 April 2013 to RMB102.9 million for the four months ended 30 April 2014. The increase was primarily attributable to the increase in sales volume of our branded watches by around 56.4% mainly driven by growth in export sales of our *Color* branded watches in the period, and partially offset by the decrease in average selling price of our branded watches as we focus more on selling branded watches in lower price range to accommodate our "fast-fashion" marketing strategy.

Cost of sales

Our cost of sales increased by RMB27.2 million or 23.6% from RMB115.1 million for the four months ended 30 April 2013 to RMB142.3 million for the four months ended 30 April 2014. The increase was in line with the increase in revenue by 27.9% and partially offset by a slight decrease in the cost of direct materials as the prices of movements that we use for Color branded watches are relatively lower.

Gross profit and gross profit margin

Our gross profit increased by RMB19.7 million or 37.0% from RMB53.3 million for the four months ended 30 April 2013 to RMB73.0 million for the four months ended 30 April 2014. Our overall gross profit margin also increased from 31.7% for the four months ended 30 April 2013 to 33.9% for the four months ended 30 April 2014.

OEM watches

Gross profit of our OEM watches increased by RMB10.2 million or 44.3% from RMB23.0 million for the four months ended 30 April 2013 to RMB33.2 million for the four months ended 30 April 2014 primarily attributable to an increase in sales of our OEM watches and the improvement of the gross profit margin of OEM watches. The improvement in gross profit margin of our OEM watches from 26.9% for the four months ended 30 April 2013 to 29.9% for the same period in 2014 was mainly because we tend to accept more profitable OEM orders to focus our resources in developing our branded watches business.

Branded watches

Gross profit of our branded watches increased by RMB9.9 million or 33.3% from RMB29.7 million for the four months ended 30 April 2013 to RMB39.6 million for the four months ended 30 April 2014. Gross profit margin of our branded watches was relatively stable at 37.9% and 38.5% for the four months ended 30 April 2013 and 2014, respectively.

Other income and gain

Our other income and gain increased by 700% from RMB0.1 million for the four months ended 30 April 2013 to RMB0.8 million for the four months ended 30 April 2014. The increase was primarily attributable to a number of one-off government grants we received in the period.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB2.3 million or 27.1% from RMB8.5 million for the four months ended 30 April 2013 to RMB10.8 million for the four months ended 30 April 2014. The increase was primarily attributable to the increase in marketing and advertising expenses by RMB1.2 million primarily in relation to our advertisements on on-line platform(s) and the production of product display provided to our distributors of branded watches and increase in staff and related expenses by RMB0.6 million.

Administrative expenses

Our administrative expenses decreased by RMB0.8 million or 7.6% from RMB10.5 million for the four months ended 30 April 2013 to RMB9.7 million for the four months ended 30 April 2014. The

decrease was a combined result of (i) the decrease in bank handling charges since we had less bank borrowings during the period; (ii) less product research and development expenses incurred for our *Color* branded watches as its design and production became relatively mature; and partially offset by listing expenses of approximately RMB1.5 million incurred in the period.

Finance costs

Our finance costs decreased by RMB1.9 million or 39.6% from RMB4.8 million for the four months ended 30 April 2013 to RMB2.9 million for the four months ended 30 April 2014. The decrease was primarily attributable to decrease in borrowings during the four months ended 30 April 2014.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by RMB20.2 million or 68.0% from RMB29.7 million for the four months ended 30 April 2013 to RMB49.9 million for the four months ended 30 April 2014.

Taxation

Our income tax expenses increased by RMB5.3 million or 69.7% from RMB7.6 million for the four months ended 30 April 2013 to RMB12.9 million for the four months ended 30 April 2014. The increase was primarily attributable to the increase in our profit before taxation by approximately RMB20.2 million as a result of the foregoing. Our effective tax rate was relatively stable at 25.6% and 25.9% for the four months ended 30 April 2013 and 2014, respectively.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB14.9 million or 67.4% from RMB22.1 million for the four months ended 30 April 2013 to RMB37.0 million for the four months ended 30 April 2014.

Year ended 31 December 2013 compared with year ended 31 December 2012

Revenue

Our revenue increased by RMB119.6 million or 26.0% from RMB460.8 million for year ended 31 December 2012 to RMB580.4 million for year ended 31 December 2013. The increase in revenue was mainly attributable to significant growth in the sales volume of our branded watches, particularly the growth in sales of our *Color* branded watches, and a steady growth in sales volume of our OEM watches.

Revenue from OEM watches

Revenue from OEM watches increased by RMB10.2 million or 3.5% from RMB292.2 million for the year ended 31 December 2012 to RMB302.4 million for the year ended 31 December 2013. The increase in revenue was a combined result of the increase in sales volume of our domestic OEM

watches by around 66.6% partially offset by (i) the loss of purchase orders from one of our major OEM customers in Hong Kong who, to the best knowledge of our Directors, ceased its operations in merchandising of watch products; and (ii) the decrease in average selling price per unit by around 11.9% mainly because we received certain domestic orders for higher-end model of watches which entails relatively higher prices in 2012 and resulted in relatively higher average selling price per unit compared to that for 2013.

Revenue from branded watches

Revenue from branded watches increased by RMB111.3 million or 71.4% from RMB155.9 million for the year ended 31 December 2012 to RMB267.2 million for the year ended 31 December 2013. The increase in our branded watches was a combined result of (i) increase in sales volume of our *Color* branded watches by around 303.3% after its introduction to the market in June 2012 whereas a full-year result of sales in the year ended 31 December 2013, and (ii) the drop in average selling price per unit of our branded watches mainly because of our *Color* branded watches that are set at relatively lower prices.

Cost of sales

Our cost of sales increased by RMB79.0 million or 25.3% from RMB312.7 million for the year ended 31 December 2012 to RMB391.7 million for the year ended 31 December 2013. Such increase was generally in line with the increase in our revenue by 26.0% for the year ended 31 December 2013.

Gross profit and gross profit margin

Our gross profit increased by RMB40.5 million or 27.3% from RMB148.2 million for year ended 31 December 2012 to RMB188.7 million for year ended 31 December 2013. Our gross profit margin also slightly increased from 32.2% for year ended 31 December 2012 to 32.5% for year ended 31 December 2013.

OEM watches

Gross profit of our OEM watch increased by RMB2.7 million or 3.2% from RMB84.3 million for year ended 31 December 2012 to RMB87.0 million for year ended 31 December 2013. Such increase in gross profit primarily reflected our increase in revenue from OEM watches by 3.5%. Our gross profit margin for OEM watches remained relatively stable at 28.8% for year ended 31 December 2013 as compared to 28.9% for year ended 31 December 2012.

Branded watches

Gross profit of our branded watches increased by RMB38.1 million or 61.4% from RMB62.1 million for year ended 31 December 2012 to RMB100.2 million for year ended 31 December 2013, consistent with expansion of our branded watch business line. Gross profit margin of branded watches decreased slightly from 39.8% for year ended 31 December 2012 to 37.5% for year ended 31 December 2013, primarily attributable to increase in sales of our *Color* branded watches that are set at lower prices and entails slightly lower margin than our *Time2U* and *Jonquet* branded watches.

Other income and gain

Our other income and gain increased by RMB0.4 million or 30.4% from RMB1.2 million for the year ended 31 December 2012 to RMB1.6 million for the year ended 31 December 2013, mainly attributable to our gain on deemed disposal of Temps de Mode amounted to RMB0.8 million in 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB5.0 million or 19.7% from RMB25.4 million for the year ended 31 December 2012 to RMB30.4 million for the year ended 31 December 2013, mainly attributable to (i) the increase in marketing and advertising expenses for our branded watches in various media to increase publicity of our branded watches; (ii) the increase in staff costs as a result of increased number of sales and marketing staff, and (iii) the increase in delivery expenses because of the increase in sales volume in 2013.

Administrative expenses

Our administrative expenses decreased by RMB6.2 million or 16.8% from RMB36.8 million for the year ended 31 December 2012 to RMB30.6 million for the year ended 31 December 2013, was a combined result of (i) the absence of any impairment loss in 2013 whereas an impairment loss of RMB15.3 million in respect of an other receivable in 2012; (ii) the decrease in research and development costs as our *Color* branded watches became more mature after its launch in 2012, (iii) listing expenses of around RMB2.8 million incurred in 2013, and (iv) the overall increases in other categories of administrative expenses such as staff costs and travelling expenses.

Share of loss of an associate

We recorded share of loss of an associate of RMB1.0 million since Temps de Mode became our associate and began to be accounted for under equity method of accounting in July 2013.

Finance costs

Our finance costs were RMB12.8 million and RMB12.7 million for the year ended 31 December 2012 and the year ended 31 December 2013, respectively, as our level of bank borrowings throughout 2012 and 2013 remained relatively stable.

Profit before taxation

As a result of the foregoing, our profit before income tax increased by RMB41.2 million or 55.4% from RMB74.4 million for the year ended 31 December 2012 to RMB115.6 million for the year ended 31 December 2013.

Taxation

Our income tax expenses increased by RMB8.2 million or 36.1% from RMB22.7 million for the year ended 31 December 2012 to RMB30.9 million for the year ended 31 December 2013. This increase was mainly attributable to increased profit before taxation by approximately RMB41.2 million as a result of the reasons discussed above. Our effective tax rate decreased from 30.6% for 2012 to 26.7% in 2013. The higher effective tax rate in 2012 was primarily due to the higher tax effect of expenses not deductible for tax purpose of RMB3.9 million for 2012, primarily in relation to an impairment loss recognised in respect of other receivable of RMB15.3 million. Please see the paragraph headed "Selected items of combined statements of financial position—Deposits, prepayments and other receivables" in this section for further details.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB33.0 million or 63.8% from RMB51.7 million for the year ended 31 December 2012 to RMB84.7 million for the year ended 31 December 2013.

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

Our revenue increased by RMB130.6 million or 39.6% from RMB330.2 million for the year ended 31 December 2011 to RMB460.8 million for the year ended 31 December 2012. The increase in revenue was mainly attributable to significant growth in the sales volume of our branded watches and an increase in average selling price of our OEM watches in 2012.

Revenue from OEM watches

Our revenue from OEM watches increased by RMB37.0 million or 14.5% from RMB255.2 million for the year ended 31 December 2011 to RMB292.2 million for the year ended 31 December 2012. The increase was primarily attributable to the increase in average selling price of our OEM watches by around 20.0% mainly because we received certain domestic orders for higher end model of watches which entails relatively higher prices in 2012; and partially offset by the decrease in sales volume of our OEM watch by around 4.7% which our Directors believe was due to the weaken economies, in particular in Europe, since late 2011.

Revenue from branded watches

Our revenue from branded watches increased by RMB80.8 million or 107.6% from RMB75.1 million for the year ended 31 December 2011 to RMB155.9 million for the year ended 31 December 2012. This increase was a combined result of the increase in sales volume of our branded watches by around 257.3% because of the introduction of *Color* in June 2012 and the expansion of our distribution network by addition of three distributors, partially offset by the decrease in average selling price per unit of our own branded watches by approximately 41.9% mainly as a result of the introduction of *Color* brand that has a lower selling prices.

Cost of sales

Our cost of sales increased by RMB84.7 million or 37.1% from RMB228.0 million for the year ended 31 December 2011 to RMB312.7 million for the year ended 31 December 2012. The increase in cost of sales was mainly attributable to increases in costs of direct materials, cost of direct labour, manufacturing overheads and sales tax, respectively, and was consistent with increased sales by 39.6% for the year ended 31 December 2012.

Gross profit and gross profit margin

Our gross profit increased by RMB46.0 million or 45.0% from RMB102.2 million for the year ended 31 December 2011 to RMB148.2 million for the year ended 31 December 2012. Our overall gross profit margin also increased from 30.9% for the year ended 31 December 2011 to 32.2% for the year ended 31 December 2012.

OEM watches

Gross profit of our OEM watch increased by RMB10.7 million or 14.5% from RMB73.6 million for the year ended 31 December 2011 to RMB84.3 million for the year ended 31 December 2012, primarily reflected the increase in our revenue from OEM watches by 14.5%. Gross profit margin of our OEM watches remained stable at 28.9% for the year ended 31 December 2012 as compared to 28.8% for the year ended 31 December 2011.

Branded watches

Gross profit of our branded watches increased by RMB33.4 million or 116.4% from RMB28.7 million for the year ended 31 December 2011 to RMB62.1 million for the year ended 31 December 2012, which was in line with the expansion of our branded watch business. Gross profit margin of our branded watches remain relatively stable at 38.2% for the year ended 31 December 2011 and 39.8% for the year ended 31 December 2012, respectively.

Other income and gain

Our other income and gain decreased by RMB0.6 million or 33.3% from RMB1.8 million for the year ended 31 December 2011 to RMB1.2 million for the year ended 31 December 2012, mainly attributable to decreases in one-off government grants by RMB0.7 million.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB5.8 million or 29.6% from RMB19.6 million for the year ended 31 December 2011 to RMB25.4 million for the year ended 31 December 2012, mainly attributable to increases in marketing and advertising expenses primarily in relation to joining exhibitions held in Hong Kong and Switzerland and promoting our brands via advertisements in various forms of media, mainly in relation to the launch of our *Color* brand; (ii) the increase in staff costs as a result of increased number of sales and marketing staff; and (iii) the increase in delivery expenses driven by the increase in sales volume.

Administrative expenses

Our administrative expenses significantly increased by RMB19.8 million or 116.5% from RMB17.0 million for the year ended 31 December 2011 to RMB36.8 million for the year ended 31 December 2012, mainly attributable to (i) an impairment loss recognised in respect of other receivables of RMB15.3 million (ii) the increase in research and development costs by approximately RMB2.2 million primarily in relation to our product design and development of *Color*, and (iii) increase in other miscellaneous operating expenses as a result of the expansion of our operation. For details of the impairment loss recognised in respect of other receivables, please see "Business — Legal proceedings and regulatory compliance — Legal proceedings".

Finance costs

Our finance costs increased by RMB1.2 million or 10.3% from RMB11.6 million for the year ended 31 December 2011 to RMB12.8 million for the year ended 31 December 2012, mainly attributable to an increase in interest expense due to an increase in the average balance of our Group's bank borrowings during 2012 to fund our expansion and growth.

Profit before taxation

As a result of the foregoing, our profit before income tax increased by RMB18.5 million or 33.1% to RMB74.4 million for the year ended 31 December 2012 from RMB55.9 million for the year ended 31 December 2011.

Taxation

Our income tax expenses increased by RMB8.5 million or 59.9% to RMB22.7 million for the year ended 31 December 2012 from RMB14.2 million for the year ended 31 December 2011. This increase was mainly attributable to increased profit before taxation for the year ended 31 December 2012 by approximately RMB18.5 million as a result of the reasons discussed above. Our effective tax rate increased from 25.4% for the year ended 31 December 2011 to 30.6% for the year ended 31 December 2012 mainly due to the increase in tax effect of expenses not deductible for tax purpose of RMB3.9 million primarily in relation to impairment loss recognised in respect of other receivables of RMB15.3 million.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB10.0 million or 24.0% from RMB41.7 million for the year ended 31 December 2011 to RMB51.7 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

Our sources of cash are principally a combination of capital contribution from shareholders, cash generated from operations and borrowings. Our cash requirements relate primarily to production and operating activities, repayment of bank borrowings and capital expenditures. Going forward, we do not expect any material changes to the underlying drivers of our sources of cash and uses of cash, except for the net proceeds from the [REDACTED] which will be used according to our use of proceeds plan as detailed in the section headed "Future Plans and Use of Proceeds" in this document. We expect that more diversified sources of financing will strengthen our financial capability.

Cash flows

The following table sets out a summary of our combined statements of cash flows for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
			(RMB in thousands)		
Net cash generated from operating activities	43,213	85,960	97,447	27,769	91,755
Net cash (used in)/generated from investing activities	(43,973)	(40,694)	(63,171)	(9,424)	8,556
Net cash generated from/(used in) financing activities	17,079	(18,245)	(27,652)	11,315	(70,176)
Net increase in cash and cash equivalents	16,319	27,021	6,624	29,660	30,135
Cash and cash equivalents at the beginning of the year/period	33,919	50,119	78,357	78,357	85,551
Cash and cash equivalents at the end of the year/period	50,119	78,357	85,551	108,238	115,411

Cash flow from operating activities

Cash flow from operating activities comprises profit before taxation adjusted for non-cash items and the effect of changes in working capital. Our cash used in operating activities primarily comprises cash used in payments of wages and benefits, for our raw materials and components supplies and for manufacturing overhead. Our cash from operating activities is generated from the sales of watches.

For the four months ended 30 April 2014, net cash generated from operating activities of RMB91.8 million was a combined result of operating cash inflow before movements in working capital of RMB65.8 million, net increase in working capital changes of RMB43.9 million and PRC income tax paid of RMB17.9 million. Net increase in working capital changes primarily reflected (i) a decrease in trade receivables of RMB23.6 million attributable to the increase in export sales which requires debtor's settlement upon delivery, (ii) a decrease in inventories of RMB9.5 million mainly attributable to shift in product mix, (iii) a decrease in deposits, prepayments and other receivables of RMB5.7 million mainly attributable to the decrease in prepayment for raw materials, (iv) an increase in trade and bills payables of RMB3.2 million and (v) an increase in accruals and other payables of RMB1.9 million.

For the year ended 31 December 2013, net cash generated from operating activities of RMB97.4 million was a combined result of operating cash inflow before movements in working capital of RMB161.9 million, net decrease in working capital changes of RMB35.8 million and PRC income tax paid of RMB28.6 million. Net decrease in working capital changes primarily reflected (i) an increase in trade receivables of RMB49.3 million mainly attributable to the increase in sales of branded watches, (ii) a decrease in trade and bills payables of RMB2.8 million as less purchases were made in view of less production days in January 2014, (iii) an increase in deposits, prepayments and other receivables of RMB2.4 million mainly in connection with our prepayment for production of display racks and counters, and partially offset by an increase in accruals and other payables of RMB13.9 million mainly attributable to the increase in receipt in advance in relation our OEM sales and a decrease in inventories of RMB4.9 million attributable to same reason for the decrease in trade and bills payables.

For the year ended 31 December 2012, net cash generated from operating activities of RMB86.0 million was a combined result of operating cash inflow before movements in working capital of RMB130.6 million, net decrease in working capital changes of RMB44.6 million and PRC income tax paid of RMB20.6 million. Net decrease in working capital changes primarily reflected (i) an increase in inventories of RMB24.1 million mainly attributable to the expansion of production and the introduction of *Color* branded watches, (ii) an increase in trade receivables of RMB3.8 million mainly attributable to the increase in sales of watches, (iii) a decrease in accruals and other payables of RMB3.1 million mainly because of the decrease in receipt in advance and the loss of purchase orders from a major customer, (iv) an increase in deposits, prepayments and other receivables of RMB2.0 million and partially offset by increase in trade and bills payables of RMB8.8 million mainly attributable to the more purchases were made to meet our production needs.

For the year ended 31 December 2011, net cash generated from operating activities of RMB43.2 million was a combined result of operating cash inflow before movements in working capital of RMB91.1 million, net decrease in working capital changes of RMB35.1 million and PRC income tax paid of RMB12.8 million. Net decrease in working capital changes primarily reflected (i) an increase in inventories of RMB19.6 million mainly attributable to expansion of our production, (ii) an increase in deposits, prepayments and other receivables of RMB16.6 million mainly attributable to the repayment of a borrowings on behalf of an Independent Third Party, (iii) an increase in trade receivables of RMB9.8 million in relation to the increase in sales of our watches, and partially offset by an increase in accruals and other payables of RMB6.0 million and an increase in trade and bills payables of RMB4.5 million mainly attributable to expansion of our production.

Cash flow from investing activities

For the four months ended 30 April 2014, net cash generated from investing activities of RMB8.6 million primarily reflected proceeds of RMB20.0 million we received from the capital contribution from Zhanglong Hongqiao to our Fujian Ouwosi and partially offset by the purchase of property, plant and equipment of RMB11.5 million.

For the year ended 31 December 2013, net cash used in investing activities of RMB63.2 million was primarily attributable to the purchase and prepayment, in aggregate of RMB63.1 million, for property, plant and equipment, such as moulds, and offset by the decrease in pledged bank deposit of RMB2.7 million.

For the year ended 31 December 2012, net cash used in investing activities of RMB40.7 million was primarily attributable to (i) the purchase and prepayment, in aggregate of RMB38.2 million, for property, plant and equipment, such as moulds, and (ii) an increase in pledged bank deposit of RMB2.7 million.

For the year ended 31 December 2011, net cash used in investing activities was primarily attributable to the purchase and prepayment for property, plant and equipment, such as moulds.

Cash flow from financing activities

For the four months ended 30 April 2014, net cash used in financing activities of RMB70.2 million primarily comprised repayment of borrowings of RMB86.2 million repayment to a related company of RMB5.6 million, interest paid of RMB2.8 million, and partially offset by proceeds from borrowings of RMB24.4 million.

For the year ended 31 December 2013, net cash used in financing activities of RMB27.7 million primarily comprised repayment of bank borrowings of RMB272.4 million, interest paid of RMB12.4 million repayment of a related company of RMB2.8 million, and partially offset by proceeds from bank borrowings of RMB263.1 million.

For the year ended 31 December 2012, net cash used in financing activities of RMB18.2 million primarily comprised repayment of bank borrowings of RMB267.6 million and interest paid of RMB12.8 million and partially offset by proceeds from bank borrowings of RMB264.1 million and advance from a related company of RMB2.8 million.

For the year ended 31 December 2011, net cash generated from financing activities of RMB17.1 million comprised proceeds from bank borrowings of RMB260.0 million, partially offset by repayment of bank borrowings of RMB229.3 million and interest paid of RMB11.6 million.

Sufficiency of working capital

As we continue to expand the scale of our operations, our cash outflow is expected to be primarily driven by production and marketing expenses. Our Directors believe that we have the ability to generate positive and sufficient operating cash flow going forward.

Our Directors are of the opinion that after taking into account the estimated net proceeds from the [REDACTED], available banking facilities and cash flows from our operations, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Net current liabilities/assets

The following table sets forth a breakdown of our net current liabilities/assets as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 May
	2011	**2012**	**2013**	**2014**	**2014**
					(unaudited)
		(RMB in thousands)			
Current assets					
Prepaid lease payments	327	327	327	327	327
Inventories	79,092	103,173	98,229	88,766	93,884
Trade receivables	47,682	51,455	100,795	77,245	85,018
Deposits, prepayments and other receivables	28,024	14,728	15,255	9,525	6,189
Pledge bank deposits	—	2,741	—	—	—
Cash and bank balances	50,119	78,357	85,551	115,411	138,232
	205,244	250,781	300,157	291,274	323,650
Current liabilities					
Trade and bills payables	18,562	27,364	24,545	27,773	38,725
Accruals and other payables	15,863	12,724	22,353	24,432	20,657
Derivative financial instruments	51	—	—	—	—
Amount due to a shareholder	18,632	13,969	10,477	30,644	30,660
Amount due to a related company	—	2,660	5,691	64	128
Income tax payable	5,402	7,537	9,763	4,729	8,900
Borrowings	194,458	190,872	181,160	119,504	117,007
	252,968	255,126	253,989	207,146	216,077
Net current (liabilities)/assets	(47,724)	(4,345)	46,168	84,128	107,573

We recorded net current liabilities of RMB47.7million and RMB4.3million as at 31 December 2011 and 2012, respectively, primarily due to the use financial resources to finance our capital expenditures such as purchases of moulds and machinery in particular for the development and establishment of our business lines of branded watches since 2011. Attributable to improvement in our profitability, and the repayments of borrowings and amount due to a shareholder during the Track Record Period, we recorded net current assets of RMB46.2 million as at 31 December 2013 and RMB84.1 million as at 30 April 2014. Our net current assets further increased to RMB107.6 million as at 31 May 2014 primarily attributable to the investment of Celestial Award in our Company during May 2014.

SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consist of raw materials, work in progress and finished goods. Our raw materials mainly include watch movements, cases, straps and other components. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the balance of our inventories represented 38.5%, 41.1%, 32.7% and 30.5% of our current assets, respectively.

The following table sets forth a summary of our inventory balances as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB in thousands)			
Raw materials	58,477	74,649	60,612	50,284
Work in progress	9,577	11,474	19,088	19,774
Finished goods	11,038	17,050	18,529	18,708
Total	79,092	103,173	98,229	88,766

Our inventory balance increased by RMB24.1 million, or 30.5%, from RMB79.1 million as at 31 December 2011 to RMB103.2 million as at 31 December 2012 primarily due to the expansion of our production after introduction of our *Color* branded watches in the middle of the year 2012. Our inventory balance decreased by RMB5.0 million, or 4.8%, to RMB98.2 million as at 31 December 2013 because less raw materials were prepared for production needs as we had less production days in January 2014 as compared to January 2013 due to the Lunar New Year took place relatively earlier in the calendar year in 2014 as compared to that of 2013. Our inventory balance decreased by RMB9.4 million or 9.6% to RMB88.8 million as at 30 April 2014 primarily due to a shift in product mix toward *Color* branded watches which mainly use watch movements of relatively lower prices during the period.

We review and monitor our inventory level regularly in accordance with our inventory policy, and we make purchases of raw materials accordingly. We categorize our raw materials into three

classes — (i) daily necessity raw materials; (ii) project-based raw materials and (iii) watch movements. For daily necessity raw materials, our purchasing department evaluate our production needs monthly and plan our purchases, with the aim to keep a reserve sufficient for 45 days of production. For project-based raw materials, we generally only on an as-needed basis as dictated by the design of watches. For watch movements, we monitor the fluctuation of market price and make strategic purchases when we believe that the price is appropriate, and we aim to keep a minimum supply sufficient for three-months of production.

The following table sets out our inventory turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
Inventory turnover days	111	106	94	79

Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant year multiplied by number of days in the relevant year or period. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant period, divided by two.

Inventory turnover days gradually decreased throughout the Track Record Period was primarily attributable to the increase in proportion of our production of plastic watches (such as certain *Color* branded watches) that has relatively lower production cost and has a relatively shorter production lead time as compared to the production of watches in steel, alloy and other materials.

Inventories amounting to RMB46.6 million, representing 52.5% of the inventory balance as at 30 April 2014, have been used or sold as at 30 June 2014.

Trade receivables

The following table sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
			(RMB in thousands)	
Trade receivables	47,682	51,455	100,795	77,245

Our trade receivables primarily comprise outstanding amount receivable by us from our customers, as we generally offer a credit period of 0 to 60 days to our customers. Our trade receivables increased by RMB3.8 million or 8.0% from RMB47.7 million as at 31 December 2011 to RMB51.5

million as at 31 December 2012 primarily reflected the increase in our sales of watches. Our trade receivables significantly increased by RMB49.3 million or 95.7% to RMB100.8 million as at 31 December 2013 was primarily due to a further increase in our sales of watches, particularly sales of branded watches. Our trade receivables decreased to RMB77.2 million as at 30 April 2014, which was primarily due to an increase in our export sales, which are required to fully settle upon delivery.

The following table sets out our average trade receivables turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
Average trade receivables turnover days	47	39	48	50

Average trade receivables turnover days is calculated based on average trade receivables divided by the revenue for the relevant year multiplied by number of days in the relevant year or period. Average trade receivable is calculated as the sum of the beginning balance and ending balance for the relevant period, divided by two.

Our average trade receivables turnover days decreased from 47 days for the year ended 31 December 2011 to 39 days for the year ended 31 December 2012, and increased to 48 days for the year ended 31 December 2013. Our average trade receivables turnover days increased slightly to 50 days for the four months ended 30 April 2014. Our average trade receivable turnover days remain relatively stable during the Track Record Period with the exception for the year ended 31 December 2012. Average trade receivables turnover days for the year ended 31 December 2012 were relatively lower because a major customer settled its outstanding invoices with higher balances near the end of the year ended 31 December 2012.

We normally offer a credit period of 0 to 60 days to our customers. The following table sets forth an aging analysis of our trade receivables based on the invoice date as at the end of the periods indicated:

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
		(RMB in thousands)		
0 to 30 days	23,571	36,634	63,369	49,365
31 to 60 days	13,645	10,793	36,293	27,324
61 to 90 days	6,057	583	682	110
91 to 180 days	3,615	3,069	16	72
Over 180 days	794	376	435	374
Total	47,682	51,455	100,795	77,245

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, trade receivables of RMB18.7 million, RMB5.9 million, RMB2.1 million and RMB7.8 million, respectively, were past due but not impaired as they relate to a number of independent customers that have a good track record with us.

As at 30 June 2014, RMB76.9 million, or 99.6%, of trade receivables outstanding as at 30 April 2014 had been subsequently settled.

Deposits, prepayments and other receivables

The following table sets forth a breakdown of our deposits, prepayment and other receivables at the dates indicated:

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	(RMB in thousands)			
Deposits and prepayments	16,593	20,021	26,269	9,162
Other receivables	15,659	407	410	365
	32,252	20,428	26,679	9,527
Less: prepayments for acquisition of property, plant and equipment which classified as non-current assets	(4,228)	(5,700)	(11,424)	(2)
Total	28,024	14,728	15,255	9,525

Deposits and prepayments primarily consist of prepayments made to suppliers for purchase of raw materials, prepayment of professional fees in connection with our [REDACTED], and deposits paid with respect to advertising campaigns. Other receivables primarily comprised receivables from our Independent Third Party.

Our deposits, prepayments and other receivables decreased by RMB13.3 million or 47.5% from RMB28.0 million as at 31 December 2011 to RMB14.7 million as at 31 December 2012 primarily reflected recognition of impairment of an other receivable of approximately RMB15.3 million in relation to a corporate guarantee provided in favor of an Independent Third Party that default in 2011. Please see "Business — Legal proceedings and regulatory compliance — Legal proceedings" for

further details. in 2012. Our deposits, prepayments and other receivables slightly increased by RMB0.6 million or 4.1% to RMB15.3 million as at 31 December 2013 primarily attributable to our prepayment of listing expenses and prepayment for the production of display racks and counters. Our deposits, prepayments and other receivables decreased to RMB9.5 million as at 30 April 2014, which was primarily attributable to the decrease in prepayment for purchases of materials by approximately RMB4.6 million during the period.

Trade and bills payables

The following table sets forth the breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB in thousands)			
Trade payables	18,562	24,023	24,545	27,173
Bills payables	—	3,341	—	600
	18,562	27,364	24,545	27,773

Trade and bills payables were mainly incurred for the purchase of raw materials and consumables from suppliers. In line with the expansion of our business operations, our trade and bills payables increased by RMB8.8 million or 47.3% from RMB18.6 million as at 31 December 2011 to RMB27.4 million as at 31 December 2012, as more raw material and consumables were purchased to meet our production needs. Our trade and bills payables decreased by RMB2.9 million or 10.6% to RMB24.5 million as at 31 December 2013 primarily because we had less production days in January 2014 due to the relatively early Chinese New Year in 2014, which in turn less purchase of raw materials were required near the end of 2013. In the absence of the above, our trade and bills payables increased by RMB3.3 million to RMB27.8 million as at 30 April 2014.

We started to utilise the facility of bank's acceptance bills provided by two banks since 2012. As at 31 December 2012 and 30 April 2014, we had bills payable amounted to RMB3.3 million and 0.6 million, respectively.

As at 30 June 2014, 27.1 million, or 97.7%, of our trade and bills payables outstanding at 30 April 2014, was subsequently settled.

The following table sets forth an aging analysis of our trade payables based on the invoice date as at the end of the periods indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB in thousands)			
0 to 30 days	17,419	23,590	24,537	25,279
31 to 60 days	402	327	—	1,820
61 to 90 days	49	96	—	66
91 to 180 days	—	—	—	—
Over 180 days	692	10	8	8
Total	18,562	24,023	24,545	27,173

We generally receive credit terms of 0 to 60 days from our suppliers.

The following table sets out our average trade and bills payables turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2011	2012	2013	2014
	(RMB in thousand)			
Average trade and bills payables turnover days	26	27	24	22

Average trade and bills payables turnover days is calculated based on average trade and bills payables divided by the cost of sales for the relevant year multiplied by number of days in the relevant year or period. Average trade and bills payables is calculated as the sum of the beginning balance and ending balance for the relevant period, divided by two.

During the Track Record Period, our average trade and bills payables turnover days remained relatively stable ranging from 22 to 27 days.

Accruals and other payables

Our accruals and other payable comprise accruals, value-added tax payables, receipt in advance, payables for purchase of property, plant and equipment and other payables. Accruals primarily represented accrued salary owed to staff. VAT payable is calculated as "output VAT" minus "input

VAT" under the relevant tax regulations in PRC. Receipt in advance primarily represented deposits from our OEM customers. Payables for purchase of property, plant and equipment mainly represented our payables related to the purchase of moulds. As at 31 December 2011, 2012 and 2013 and 30 April 2014, we had accruals and other payables of RMB15.9 million RMB12.7 million, RMB22.4 million and RMB24.4 million, respectively.

Our accruals and other payables decreased by RMB3.2 million or 20.1% from RMB15.9 million as at 31 December 2011 to RMB12.7 million as at 31 December 2012 primarily reflected the decrease in our receipt in advance from customers by approximately RMB6.1 million as our export sales of OEM watches was relatively low in 2012 due to the loss of purchase orders from one of our major OEM customers in Hong Kong that, to the best knowledge of our Directors, they ceased the merchandising of watch products. Our accruals and other payable increased by RMB9.7 million or 76.4% to RMB22.4 million as at 31 December 2013 primarily because of (i) the increase in our receipt in advance by approximately RMB5.3 million as a result of the increase in the sales order of our OEM watches due to the increase in number of our OEM customers; (ii) the increase in our VAT payable by RMB2.9 million as we had a lower level of procurement of raw materials relative of our sales during the month ended 31 December 2013 attributable by the early Lunar New Year as discussed under the paragraph headed "Selected items of combined statement of financial position — inventories"; and (iii) increases in our accrued expenses primarily comprised salaries and listing expenses. Our accruals and other payables slightly increased from RMB22.4 million as at 31 December 2013 to RMB24.4 million as at 30 April 2014, which primarily reflected an increase in payable for our purchase of moulds for production by RMB3.2 million.

Amounts due to a shareholder/a related company

As at 31 December 2011, 2012 and 2013 and 30 April 2014, we had amount due to a shareholder, Mr. Lin, of RMB18.6 million, RMB14.0 million, RMB10.5 and RMB30.6 million, respectively. The amount due to a shareholder was unsecured interest free, repayable on demand and non-trade in nature, and primarily arose out of certain transfers from Mr. Lin to certain entities of the Group, prior to the Reorganisation to support its operations and the transfer of his equity interest in Fujian Ouwosi to Zhangzhou Hongyuan under the Reorganisation. RMB20.0 million of such balance was settled in June 2014 and the remaining balance will be settled prior to the Listing.

As at 31 December 2012 and 2013 and 30 April 2014, we had amounts due to a related company, Hongbang Electronics, of RMB2.7 million, RMB5.7 million and RMB0.1 million, respectively. The amount due to the related company was unsecured, interest free, repayable on demand and non-trade in nature, and arose out of the equity transfer of the equity of Zhangzhou Hongyuan held by Hongbang Electronics to Time2U (HK) under the Reorganisation and the lease of certain premises from Hongbang Electronics. The outstanding balance will be settled prior to the Listing.

Derivative financial instruments

Derivative financial instruments represent foreign exchange forward contracts entered into by us. As at 31 December 2011, we had three foreign exchange forward contracts with aggregate carrying value of RMB51,000. The three foreign exchange contracts matured in January and February 2012, respectively. Our Group's derivative financial instruments are carried at fair value and the resultant changes in fair value are reflected in our Group's combined statements of profit or loss and comprehensive income. Our net gain on such foreign exchange forward contracts was RMB0.3 million in both the years ended 31 December 2011 and 2012. We did not enter into foreign exchange forward contract in the year ended 31 December 2013 and the four months ended 30 April 2014. For further details of our derivative financial instruments and the relevant accounting policy, please refer to note 25 and 3 to the Accountants' Report in Appendix I of the document.

Property, plant and equipment

Property, plant and equipment comprise buildings, furniture and office equipment, plant and machinery and motor vehicles. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the net book amount of our property, plant and equipment amounted to RMB186.8 million, RMB195.3 million, RMB219.1 million and RMB229.7 million, respectively. The increases from 2010 to 2012 were mainly attributable to purchases of plant and machinery, primarily moulds, for our production. For details of our purchases and disposal of property, plant and equipment during the Track Record Period, please refer to note 17 to the Accountants' Report in Appendix I of the document.

Prepaid lease payments

Prepaid lease payments represent prepayment for land use rights of the land on which our manufacturing plants are located in the PRC. As at 31 December 2011, 2012 and 2013 and 30 April 2014, our prepaid lease payments amounted to RMB14.5 million, RMB14.2 million, RMB13.9 million and RMB13.8 million, respectively. As at 31 December 2011, 2012 and 2013 and 30 April 2014, such prepaid lease payments for land use rights have been pledged as security for bank borrowings granted to Zhangzhou Hongyuan and Fujian Ouwosi.

Prepayments for acquisitions of non-current assets

As at 31 December 2011, 2012, 2013 and 30 April 2014, we had prepayments for acquisition of non-current assets of RMB4.2 million, RMB5.7 million, RMB11.4 million and RMB2,000, respectively. Such prepayments primarily relates to purchase of moulds for the production of watch components. The amount of prepayment increased during the Track Record Period primarily attributable to our strategy to expand our branded watch business which offer a wide range of products series and models which increased the need of moulds.

INDEBTEDNESS

The following table sets forth a summary of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 May
	2011	**2012**	**2013**	**2014**	**2014**
					(unaudited)
			(RMB in thousands)		
Secured borrowings	194,458	190,872	168,348	100,289	105,718
Loan from third party	—	—	12,812	19,215	11,289*(Note)*
	194,458	190,872	181,160	119,504	117,007
Amount due to a shareholder	18,632	13,969	10,477	30,644	30,660*(Note)*
Amount due to a related company	—	2,660	5,691	64	128*(Note)*
Total indebtedness	213,090	207,501	197,328	150,212	147,795

Note: The relevant outstanding balances expected to be settled prior to Listing.

Borrowings

Our borrowings during the Track Record Period were primarily denominated in Renminbi. We primarily use our bank borrowings in financing the working capital requirement of our operation.

Without taking into account any repayment on demand clause and based on scheduled repayment dates set out in the loan agreements, our borrowings were repayable as follows:

	As at 31 December			As at 30 April	As at 31 May
	2011	**2012**	**2013**	**2014**	**2014**
					(unaudited)
			(RMB in thousands)		
On demand or within one year	194,458	190,872	168,348	100,289	105,718
More than one year	—	—	12,812	19,215	11,289
Total	194,458	190,872	181,160	119,504	117,007

The underlying effective interest rates of our borrowing ranged from 4.2% to 9.2%, 1.6% to 8.9%, 1% to 7.8%, 1% to 8.4%, and 1% to 8.4% per annum as 31 December 2011, 2012, 2013, 30 April 2014 and 31 May 2014, respectively.

Our borrowings were secured by charges over leasehold land, properties, plant and machinery, trade receivables and saving deposits of the Group, our Directors and certain Independent Third Parties, and personal or corporate guarantees executed by our Directors, connected persons, certain Independent Third Parties. Please see note 27 to the Accountants' Report in Appendix I to this document for details of these securities. All personal guarantees executed and charges over assets owned by the Directors, connected persons and Independent Third Parties will be released upon the Listing.

Certain bank borrowings of our PRC subsidiaries contain conditions and covenants that require us to obtain the bank's consents prior to certain actitivies and entering into certain transactions, such as change in use of borrowed funds, change in beneficial ownership, material investment, capital reduction, disposal of substantial part of its assets, or distribution of dividend. Some of our bank loans also contain requirements in respect of capital adequacy, financial ratios, level of assets and indebtedness of our PRC subsidiaries and the guarantors. Our Directors confirm that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or requirements contained in our borrowings agreements that affect the renewal of such borrowings throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

Loan from third party

Loan from third party represents a bridging loan facility up to HK$50.8 million (equivalent to RMB40.3 million) from an Independent Third Party to the Group available from 8 March 2012 to 7 March 2016 for the company's reorganisation and working capital requirement in connection with our Company's [REDACTED] in Hong Kong dollars. The loan facility is unsecured, bears interest of 1% per annum and repayable on demand.

Latest indebtedness

As at 31 May 2014, being the latest practicable date for the purpose of liquidity disclosure in this document, we had outstanding indebtedness of RMB147.8 million, comprising borrowings of RMB117.0 million, amount due to a shareholder of RMB30.7 million and amount due to a related company of RMB0.1 million. We had loan from third party of HK$36.6 million (equivalent to RMB29.1 million) available for drawdown as at 31 May 2014.

Save as disclosed herein, we did not have any outstanding or authorised or otherwise created but unissued term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) acceptance credits, hire purchase commitments, mortgage and charges, material contingent liabilities or guarantees

outstanding as at 31 May 2014. Our Directors confirm that there is no material change in our indebtedness position 31 May 2014 up to the date of this document. We intend to continue to finance portions of our operations and expansion with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on the information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 May 2014, we did not have any material off-balance sheet commitment and arrangements.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to purchases of plant and machinery which mainly included moulds. We have financed our capital expenditure through cash flow generated from operating activities and borrowings. Please refer to Note 17 to the Accountant's Report set out in Appendix I to this document for further details regarding our capital expenditure during the Track Record Period.

Operating lease commitment

We lease certain real properties under non-cancellable operating lease arrangement for a term of three years. The following table sets forth our commitments for future minimum lease payments as at the date indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(RMB in thousands)			
Within one year	90	90	766	766
In the second to fifth year, inclusive	—	180	766	511
	90	270	1,532	1,277

KEY FINANCIAL RATIOS

The following sets out our key financial ratios during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
Current ratio [(1)]	0.8	1.0	1.2	1.4
Quick ratio[(2)]	0.5	0.6	0.8	1.0
Gearing ratio [(3)]	135.2%	98.6%	67.7%	45.8%
Debt to equity ratio [(4)]	103.4%	61.3%	38.4%	10.6%
Return on equity [(5)]	30.6%	28.1%	33.8	N/A[(8)]
Return on total assets [(6)]	11.3%	11.8%	16.8%	N/A[(8)]
Interest coverage [(7)]	5.8	6.8	10.1	18.2

Notes:

(1) Current ratio is calculated as total current assets divided by total current liabilities.

(2) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.

(3) Gearing ratio is calculated as total borrowings divided by total equity and multiplied by 100%.

(4) Debt to equity ratio is calculated as total borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(5) Return on equity equals profit for the period divided by average balance of total equity of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(6) Return on total assets equals profit for the period divided by average balance of total assets of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(7) Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.

(8) The profit for the four months ended 30 April 2014 is not comparable to that for each of the years ended 31 December 2011, 2012, and 2013.

Current ratio

Our current ratio was 0.8, 1.0, 1.2 and 1.4 as at 31 December 2011, 2012, 2013 and 30 April 2014, respectively. The increase in our current ratio during the years ended 31 December 2011, 2012 and 2013 primarily reflected increase in current assets, in particular our trade receivables and cash and bank balances, as a result of the improvement in profit we generated in each year. The increase in our current ratio as at 30 April 2014 primarily reflected the net decrease in our indebtedness mainly as a result of repayment of our bank borrowings during the period.

Quick ratio

Our quick ratio was 0.5, 0.6, 0.8 and 1.0 as at 31 December 2011, 2012, 2013 and 30 April 2014, respectively. The increase in quick ratio during the years ended 31 December 2011, 2012 and 2013 generally corresponded to our change in current ratio and mainly reflected our increase in current assets as a result of the increase in profit we generated in each year. The increase in our quick ratio as at 30 April 2014 primarily reflected the net decrease in our indebtedness mainly as a result of repayment of our bank borrowings during the period.

Gearing ratio

Our gearing ratio was 135.2%, 98.6%, 67.7% and 45.8% as at 31 December 2011, 2012, 2013 and 30 April 2014, respectively. The decrease in gearing ratio during the years ended 31 December 2011, 2012 and 2013 primarily reflected improvement in profit we generated in each year and resulted in the increase in our total equity. The decrease in our gearing ratio as at 30 April 2014 primarily reflected the net decrease in our indebtedness mainly as a result of repayment of our bank borrowings during the period.

Debt to equity ratio

Our debt to equity ratio was 103.4%, 61.3%, 38.4% and 10.6% as at 31 December 2011, 2012, 2013 and 30 April 2014, respectively. The decrease in debt to equity ratio generally corresponded to our change in gearing ratio during the years ended 31 December 2011, 2012 and 2013 and primarily reflected improvement in profit we generated in each year and resulted in the increase in our total equity. The decrease in our debt to equity ratio as at 30 April 2014 primarily reflected the net decrease in our indebtedness mainly as a result of repayment of our bank borrowings during the period.

Return on equity

Our return on equity was 30.6%, 28.1% and 33.8% for the years ended 31 December 2011, 2012, 2013, respectively. The slight decrease in our return on equity to 28.1% as at 31 December 2012 was mainly a result of the increase in our accumulated profit and partially offset by the impact of impairment loss of other receivable amounted to RMB15.3 million recognised for the year ended 31 December 2012. In the absence of the aforesaid impairment loss, and attributable to the increase in our profit for the year, our return on equity increased to 33.8% as at 31 December 2013.

Return on total assets

Our return on total assets was 11.3%, 11.8% and 16.8% for the years ended 31 December 2011, 2012, 2013, respectively. Our return on total assets was maintained at similar level for the years ended 31 December 2011 and 2012, and the increase in our return on total assets for the year ended 31 December 2013 primarily reflected our increase in profit for the year by approximately 63.8%.

Interest coverage

Our interest coverage was 5.8, 6.8, 10.1 and 18.2 for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014, respectively. Our level of interest expenses incurred during the years ended 31 December 2011, 2012 and 2013 was relatively stable and the increase in our interest coverage was primarily attributable to the increase in profit before taxation we generated in each period. In addition, as we recognised an impairment loss of other receivable amounted to RMB15.3 million for the year ended 31 December 2012 and no similar impairment loss was recognised in 2013, we had a major increase in interest coverage for the year ended 31 December 2013. For the four months ended 30 April 2014, the significant increase our interest coverage for the period was mainly a result of the decrease in our bank borrowings while maintaining our profitability during the period.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, include market risk (including currency risk and interest risk), credit risk and liquidity risk. We monitor and manage such financial risks through internal risks report which analyse exposure by degree and magnitude of risk.

Please also see Note 5 to the Accountant's Report included as Appendix I to this document for further details regarding our financial risks.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from our trade receivables. We limit our exposure to credit risk by rigorously selecting counterparties. We mitigate our exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by our management based on prior experience and the current economic environment. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors believe that the credit risk is significantly reduced.

We have a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 46.1% and 46.8%, 36.7% and 43.3% as at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively of the trade receivables and the largest trade receivable was approximately 10.8% and 14.4%, 9.2% and 14.0% of our total trade receivables.

We seeks to minimise the risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

We have a concentration of credit risk by geographical location is mainly in the PRC.

In relation to the our deposits with bank, we limits the exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2011, 2012 and 2013 and 30 April 2014, we have no significant concentration of credit risk in relation to deposits with bank.

Interest rate risk

Our exposure to fair value interest rate risk to fixed rate borrowings is minimal because we have been keeping borrowings at variable rates.

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from our RMB denominated borrowings.

Please also see Note 5 to the Accountant's Report included as Appendix I to this document for further details regarding our interest rate risk and an interest rate sensitivity analysis.

Currency risk

We mainly operate in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Our management do not expect the net foreign currency risk from these activities to be significant and hence, we do not presently hedge the foreign exchange risks. We periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

Please also see Note 5 to the Accountants' Report included as Appendix I to this document for further details regarding our foreign currency sensitivity analysis.

Liquidity risk

We are exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, we monitor and maintain a level of cash and bank balances deemed adequate by our management to finance our operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

Please also see Note 5 to the Accountant's Report included as Appendix I to this document for further details regarding our liquidity risk.

Capital risk management

The primary objective of our capital management is to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. We manage the capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

We monitor capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Our overall strategy remains unchanged during the Track Record Period.

SUBSEQUENT EVENT

On 31 May 2014, we entered into the Investment Agreement with Celestial Award Limited, Visual Wise and Mr. Lin for the subscription of 5,810 Shares, which would represent 5.81% of the issued share capital of the Company after the completion of the Investment Agreement, at a cash consideration of approximately HK$20,000,000. Please see "History, Reorganisation and Corporate Structure—Pre-[REDACTED] investment—Celestial Award" in this document for further details.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law and our Articles.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of net profit, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require PRC-incorporated enterprises to set aside part of their after-tax profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

In the absence of circumstances which might affect the amount of available distributable reserves, whether by losses or otherwise, our Directors currently intend to distribute to our Shareholders approximately 30% of any net distributable profits from our PRC operating entities. However, we will re-evaluate our dividend policy annually and there is no assurance that dividends of any amount will be declared or distributed in any given year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or any agreements or contracts that we may enter into in the future.

DISTRIBUTABLE RESERVES

As at 30 April 2014, our Company did not have any distributable resources available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 April 2014, the end of period reported in the account's report set out in Appendix I to this document, and there has been no event since 30 April 2014 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

RELATED PARTY TRANSACTIONS

The table below sets forth our transaction with related parties for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
	(RMB in thousand)			
Rental expenses paid to Hongbang Electronics	90	90	766	255
Administrative expenses paid to Temps de Mode	—	—	36	24

Rental expenses paid to Hongbang Electronics during the Track Record Period was related to the leasing of certain premises as part of the production sites and warehouses of our Hongyuan Plant.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth below to illustrate the effect of the [REDACTED] on our net tangible assets as of 30 April 2014 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as at 30 April 2014 had the [REDACTED] both completed as at 30 April 2014 or at any future dates the unaudited pro forma statement of adjusted net tangible assets is extracted from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this document.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 30 April 2014	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company as at 30 April 2014**	**Unaudited pro forma adjusted combined net tangible assets of our Group per Share**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*HK$ (Note 4)*
Based on an [REDACTED] of HK$[REDACTED] per Share	310,576	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	310,576	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The combined net tangible assets of our Group attributable to owners of the Company as at 30 April 2014 is extracted from the accountants' report as set out in Appendix I to this document.

2. The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, after deduction of underwriting fees and related expenses by our Company (excluding [REDACTED] expenses of approximately RMB[REDACTED] million incurred up to 30 April 2014) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme. The estimated net proceeds from the [REDACTED] are converted into Renminbi at an exchange rate of RMB1.00 = HK$1.2594.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that [REDACTED] Shares are in issue immediately after the Capitalisation Issue and the [REDACTED] and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme.

4. The unaudited pro forma adjusted combined net tangible assets of the Group per Share is converted into Hong Kong Dollar at an exchange rate of RMB1.00 = HK$1.2594.

5. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2014.

PROPERTY INTERESTS

Asset Appraisal Limited, an independent property valuer, has valued the property interests attributable to us, as at 31 May, 2014 at approximately RMB76.5 million. The text of its letter, summary of valuation and valuation certificates are set out in "Appendix III—Property Valuation" to this document.

Property interests include the land use rights to the parcels of land and the building ownership of completed buildings, structures and buildings under construction. A reconciliation of the net carrying value of the relevant property interest, as at 30 April, 2014, to their fair value as at May 31, 2014 as stated in "Appendix III—Property Valuation" to this document is as follows:

	Properties *(RMB in thousands)*
Net carrying value as of 30 April, 2014	54,804
Movements for the period ended from 1 May, 2014 to May 31, 2014	
— Additions	—
— Depreciation and amortisation	(271)
— Net carrying value as of 31 May, 2014	54,533
Valuation as at 31 May, 2014 as per Appendix III to this document	76,500
Surplus	21,967

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, transaction levy and fees, incurred in connection with the Listing. Based on the mid-point of the proposed [REDACTED] range, total listing expenses is estimated to be approximately RMB26.6 million, of which approximately RMB10.3 million is directly attributable to the [REDACTED] and to be accounted for as a deduction from the equity, and the remaining amount of approximately RMB16.3 million has been or will be reflected in our combined statements of profit or loss and other comprehensive income. Listing expenses of RMB2.8 million and RMB1.5 million were reflected in our combined statements of profit or loss and other comprehensive income for the year ended 31 December 2013 and for the four months ended 30 April 2014, respectively, and approximately RMB12.0 million is expected to be reflected in our combined statements of profit or loss and other comprehensive income after the Track Record Period.

Total listing expenses above are latest practicable estimates for reference only, and the final amount to be recognised may differ from this estimate. Our result of operations for the year ending 31 December 2014 is expected to be adversely affected by the non-recurring listing expenses.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business—Our strategies" in this document for a detailed discussion of our future plans.

USE OF PROCEEDS

The net proceeds from the [REDACTED], after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK$[REDACTED] million, assuming that the Over-allotment Option is not exercised and assuming an [REDACTED] of HK$[REDACTED], being the mid-point of the proposed [REDACTED] range of HK$[REDACTED] to HK$[REDACTED]. We intend to use such net proceeds as follows:

- approximately HK$[REDACTED] million, or [REDACTED]%, for further expansion of our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform, including:

  - approximately HK$[REDACTED] million or [REDACTED]% towards marketing activities for our branded watches in the domestic market to increase our market penetration and enhance the market awareness of our brands, such as increasing our advertising spending, with a focus on television and the internet, as well as placing outdoor advertisements and placing advertisements in traditional media that target different consumer groups as well as participating major sales fairs in the PRC;

  - approximately HK$[REDACTED] million or [REDACTED]% towards developing our on-line retail platform for our branded watches by assisting our distributors with establishing relationships with e-commerce operators on a variety of PRC e-commerce providers; and

  - approximately HK$[REDACTED] million or [REDACTED]% towards international expansion of our sales network, including developing new markets for our products and investing in advertising and promotional materials for such markets, as well as attending trade exhibitions to make further connections with international watch markets.

- approximately HK$[REDACTED] million, or [REDACTED]%, for upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities, including:

  - approximately HK$[REDACTED] million, or [REDACTED]%, towards upgrading our existing watch components production workshops to improve the production and watch assembly environments and addition of workshops and assembly lines at our Ouwosi Plant to expand our production capacity of watch components and

  - approximately HK$[REDACTED] million, or [REDACTED]%, towards addition of more technological advanced machines and equipment to increase automation of our production facilities thus increase production efficiency.

- approximately HK$[REDACTED] million, or [REDACTED]%, for strengthening our core competitiveness by improving our watch design and development capabilities through enhancing the design knowledge of existing design team and recruitment of additional talents as well as establishing mould design and fabrication centre for production of moulds in-house.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range or the Over-allotment Option is exercised.

In the event that the [REDACTED] is set at the high-end of the proposed [REDACTED] range, we estimate that our Company will receive net proceeds of approximately HK$[REDACTED] million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

In the event that the [REDACTED] is set at the low-end of the proposed [REDACTED] range, we estimate that our Company will receive net proceeds of approximately HK$[REDACTED] million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

In the event the Over-allotment Option is exercised in full, we will receive net proceeds HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED], being the high-end of the proposed [REDACTED] range), after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the [REDACTED].

We estimate the net proceeds to the [REDACTED] from the [REDACTED] will be approximately HK$[REDACTED] million (to be received upon the [REDACTED] and assuming the [REDACTED] is fixed at the mid-point of the indicative [REDACTED] range and no exercise of the Over-allotment Option), after deducting the underwriting fees and estimated expenses payable by the [REDACTED] in relation to the [REDACTED]. Our Company will not receive any proceeds from the [REDACTED] in the [REDACTED]. The [REDACTED] will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds of the [REDACTED] are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licenced banks and/or financial institutions in Hong Kong.

UNDERWRITING

SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

[REDACTED]

HONG KONG UNDERWRITERS

Sole Lead Manager
[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

[REDACTED]

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to [REDACTED] by [REDACTED] in Hong Kong on and subject to the terms and conditions of this document and [REDACTED]. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company, for ourselves and on behalf of [REDACTED], agreeing to the final [REDACTED]), the Hong Kong Underwriters have severally agreed to [REDACTED] for their respective applicable proportions of [REDACTED] now being [REDACTED] which are not taken up under the [REDACTED] on the terms and conditions of this document, [REDACTED] and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

[Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

[REDACTED]

In connection with the [REDACTED], it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to [REDACTED] for the [REDACTED] being [REDACTED] pursuant to the [REDACTED].

Our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the [REDACTED] to require our Company to allot and issue up to an aggregate of [REDACTED] additional Shares, representing [REDACTED]% of the initial [REDACTED] in aggregate, at the same price per Share under the [REDACTED] to cover, among other things, over-allocations (if any) in the [REDACTED].

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commissions and expenses

The Hong Kong Underwriters will receive a gross commission of [REDACTED]% of the aggregate [REDACTED] payable for the [REDACTED] initially offered under the [REDACTED]. Assuming an [REDACTED] of HK$[REDACTED], which is the mid-point of the indicative [REDACTED] range, and that the Over-allotment Option is not exercised, it is estimated that the Hong Kong Underwriters will receive a gross underwriting commission of approximately HK$[REDACTED] million. For unsubscribed [REDACTED] reallocated to the [REDACTED], we will pay an underwriting commission at the rate applicable to the [REDACTED] and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in the [REDACTED].

The aggregate underwriting commissions payable to the Underwriters (inclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the [REDACTED], are estimated to be approximately HK$34.8 million (assuming an [REDACTED] of HK$[REDACTED], which is the mid-point of the indicative [REDACTED] range, and that the Over-allotment Option is not exercised) in total of which approximately HK$[REDACTED] has been and shall be borne by us and approximately HK$[REDACTED] million shall be borne by the [REDACTED].

Underwriters' interest in our Group

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

[REDACTED]

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

[●]

The Board of Directors
Time2U International Holding Limited
Cinda International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Time2U International Holding Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014 (the "**Track Record Period**"), and the combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 April 2014 and the statement of financial position of the Company as at 31 December 2012 and 2013 and 30 April 2014 together with the notes thereto (the "**Financial Information**"), and the comparative combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the four months ended 30 April 2013 ("**Unaudited Comparative Financial Information**") prepared on the basis of presentation set out in Note 3 of Section II below, for inclusion in the document of the Company dated [REDACTED] (the "**Document**") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 December 2012. Pursuant to a group reorganisation (the "**Reorganisation**") as more fully explain in the section headed "Reorganisation" from pages 96 to 97 of the Document, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 30 July 2014.

The Company has adopted 31 December as its year end date. No statutory audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

No statutory audited financial statements have been prepared for Speedy Glory Limited since its respective date of incorporation as there are no statutory requirements for Speedy Glory Limited to prepare audited financial statements.

The statutory audited financial statements of Temps de Mode Limited for the period from date of incorporation to 31 December 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.

The statutory financial statements of Hong Kong Jiulongjiu Limited ("**Jiulongjiu**") for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.

The statutory financial statement of Time2U Company Limited ("**Time2U(HK)**") for the period from date of incorporation to 31 December 2013 were prepared in accordance with HKFRSs issued by HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.

No statutory audited financial statements have been prepared for 觸動時刻(廈門)品牌營運有限公司 ("**觸動時刻**") since its respective date of incorporation.

The statutory financial statements of 漳州宏源錶業有限公司 ("**Zhangzhou Hongyuan**") for the year ended 31 December 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the People's Republic of China ("**PRC**") and were audited by 泉州豐澤明華聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of Zhangzhou Hongyuan for the year ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 廈門呈祥源聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of Zhangzhou Hongyuan for the year ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 福州五緣友誠會計師事務所有限公司, certified public accountants registered in the PRC.

The statutory financial statements of 福建省歐沃斯鐘錶精密技術有限公司 ("**Fujian Ouwosi**") for the years ended 31 December 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 泉州豐澤明華聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of Fujian Ouwosi for the year ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 福州五緣友誠會計師事務所有限公司, certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Group, in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Predecessor Companies Ordinance. The Financial Information for each of Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Document, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Listing Rules and the Predecessor Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information of which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 December 2012 and 2013 and 30 April 2014, the combined state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 April 2014 and of the combined results and the combined cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respect, in accordance with accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

		For the year ended 31 December			For the four months ended 30 April	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	7	330,243	460,807	580,446	168,378	215,270
Cost of sales		(228,038)	(312,656)	(391,697)	(115,054)	(142,293)
Gross profit		102,205	148,151	188,749	53,324	72,977
Other income and gain	8	1,771	1,243	1,621	147	800
Selling and distribution expenses		(19,583)	(25,369)	(30,424)	(8,542	(10,770)
Administrative expenses		(16,964)	(36,845)	(30,584)	(10,484)	(9,659)
Share of loss of an associate		—	—	(1,020)	—	(509)
Finance costs	9	(11,564)	(12,762)	(12,727)	(4,765)	(2,902)
Profit before taxation		55,865	74,418	115,615	29,680	49,937
Taxation	10	(14,204)	(22,747)	(30,870)	(7,607)	(12,914)
Profit for the year/period	11	41,661	51,671	84,745	22,073	37,023
Other comprehensive income/(loss) for the year/period, net of tax						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		1,110	1,323	1,308	358	(567)
Other comprehensive income/(loss) for the year/period, net of tax		1,110	1,323	1,308	358	(567)
Total comprehensive income for the year/period		42,771	52,994	86,053	22,431	36,456
Profit/(loss) for the year/period attributable to:						
Owners of the Company		41,661	51,675	85,227	22,240	36,666
Non-controlling interests		—	(4)	(482)	(167)	357
		41,661	51,671	84,745	22,073	37,023

		For the year ended 31 December			For the four months ended 30 April	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Total comprehensive income/ (loss) for the year/period attributable to:						
Owners of the Company		42,771	52,998	86,535	22,597	36,099
Non-controlling interests		—	(4)	(482)	(166)	357
		42,771	52,994	86,053	22,431	36,456
Earnings per share	15					
Attributable to owners of the Company						
Basic and diluted (RMB cents)		0.14	0.17	0.28	0.07	0.12

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

		As at 31 December			As at 30 April
		2011	2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Interests in associates	16	—	—	1,036	500
Property, plant and equipment	17	186,831	195,301	219,109	229,671
Prepaid lease payments	18	14,221	13,894	13,567	13,459
Prepayments for acquisition of property, plant and equipment	21	4,228	5,700	11,424	2
		205,280	214,895	245,136	243,632
Current assets					
Prepaid lease payments	18	327	327	327	327
Inventories	19	79,092	103,173	98,229	88,766
Trade receivables	20	47,682	51,455	100,795	77,245
Deposits, prepayments and other receivables	21	28,024	14,728	15,255	9,525
Pledged bank deposits	22	—	2,741	—	—
Cash and bank balances	22	50,119	78,357	85,551	115,411
		205,244	250,781	300,157	291,274
Liabilities					
Current liabilities					
Trade and bills payables	23	18,562	27,364	24,545	27,773
Accruals and other payables	24	15,863	12,724	22,353	24,432
Derivative financial instruments	25	51	—	—	—
Amount due to a shareholder	26	18,632	13,969	10,477	30,644
Amount due to a related company	26	—	2,660	5,691	64
Income tax payables		5,402	7,537	9,763	4,729
Borrowings	27	194,458	190,872	181,160	119,504
		252,968	255,126	253,989	207,146
Net current (liabilities)/assets		(47,724)	(4,345)	46,168	84,128
Total assets less current liabilities		157,556	210,550	291,304	327,760
Net assets		157,556	210,550	291,304	327,760
Equity					
Share capital	28	11	—	—	—
Reserves	29	157,545	210,554	291,304	310,576
Equity attributable to owners of the Company		157,556	210,554	291,304	310,576
Non-controlling interests	36	—	(4)	—	17,184
Total equity		157,556	210,550	291,304	327,760

The accompanying notes form an integral part of the Financial Information.

Statements of Financial Position

		As at 31 December		As at 30 April
		2012	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Current assets				
Prepayments	21	—	931	1,450
Liabilities				
Current liabilities				
Accruals and other payables	24	—	111	1,471
Amounts due to subsidiaries	26	—	3,882	4,608
Amount due to a shareholder	26	21	21	21
		21	4,014	6,100
Net current liabilities		(21)	(3,083)	(4,650)
Total assets less current liabilities		(21)	(3,083)	(4,650)
Net liabilities		(21)	(3,083)	(4,650)
Equity				
Share capital	28	—	—	—
Reserves	29	(21)	(3,083)	(4,650)
Total equity		(21)	(3,083)	(4,650)

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Changes in Equity

	Attributable to owners of the Company							
	Share capital	**Statutory surplus reserve**	**Foreign currency translation reserve**	**Merger reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* (Note (i))	*RMB'000*	*RMB'000* (Note (ii))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	11	8,533	1,999	25,784	78,458	114,785	—	114,785
Profit for the year	—	—	—	—	41,661	41,661	—	41,661
Other comprehensive income for the year	—	—	1,110	—	—	1,110	—	1,110
Total comprehensive income for the year	—	—	1,110	—	41,661	42,771	—	42,771
Transfer to statutory reserve	—	4,233	—	—	(4,233)	—	—	—
At 31 December 2011 and 1 January 2012	11	12,766	3,109	25,784	115,886	157,556	—	157,556
Profit/(loss) for the year	—	—	—	—	51,675	51,675	(4)	51,671
Other comprehensive income for the year	—	—	1,323	—	—	1,323	—	1,323
Total comprehensive income/(loss) for the year	—	—	1,323	—	51,675	52,998	(4)	52,994
Effect of Reorganisation	(11)	—	—	11	—	—	—	—
Transfer to statutory reserve	—	4,409	—	—	(4,409)	—	—	—
At 31 December 2012 and 1 January 2013	—	17,175	4,432	25,795	163,152	210,554	(4)	210,550
Profit/(loss) for the year	—	—	—	—	85,227	85,227	(482)	84,745
Other comprehensive income for the year	—	—	1,308	—	—	1,308	—	1,308
Total comprehensive income/(loss) for the year	—	—	1,308	—	85,227	86,535	(482)	86,053
Effect of Reorganisation	—	—	—	(5,784)	—	(5,784)	—	(5,784)
Deemed disposal of a subsidiary	—	—	(1)	—	—	(1)	486	485
Transfer to statutory reserve	—	1,568	—	—	(1,568)	—	—	—
At 31 December 2013	—	18,743	5,739	20,011	246,811	291,304	—	291,304

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Statutory surplus reserve** *RMB'000* (Note (i))	**Foreign currency translation reserve** *RMB'000*	**Merger reserve** *RMB'000* (Note (ii))	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2013	—	17,175	4,432	25,795	—	163,152	210,554	(4)	210,550
Profit/(loss) for the period	—	—	—	—	—	22,240	22,240	(167)	22,073
Other comprehensive income for the period	—	—	357	—	—	—	357	1	358
Total comprehensive income/(loss) for the period	—	—	357	—	—	22,240	22,597	(166)	22,431
Effect of Reorganisation	—	—	—	(5,784)	—	—	(5,784)	—	(5,784)
Transfer to statutory reserve	—	304	—	—	—	(304)	—	—	—
At 30 April 2013 (unaudited)	—	17,479	4,789	20,011	—	185,088	227,367	(170)	227,197
At 1 January 2014	—	18,743	5,739	20,011	—	246,811	291,304	—	291,304
Profit for the period	—	—	—	—	—	36,666	36,666	357	37,023
Other comprehensive loss for the period	—	—	(567)	—	—	—	(567)	—	(567)
Total comprehensive (loss)/income for the period	—	—	(567)	—	—	36,666	36,099	357	36,456
Effect of Reorganisation	—	—	—	(20,000)	—	—	(20,000)	—	(20,000)
Changes in ownership interest in a subsidiary	—	—	—	—	3,173	—	3,173	16,827	20,000
Transfer to statutory reserve	—	667	—	—	—	(667)	—	—	—
At 30 April 2014	—	19,410	5,172	11	3,173	282,810	310,576	17,184	327,760

Notes:

(i) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(ii) Merger reserve represents the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under common control upon the Reorganisation as detailed in note 2 above.

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	55,865	74,418	115,615	29,680	49,937
Adjustments for:					
Interest income	(251)	(202)	(384)	(82)	(77)
Finance costs	11,564	12,762	12,727	4,765	2,902
Gain on fair value change of derivative financial instruments	(292)	(324)	—	—	—
Gain on deemed disposal of a subsidiary	—	—	(783)	—	—
Impairment loss recognised in respect of trade receivables	151	71	—	—	—
Impairment loss recognised in respect of other receivables	—	15,289	—	—	—
Depreciation of property, plant and equipment	23,754	28,203	33,331	10,353	12,408
Loss on disposal of property, plant and equipment	—	10	—	—	—
Share of loss of an associate	—	—	1,020	—	509
Amortisation of prepaid lease payments	327	327	327	108	108
Operating cash flows before movements in working capital	91,118	130,554	161,853	44,824	65,787
(Increase)/decrease in inventories	(19,562)	(24,081)	4,944	4,279	9,463
(Increase)/decrease in trade receivables	(9,844)	(3,844)	(49,340)	(16,896)	23,550
(Increase)/decrease in deposits, prepayments and other receivables	(16,574)	(1,993)	(2,449)	(5,098)	5,730
Increase/(decrease) in trade and bills payables	4,472	8,802	(2,819)	7,242	3,228
Increase/(decrease) in accruals and other payables	6,021	(3,139)	13,902	6,497	1,945
Increase in derivative financial instruments	343	273	—	—	—

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from operations	55,974	106,572	126,091	40,848	109,703
PRC income tax paid	(12,761)	(20,612)	(28,644)	(13,079)	(17,948)
Net cash generated from operating activities	43,213	85,960	97,447	27,769	91,755
Investing activities					
Interest received	251	202	384	82	77
Investment in associates	—	—	(3,390)	—	—
Advance from an associate	—	—	980	—	27
Prepayments for acquisition of property, plant and equipment	(4,228)	(5,700)	(11,424)	(4,896)	(2)
(Increase)/decrease in pledged bank deposit	—	(2,741)	2,741	2,741	—
Purchase of property, plant and equipment	(39,996)	(32,455)	(51,708)	(7,351)	(11,546)
Proceeds of partial disposal of interest of a subsidiary	—	—	—	—	20,000
Net cash outflows of deemed disposal of subsidiaries	—	—	(754)	—	—
Net cash (used in)/generated from investing activities	(43,973)	(40,694)	(63,171)	(9,424)	8,556
Financing activities					
Interest paid	(11,564)	(12,762)	(12,430)	(4,765)	(2,768)
Proceeds from borrowings	259,985	264,077	263,057	82,315	24,407
Repayment of borrowings	(229,290)	(267,557)	(272,411)	(66,661)	(86,188)
Advance from/(repayment to) a related company	—	2,660	(2,753)	(2,664)	(5,627)
Advance from non-controlling interests	—	—	—	2,650	—
(Repayment to)/advance from a shareholder	(2,052)	(4,663)	(3,115)	440	—
Net cash generated from/(used in) financing activities	17,079	(18,245)	(27,652)	11,315	(70,176)
Net increase in cash and cash equivalents	16,319	27,021	6,624	29,660	30,135

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash and cash equivalents at the beginning of the year/period	33,919	50,119	78,357	78,357	85,551
Effect of exchange rate changes	(119)	1,217	570	221	(275)
Cash and cash equivalents at the end of the year/period	50,119	78,357	85,551	108,238	115,411

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in Cayman Island on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 9/F, ICBC Asia Building, 122 Queen's Road Central, Central, Hong Kong.

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches.

2. REORGANISATION

The Group underwent the Reorganisation to rationalise the Group's structure in preparation for the listing (the "Listing") and the Company became the holding company of the Group. The Reorganisation included the following principal steps:

(1) Incorporation of Speedy Glory Limited ("Speedy Glory")

Speedy Glory was incorporated in the BVI to act as an intermediate holding company of our Group on 4 July 2012 and was authorised to issue a maximum of 50,000 shares with no par value.

On 15 November 2012, one share of Speedy Glory was subscribed by Visual Wise Limited ("**Visual Wise**") at a subscription price of US$1.00.

(2) Incorporation of the Company

The Company was incorporated as an exempted company in the Cayman Islands on 3 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, one share was subscribed at par value by NovaSage Incorporations (Cayman) Limited, an independent third party, and was transferred at par to Visual Wise on the same date.

On 3 December 2012, our Company acquired from Visual Wise the one issued share of Speedy Glory in consideration of and exchange for which the Company allotted and issued, credited as fully paid, one share to Visual Wise.

Upon completion of the above step, the Company became the sole shareholder of Speedy Glory.

(3) Incorporation of Time2U(HK)

Time2U(HK) was incorporated in Hong Kong on 7 December 2012. On the same date, one share of Time2U(HK) was subscribed at par value of HK$1.00 by Speedy Glory.

(4) Acquisition of Zhangzhou Hongyuan by Time2U(HK)

On 7 March 2013, Jiulongjiu and Fujian Hongbang Electronics Co., Ltd. ("**Hongbang Electronics**") entered into an equity transfer agreement with Time2U(HK). Pursuant to the agreement, Jiulongjiu and Hongbang Electronics, each holding 80.72% and 19.28% equity interest in Zhangzhou Hongyuan, respectively, transferred their respective interest in Zhangzhou Hongyuan to Time2U(HK) for cash consideration of RMB24,215,000 and RMB5,785,000, respectively, representing the respective registered capital transferred. The consideration was settled on 13 March 2014. The transfer was approved by the competent PRC government authority on 3 April 2013, registered by the competent PRC government authority on 17 April 2013. A supplemental agreement was subsequently entered into between Hongbang Electronics, Jiulongjiu and Time2U(HK) on 26 March 2014, under which Hongbang Electronics and Jiulongjiu agreed to accept an equivalent amount in Hong Kong dollars to settle Time2U(HK)'s consideration. As advised by the PRC legal advisers, the acquisition of Zhangzhou Hongyuan by Time2U(HK) was properly and legally completed.

(5) Acquisition of Fujian Ouwosi by Zhangzhou Hongyuan

On 19 February 2014, Mr. Lin Zhiqiang ("**Mr. Lin**") and Zhangzhou Hongyuan entered into an equity transfer agreement, under which Mr. Lin transferred the entire equity interest in Fujian Ouwosi to Zhangzhou Hongyuan at a cash consideration of RMB20,000,000, representing the entire registered capital of Fujian Ouwosi. The consideration was settled on 17 June 2014. The transfer was registered by the competent PRC government authority in the PRC on 24 February 2014. As advised by the PRC legal advisers, the acquisition of Fujian Ouwosi by Zhangzhou Hongyuan was properly and legally completed.

(6) Acquisition of Jiulongjiu by Speedy Glory

On 30 July 2014, Mr. Lin, Ms. Yan Xiaotong ("**Ms. Yan**") and Speedy Glory entered into a share purchase agreement, pursuant to which Speedy Glory acquired all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2. The acquisition of Jiulongjiu was completed on the same date.

Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group. For details, please refer to Note 36.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information and has been prepared under the historical cost convention and using the merger basis of accounting as if the Group had always been in existence as further explained below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by disclosure requirements of the Predecessor Companies Ordinance.

For the purpose of preparing the Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group during the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

Application of new and revised standards, amendments and interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]

[1] effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

[2] no mandatory effective date yet determined but is available for adoption

[3] effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

[4] effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The management is in the process of assessing their potential impact on the results and financial position of the Group.

Basis of presentation

The Financial Information is presented in RMB, rounded to the nearest thousand except when otherwise indicated, which is the presentation currency of the Company.

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

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

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

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

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Investments in associates

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 over those policies.

The results and assets and liabilities of associates are incorporated in these combined financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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 in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value

in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's combined financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined statement of profit or loss and other comprehensive income as follows:

(i) ***Sales of goods***

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) ***Interest income***

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing

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 Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the Financial Information of each individual group entities, transactions in currencies other than that entity's foreign currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At the end of each 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 at 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 monetary items are recognised in profit or loss in the Track Record Period in which they arise except for:

- Exchange differences on foreign currency borrowings relating 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.

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is nether 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 reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these combined Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

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 involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), 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.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are

required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

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 Track Record Period. Taxable profit differs from profit as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 realised, based on tax rates (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

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.

The estimated useful lives for the current and comparative periods are as follows:

Building	20 years
Furniture and office equipment	3 – 6 years
Plant and machinery	8 – 10 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, prepayment and other receivables, pledged bank deposits and cash and bank balance) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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

Classification as debt or equity

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including trade and bills payables, accruals and other payables, amount due to a shareholder, amount due to a related company and borrowings) are subsequently measured at amortised cost using the effective interest method.

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 other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

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

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

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

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

(g) a person identified in (i)(a) 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).

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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, management is 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. 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. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(b) Impairment of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed.

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(d) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and bank balances)				
- Trade receivables	47,682	51,455	100,795	77,245
- Other receivables	15,659	407	410	365
- Pledged bank deposits	—	2,741	—	—
- Cash and bank balances	50,119	78,357	85,551	115,411
Financial liabilities				
Derivative financial instruments				
- Forward contract	51	—	—	—
Amortised cost				
- Trade and bills payables	18,562	27,364	24,545	27,773
- Other payables	3,754	4,837	3,644	7,005
- Amount due to a shareholder	18,632	13,969	10,477	30,644
- Amount due to a related company	—	2,660	5,691	64
- Borrowings	194,458	190,872	181,160	119,504

The Company

	As at 31 December		As at 30 April
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Amortised cost			
- Amounts due to subsidiaries	—	3,882	4,608
- Amount due to a shareholder	21	21	21

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, cash and bank balances, derivative financial instruments, trade and bills payables, other payables, amount due to a shareholder, amount due to a related company and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 46.1% and 46.8%, 36.7% and 43.3% as at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively of the trade receivables and the largest trade receivable was approximately 10.8% and 14.4%, 9.2% and 14.0% of the Group's total trade receivables.

The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the Group has no significant concentration of credit risk in relation to deposits with bank.

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (Note 27). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease throughout the Track Record Period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2011, 2012 and 2013 and for the period ended 30 April 2014 would decrease/increase by approximately RMB972,000, RMB954,000, RMB906,000 and RMB598,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign

exchange risks. The Group periodically reviewliquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities				**Assets**			
	As at 31 December			**As at 30 April**	**As at 31 December**			**As at 30 April**
	2011	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
USD	17,173	16,450	28,100	12,522	11,595	2,582	6,698	9,197

The foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD.

The following table details the Group's sensitivity to a 5% (2011: 5%, 2012: 5% and 2013: 5% and April 2014: 5%) increase and decrease in RMB against USD. 5% (2011: 5%, 2012: 5% and 2013: 5% and April 2014: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The Group's sensitivity to foreign currency has changed during the Track Record Period mainly due to the change of the position of foreign currency denominated monetary net liabilities. If RMB strengthen 5% against USD whiles a positive number below indicates an increase in profit, there would be an equal and opposite impact on the profit as those referred to in the table below:

	Impact of USD			
				For the four months ended
	For the year ended 31 December			**30 April**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sensitivity rate	5%	5%	5%	5%
Profit or loss	279	693	1,070	166

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011						
Derivative financial liabilities						
Forward contract	—	51	—	—	51	51
Non-derivative financial liabilities						
Trade and bills payables	—	18,562	—	—	18,562	18,562
Other payables	—	3,754	—	—	3,754	3,754
Amount due to a shareholder	—	18,632	—	—	18,632	18,632
Borrowings	7.12	194,458	—	—	194,458	194,458
		235,406	—	—	235,406	235,406

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012						
Non-derivative financial liabilities						
Trade and bills payables	—	27,364	—	—	27,364	27,364
Other payables	—	4,837	—	—	4,837	4,837
Amount due to a shareholder	—	13,969	—	—	13,969	13,969
Amount due to a related company		2,660	—	—	2,660	2,660
Borrowings	6.62	190,872	—	—	190,872	190,872
		239,702	—	—	239,702	239,702
As at 31 December 2013						
Non-derivative financial liabilities						
Trade and bills payables	—	24,545	—	—	24,545	24,545
Other payables	—	3,644	—	—	3,644	3,644
Amount due to a shareholder	—	10,477	—	—	10,477	10,477
Amount due to a related company		5,691	—	—	5,691	5,691
Borrowings	6.08	181,160	—	—	181,160	181,160
		225,517	—	—	225,517	225,517
As at 30 April 2014						
Non-derivative financial liabilities						
Trade and bills payables	—	27,773	—	—	27,773	27,773
Other payables	—	7,005	—	—	7,005	7,005
Amount due to a shareholder	—	30,644	—	—	30,644	30,644
Amount due to a related company	—	64	—	—	64	64
Borrowings	5.78	119,504	—	—	119,504	119,504
		184,990	—	—	184,990	184,990

The Company

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012						
Non-derivative financial liabilities						
Amount due to a shareholder	—	21	—	—	21	21
As at 31 December 2013						
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	3,882	—	—	3,882	3,882
Amount due to a shareholder	—	21	—	—	21	21
		3,903	—	—	3,903	3,903
As at 30 April 2014						
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	4,608	—	—	4,608	4,608
Amount due to a shareholder	—	21	—	—	21	21
		4,629	—	—	4,629	4,629

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement 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 input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (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 assets or liability that are not based on observable market data (unobservable inputs).

	Fair value as at	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Foreign currency forward contracts classified as derivative financial instrument in the combined statements of financial position (note 25)	Liabilities- 31 December 2011 - RMB51,000 31 December 2012 - Nil 31 December 2013 - Nil 30 April 2014 - Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfer between Level 1 and Level 2 during the Track Record Period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt (borrowings, amount due to a related company and amount due to a shareholder), cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings (Note (a))	213,090	207,501	197,328	150,212
Total equity	157,556	210,550	291,304	327,760
Gearing ratio	135%	99%	68%	46%

Note:

(a) Total borrowings represented by amount due to a shareholder, amount due to a related company and borrowings as set out in Notes 26 and 27.

6. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Turnover from major products

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Branded watches:					
Time2U Watch	58,154	95,024	105,934	39,151	33,275
Color Watch	—	31,782	112,305	24,915	51,042
Jonquet Watch	16,938	29,093	48,942	14,387	18,571
OEM watches	255,151	292,243	302,386	85,626	110,879
Third-party watches	—	12,665	10,879	4,299	1,503
	330,243	460,807	580,446	168,378	215,270

Geographical information

The Group's operations and non-current assets are located in the PRC. The Group's revenue from external customers based on the location of the customers is detailed as below:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
The PRC	196,388	340,041	507,223	155,152	169,445
Asia (excluding the PRC)	70,112	81,243	31,859	4,706	15,498
America	26,080	23,192	16,011	1,515	2,102
Europe	37,202	16,216	25,217	7,005	28,065
Africa	180	78	109	—	133
Oceania	281	37	27	—	27
	330,243	460,807	580,446	168,378	215,270

Information about major customers

Revenue from customers contributing over 10% of total sales of the Group during the Track Record Period are as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Customer A	38,318	—	—	—	—
Customer B	—	—	61,135	—	22,554

7. REVENUE

	For year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Branded watches	75,092	155,899	267,181	78,453	102,888
OEM watches	255,151	292,243	302,386	85,626	110,879
Third-party watches	—	12,665	10,879	4,299	1,503
	330,243	460,807	580,446	168,378	215,270

8. OTHER INCOME AND GAIN

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest income	251	202	384	82	77
Sale of scrap material	—	164	99	—	33
Gain on fair value change of derivative financial instruments	292	324	—	—	—
Sundry income	2	13	11	—	—
Government grant	1,226	540	344	65	690
Gain on deemed disposal of a subsidiary (Note 31)	—	—	783	—	—
	1,771	1,243	1,621	147	800

9. FINANCE COSTS

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on borrowings wholly repayable within five years	11,564	12,762	12,727	4,765	2,902

10. TAXATION

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Income tax expense	14,204	22,747	30,870	7,607	12,914

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the Track Record Period.

The PRC

The PRC Enterprise Income Tax ("**PRC EIT**") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

The taxation charge for the year/period can be reconciled to the profit before taxation per combined statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	55,865	74,418	115,615	29,680	49,937
Tax at the application income tax rate	13,966	18,605	28,904	7,420	12,484
Effect of different tax rate in other countries	4	9	518	64	227
Tax effect of income not taxable for tax purpose	—	—	(189)	—	—
Tax effect of expenses not deductible for tax purpose	139	3,903	1,098	123	119
Share of tax effect of associate	—	—	227	—	84
Under provision in previous year	95	230	312	—	—
Taxation for the year/period	14,204	22,747	30,870	7,607	12,914

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries located in the PRC for which deferred tax liabilities have not been recognised were approximately RMB118,241,000, RMB181,154,000, RMB270,945,000, RMB314,415,000 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR/PERIOD

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Directors' emoluments (Note 12)	386	523	507	162	171
Other staff costs:					
Salaries and other benefits	27,088	33,857	44,462	11,836	16,383
Retirement benefits scheme contributions	3,529	4,405	6,270	1,716	2,760
	30,617	38,262	50,732	13,552	19,143
Advertising expense	5,596	7,786	9,197	1,260	2,096
Auditors' remuneration	6	10	56	—	—
Amortisation of prepaid lease payments	327	327	327	108	108
Cost of inventories recognised as expenses	228,038	312,656	391,697	115,054	142,293
Depreciation of property, plant and equipment	23,754	28,203	33,331	10,353	12,408
Loss on disposal of property, plant and equipment	—	10	—	—	—
Operating lease rental expenses in respect of rented premises	—	—	149	26	24
Impairment loss recognised in respect of trade receivables	151	71	—	—	—
Impairment loss recognised in respect of other receivables	—	15,289	—	—	—
Research and development	2,497	4,658	2,590	1,786	734

12. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Predecessor Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Directors' fees	—	—	—	—	—
Salaries, allowances and benefits in kind	378	511	492	156	165
Discretionary bonus	—	—	—	—	—
Retirement schemes contributions	8	12	15	6	6
	386	523	507	162	171

Details for the emoluments of each directors of the Company during the Track Record Period are as follows:

	For the year ended 31 December 2011				
	Directors' fees	**Salaries, allowances, and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin (Note a)	—	213	—	4	217
Ms. Yan (Note a)	—	165	—	4	169
	—	378	—	8	386

	For the year ended 31 December 2012				
	Directors' fees	**Salaries, allowances, and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin (Note a)	—	213	—	4	217
Ms. Yan (Note a)	—	165	—	4	169
Dang Shuguo (Note b)	—	133	—	4	137
	—	511	—	12	523

	For the year ended 31 December 2013				
	Directors' fees	**Salaries, allowances, and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin (Note a)	—	207	—	5	212
Ms. Yan (Note a)	—	159	—	5	164
Dang Shuguo (Note b)	—	126	—	5	131
	—	492	—	15	507

	For the four months ended 30 April 2013 (unaudited)				
	Directors' fees	**Salaries, allowances, and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin (Note a)	—	66	—	2	68
Ms. Yan (Note a)	—	50	—	2	52
Dang Shuguo (Note b)	—	40	—	2	42
	—	156	—	6	162

	For the four months ended 30 April 2014				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin (Note a)	—	67	—	2	69
Ms. Yan (Note a)	—	54	—	2	56
Dang Shuguo (Note b)	—	44	—	2	46
	—	165	—	6	171

Notes:

a) Mr. Lin and Ms. Yan were the directors of Zhangzhou Hongyuan during the Track Record Period and appointed as Executive Directors of the Company in July 2014.

b) Mr. Dang Shuguo was the director of Zhangzhou Hongyuan during the Track Record Period and appointed as Executive Directors of the Company in July 2014.

During the Track Record Period, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group on as compensation for loss of office. There were no arrangement under which a director waived on agreed to waived any emoluments during the Track Record Period.

13. EMPLOYEES EMOLUMENTS

Five highest paid employees

The five highest paid employees of the Group included 2, 3, 3, 3 and 3 directors for the years ended 31 December 2011, 2012 and 2013, periods ended 30 April 2013 and 2014 respectively. The emoluments of the remaining individuals are analysed as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Director	386	523	507	162	171
Non-director	334	230	860	233	315
	720	753	1,367	395	486

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	323	222	845	230	307
Discretionary bonus	—	—	—	—	—
Retirement scheme contributions	11	8	15	3	8
	334	230	860	233	315

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Nil to HK$1,000,000	3	2	2	2	2

Senior management of the Group

The number of the senior management of the Group are within the following band:

	For the year ended 31 December			For the four months ended 30 April	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Nil to HK$1,000,000	4	4	4	4	4

During the Track Record Period, no emoluments were paid by the Group to the non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the Track Record Period.

14. DIVIDENDS

No dividend has been paid or declared during the Track Record Period.

15. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumption that the proposed [REDACTED] ordinary shares in issue, comprising 96,370 shares in issue as at the date of the Document and [REDACTED] shares to be issued pursuant to the capitalisation issue as detailed in the section headed ''Share Capital'' set out in the Document, as if the shares as there were outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the Track Record Period.

16. INTERESTS IN ASSOCIATES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an associate, unlisted in Hong Kong	—	—	3,036	3,036
Share of post-acquisition loss and other comprehensive loss, net of dividend receivable	—	—	(1,020)	(1,529)
	—	—	2,016	1,507
Amount due to an associate	—	—	(980)	(1,007)
	—	—	1,036	500

As at 31 December 2013 and 30 April 2014, the Group had interest in the following associate:

Name of the entity	**Place of incorporation/ registration and operation**	**Issued and paid up capital**	**Proportion of registered capital held by the Group**	**Proportion of voting power held**	**Principal activities**
Temps de Mode Limited	Hong Kong	HK$1,000	30%	30%	Investment holding

The summarised financial information in respect of the associate is set out below:

	As at 31 December 2013 *RMB'000*	As at 30 April 2014 *RMB'000*
Current assets	7,925	6,405
Non-current assets	291	271
Current liabilities	(1,497)	(1,653)
Non-current liabilities	—	—

	For the year ended 31 December 2013 *RMB'000*	For the four months ended 30 April 2014 *RMB'000*
Revenue	—	—
Loss for the year/period	(3,386)	(1,672)
Other comprehensive loss for the year/period	(14)	(27)
Total comprehensive loss for the year/period	(3,400)	(1,699)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the combined financial statements is as follows:

	For the year ended 31 December 2013 *RMB'000*	For the four months ended 30 April 2014 *RMB'000*
Net assets of associate	6,719	5,023
Proportion of the Group's ownership interests in associates	30%	30%
Carrying amount of the Group's interests in associates	2,016	1,507

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building	Furniture, and office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
As at 1 January 2011	61,662	2,765	171,193	2,395	238,015
Additions	—	381	42,300	—	42,681
Exchange realignment	—	(6)	—	—	(6)
As at 1 December 2011 and 1 January 2012	61,662	3,140	213,493	2,395	280,690
Additions	—	162	36,400	121	36,683
Disposals	—	(132)	—	—	(132)
As at 31 December 2012 and 1 January 2013	61,662	3,170	249,893	2,516	317,241
Additions	—	1,804	55,604	—	57,408
Deemed disposal of a subsidiary	—	(317)	—	—	(317)
As at 31 December 2013 and 1 January 2014	61,662	4,657	305,497	2,516	374,332
Additions	—	14	22,956	—	22,970
As at 30 April 2014	61,662	4,671	328,453	2,516	397,302
Accumulated depreciation					
As at 1 January 2011	10,881	2,130	55,624	1,475	70,110
Charge for the year	2,929	245	20,324	256	23,754
Exchange realignment	—	(5)	—	—	(5)
As at 31 December 2011 and 1 January 2012	13,810	2,370	75,948	1,731	93,859
Charge for the year	2,929	254	24,753	267	28,203
Disposals	—	(122)	—	—	(122)
As at 31 December 2012 and 1 January 2013	16,739	2,502	100,701	1,998	121,940
Charge for the year	2,929	495	29,686	221	33,331
Deemed disposal of a subsidiary	—	(48)	—	—	(48)

	Building	Furniture, and office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013 and 1 January 2014	19,668	2,949	130,387	2,219	155,223
Charge for the period	976	163	11,196	73	12,408
As at 30 April 2014	20,644	3,112	141,583	2,292	167,631
Net book values					
As at 30 April 2014	41,018	1,559	186,870	224	229,671
As at 31 December 2013	41,994	1,708	175,110	297	219,109
As at 31 December 2012	44,923	668	149,192	518	195,301
As at 31 December 2011	47,852	770	137,545	664	186,831

Details of property, plant and equipment pledged are set out in Note 33.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the Group had been applying for the relevant certificates in respect of the buildings of approximately RMB315,000, RMB263,000, RMB211,000 and RMB193,000, respectively erected on the land included under the building owned by the Group. Subsequent to the end of the reporting period, the Group has obtained the relevant certificates.

18. PREPAID LEASE PAYMENTS

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purposes as:				
Current assets	327	327	327	327
Non-current assets	14,221	13,894	13,567	13,459
	14,548	14,221	13,894	13,786

The prepaid lease payments are land use rights located in the PRC which are under medium lease.

The Group's prepaid lease payments amounts the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, prepaid lease payments for land use rights of approximately RMB14,548,000, RMB14,221,000 ,RMB13,894,000 and nil respectively have been pledged as security credit facilities granted to the bank.

19. INVENTORIES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw material	58,477	74,649	60,612	50,284
Work in progress	9,577	11,474	19,088	19,774
Finished goods	11,038	17,050	18,529	18,708
	79,092	103,173	98,229	88,766

20. TRADE RECEIVABLES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	47,682	51,455	100,795	77,245

The Group generally allows credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	23,571	36,634	63,369	49,365
31 to 60 days	13,645	10,793	36,293	27,324
61 to 90 days	6,057	583	682	110
91 to 180 days	3,615	3,069	16	72
Over 180 days	794	376	435	374
	47,682	51,455	100,795	77,245

Movement in the impairment loss of trade receivables is as follow:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	—	—	—	—
Impairment loss recognised on trade receivables	151	71	—	—
Amount written off as uncollectable	(151)	(71)	—	—
Balance at end of the year/period	—	—	—	—

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately RMB18,741,000, RMB5,941,000, RMB2,111,000 and RMB7,843,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Overdue by:				
0 to 30 days	11,340	1,993	856	5,097
Over 30 days	7,401	3,948	1,255	2,746
	18,741	5,941	2,111	7,843

Impaired trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

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

The Group's bank borrowings consists of loan amounted to approximately RMB22,300,000, RMB24,555,000, RMB29,348,000 and RMB10,889,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively are secured by the trade receivables of the Group with carrying amount of approximately RMB2,950,000, RMB707,000, RMB1,366,000 and RMB495,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and prepayments (Note)	16,593	20,021	26,269	9,162
Other receivables	15,659	407	410	365
	32,252	20,428	26,679	9,527
Less: prepayments for acquisition of property, plant and equipment which classified as non-current assets	(4,228)	(5,700)	(11,424)	(2)
	28,024	14,728	15,255	9,525

Note: Included in deposits and prepayments, approximately RMB12,040,000, RMB12,686,000, RMB9,223,000 and RMB4,621,000 represented the prepayments for purchase of inventories as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

Movement in the impairment loss of other receivables is as follow:

	For the year ended 31 December			For the four months ended 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	—	—	—	—
Impairment losses recognised on other receivables	—	15,289	—	—
Amount written off as uncollectable	—	(15,289)	—	—
Balance at end of the year/period	—	—	—	—

The Company

	As at 31 December		As at 30 April
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	931	1,450

22. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

The Group

Cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.5%, 0.01% to 0.39%, 0.01% to 0.39% and 0.01% to 0.39% per annum as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

Included in the cash and bank balances as at 31 December 2011, 2012 and 2013 and 30 April 2014 were amounts in RMB of approximately RMB48,574,000, RMB77,928,000 and RMB80,926,000 and RMB113,597,000 which were not freely convertible into other currencies.

As at 31 December 2012, bank deposits of the Group of approximately RMB2,741,000 are pledged as collateral for bills payables.

23. TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (Note a)	18,562	24,023	24,545	27,173
Bills payables (Note b)	—	3,341	—	600
	18,562	27,364	24,545	27,773

Notes:

(a) The average credit period on purchase of goods is 0 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	17,419	23,590	24,537	25,279
31 to 60 days	402	327	—	1,820
61 to 90 days	49	96	—	66
91 to 180 days	—	—	—	—
Over 180 days	692	10	8	8
	18,562	24,023	24,545	27,173

(b) Bills payables are all mature within 180 days.

24. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	3,765	4,902	7,471	7,793
Value-added tax payables	779	1,531	4,459	3,345
Receipt in advance	7,565	1,454	6,779	6,289
Payables for purchase of property, plant and equipment	2,685	4,237	2,931	6,142
Other payables	1,069	600	713	863
	15,863	12,724	22,353	24,432

The Company

	As at 31 December		As at 30 April
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Accruals	—	111	1,471

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at 31 December			As at 30 April
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial liabilities				
Forward contract	51	—	—	—

As at 31 December 2011, the Group had the foreign exchange forward contracts with carrying amount of approximately with RMB51,000 (2012 & 2013 & April 2014: Nil) in relation to foreign currency sales.

Major terms of these contracts are as follows:

Nature	Notional amount	Maturity	Exchange rate
Sell	USD 400,000	28 February 2012	USD 1 to RMB 6.3561
Sell	USD 600,000	17 February 2012	USD 1 to RMB 6.3598
Sell	USD 1,000,000	20 January 2012	USD 1 to RMB 6.3636

During the Track Record Period, fair value gain of approximately RMB292,000, RMB324,000, nil, nil and nil has been recognised in profit or loss for the years ended 31 December 2011, 2012 and 2013, periods ended 30 April 2013 and 2014 respectively.

26. AMOUNTS DUE TO A SHAREHOLDER/A RELATED COMPANY/SUBSIDIARIES

The Group and the Company

The amounts due to a shareholder/a related company/subsidiaries were unsecured, interest free and repayable on demand. The directors of the Company represented the amounts due to a shareholder and a related company will be settled prior to [REDACTED].

27. BORROWINGS

The Group

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings (Note a)	194,458	190,872	168,348	100,289
Loan from third party (Note d)	—	—	12,812	19,215
	194,458	190,872	181,160	119,504
Carrying amount repayable (Note e):				
- within one year	194,458	190,872	168,348	100,289
- more than 1 year but within 2 years	—	—	—	—
- more than 2 years but within 5 years	—	—	12,812	19,215
- over than 5 years	—	—	—	—
	194,458	190,872	181,160	119,504
Less: Amount classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause	(194,458)	(190,872)	(181,160)	(119,504)
Amount classified as non-current liabilities	—	—	—	—

Notes:

a) The bank borrowings of the Group as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively were secured by:

(i) personal guarantee provided by the directors of the Company, Mr. Lin and Ms. Yan and close family member of the directors of the Company;

(ii) pledge of properties owned by the director of the Company, Ms. Yan;

(iii) pledge of saving deposits of the directors of the Company, Mr. Lin and Ms. Yan;

(iv) pledge of saving deposits of the independent third parties;

(v) corporate guarantee provided by certain subsidiaries of Group;

(vi) corporate guarantee provided by Hongbang Electronics, a related company, and pledge of the properties owned by the related company;

(vii) personal guarantee provided by independent third parties;

(viii) corporate guarantee provided by independent third parties;

(ix) pledge of properties owned by independent third parties;

(x) pledge of the Group's leasehold land with carrying amount of approximately RMB14,548,000, RMB14,221,000, RMB13,894,000 and nil as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively;

(xi) pledge of the Group's building with carrying amount of approximately RMB46,113,000, RMB43,343,000, RMB40,573,000 and nil as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively;

(xii) pledge of the Group's plant and machinery with carrying amount of approximately RMB18,338,000, RMB6,409,000, RMB4,477,000 and RMB4,183,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively;

(xiii) pledge of the Group's trade receivables with aggregate values of approximately RMB2,950,000, RMB707,000, RMB1,366,000 and RMB495,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

b) The secured bank borrowings of the Group with financial institutions amounted to approximately RMB194,458,000, RMB190,872,000, RMB168,348,000 and RMB100,289,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively, carried interest ranging from 4.2% to 9.2% per annum, 1.6% to 8.9% per annum, 2.9% to 7.8% per annum and 5.3% to 8.4% per annum for the years ended 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

c) The directors of the Company represented such guarantee and pledge as mentioned above in notes (a)(i), (ii), (iii), (iv), (vi), (vii), (viii) and (ix) will be released upon Listing.

d) The loan of the Group borrowed from an independent third party amounted to approximately RMB12,812,000 and RMB19,215,000 as at 31 December 2013 and 30 April 2014 respectively, carried interest at 1% per annum. The directors of the Company represented such loan from independent third party will be settled prior [REDACTED].

e) The amounts due are based on the scheduled repayment dates.

28. SHARE CAPITAL

The Company

The Company was incorporated in the Cayman Island under the Companies Law as an exempted company with limited liability on 3 December 2012, with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

The Group

For the purpose of the presentation of the combined statements of financial position, the balance of share capital of the Group as at 31 December 2011 represents the issued share capital of Jiulongjiu, prior to the completion of Reorganisation. As at 31 December 2012 and 2013 and 30 April 2013, the share capital of the Group represents the issued share capital of the Company, prior to the completion of Reorganisation.

29. RESERVES

The Company

	Accumulated loss *RMB'000*
As at 3 December 2012 (the date of incorporation)	—
Loss for the period	(21)
As at 31 December 2012 and 1 January 2013	(21)
Loss for the year	(3,062)
As at 31 December 2013 and 1 January 2014	(3,083)
Loss for the period	(1,567)
As at 30 April 2014	(4,650)

The Group

The movement in reserves of the Group during the Track Record Period was shown in the combined statements of changes in equity from pages I-9 to I-10.

30. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

31. DEEMED DISPOSAL OF A SUBSIDIARY

On 29 July 2013, the Group injected capital into Temps De Mode Limited ("Temps de Mode") amounting to approximately HK$4,267,000 (equivalent to RMB3,390,000 ("Consideration")) and to be satisfied by setting off an equivalent amount from loan own by Temps de Mode to the Group, which had therefore reduced the related equity interest holding of Temps de Mode by the Group from 70% to 30%. From 29 July 2013 onward, Temps de Mode become an associate of the Group and accounted for using equity method in the combined financial statements instead of a full scope of consolidation. The Group recognised as deemed disposal as follow.

Analysis of asset and liabilities over which control was lost

Current assets	
Cash and cash equivalents	754
Receivables	1,922
Non-current assets	
Property, plant and equipment	269
Current liabilities	
Payables	(4,567)
Net liabilities disposed of	(1,622)

Gain on deemed disposal of a subsidiary

Consideration	(3,390)
Net liabilities disposed of	1,622
Non-controlling interests	(486)
Release of foreign currency translation reserve	1
Transfer to interests in associates	3,036
Gain on deemed disposal of Temps de Mode	783

Net cash inflow on deemed disposal of a subsidiary

	For the year ended 31 December 2013 *RMB'000*
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalents balance disposed of	(754)
	(754)

32. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the period ended 30 April 2014, the Group acquired and disposed part of its interest in Fujian Ouwosi. The Group disposed an aggregate 20% interest in Fujian Ouwosi for the cash consideration of RMB20,000,000 which decreasing the ownership interests from 100% to 80%. The Group recognised an increase in non-controlling interests of approximately RMB16,827,000 and an increase in other reserve of approximately RMB3,173,000.

33. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	As at 31 December			As at 30 April
	2011 *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*
Building	46,113	43,343	40,573	—
Prepaid lease payments	14,548	14,221	13,894	—
Plant and machinery	18,338	6,409	4,477	4,183
Pledged bank deposits	—	2,741	—	—
Trade receivables	2,950	707	1,366	495
	81,949	67,421	60,310	4,678

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of three years. Rentals are fixed at the date of signing of lease agreement. At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	90	90	766	766
In the second to fifth year inclusive	—	180	766	511
	90	270	1,532	1,277

35. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in Notes 12, 26 and 27 in the Financial Information, the Group had also entered into the following related party transactions during the Track Record Period:

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the Track Record Period is set out in Note 12.

(b) Transaction with related parties

	For the year ended 31 December			For the four months ended 30 April
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rental expense paid to a related company:				
Hongbang Electronics *(note (i))*	90	90	766	255
Administrative expense paid to a related company:				
Temps de Mode *(note (ii))*	—	—	36	24

Note:

(i) Mr. Lin and Ms. Yan are the common shareholders of the Company and Hongbang Electronics and Mr. Lin was a director of Hongbang Electronics until 7 March 2013.

(ii) The related company is an associate of the Group.

During the years ended 31 December 2011 and 2012, the rental expenses paid to a related company, Hongbang Electronics, were below the market price.

36. SUBSIDIARIES

(a) Upon the completion of the Reorganisation, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued/ paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Directly held: Speedy Glory (note (a))	The British Virgin Islands ("BVI") 4 July 2012	US$1.00	100%	—	Investment holding
Indirectly held: Time2U(HK) (note (b))	Hong Kong 7 December 2012	HK$1.00	—	100%	Investment holding
Jiulongjiu (note (c))	Hong Kong 10 September 2004	HK$10,000	—	100%	Investment holding
Zhangzhou Hongyuan (note (d))	PRC 29 December 1994	RMB30,000,000	—	100%	Manufacturing and trading of watches
Fujian Ouwosi (note (e))	PRC 27 March 2006	RMB25,000,000	—	80%	Manufacturing and trading of watches
Temps de Mode (note (f))	Hong Kong 24 August 2012	HK$100	—	30%	Investment holding

As at the date of this report, no audited financial statement has been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

(a) No statutory audited financial statements have been prepared since its respective date of incorporation as there are no statutory requirements to prepare audited financial statements.

(b) The statutory financial statement for the period from the date of incorporation to 31 December 2013 were prepared in accordance with HKFRSs issued by HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.

(c) The statutory financial statements for the years ended 31 December 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were

audited by 泉州豐澤明華聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 厦門呈祥源聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 福州五緣友誠會計師事務所有限公司, certified public accountants registered in the PRC.

(d) The statutory financial statements for the years ended 31 December 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 泉州豐澤明華聯合會計師事務所, certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 福州五緣友誠會計師事務所有限公司, certified public accountants registered in the PRC.

(e) The statutory financial statement for the period from the date of incorporation to 31 December 2013 were prepared in accordance with HKFRSs issued by HKICPA and were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants in Hong Kong.

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of company	Place of incorporation registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests				Profits allocated to non-controlling interests				Accumulated non-controlling interests			
		31 December 2011	31 December 2012	31 December 2013	30 April 2014	31 December 2011	31 December 2012	31 December 2013	30 April 2014	31 December 2011	31 December 2012	31 December 2013	30 April 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fujian Ouwosi	The PRC Manufacturing and trading of watches	—	—	—	20%	—	—	—	357	—	—	—	17,184
Individually immaterial subsidiary with non-controlling interests										—	(4)	—	—
										—	(4)	—	17,184

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

(i) Fujian Ouwosi

	For the four months ended 30 April 2014 *RMB'000*
Current assets	87,175
Non-current assets	130,136
Current liabilities	131,391
Non-current liabilities	—
Equity attributable to owners of the Company	68,736
Non-controlling interests	17,184
Revenue	42,402
Expenses	(37,522)
Profit for the period	4,880
Profit attributable to owners of the Company	4,523
Profit attributable to owners of the non-controlling interests	357
Profit for the period	4,880
Total comprehensive income attributable to owners of the Company	4,523
Total comprehensive income attributable to owners of the non-controlling interests	357
Total comprehensive income for the period	4,880
Net cash inflow from operating activities	30,936
Net cash inflow from investing activities	15,963
Net cash outflow from financing activities	(9,571)
Net cash inflow	37,328

III. SUBSEQUENT EVENTS

Save as disclose elsewhere in the Document, the Group's major subsequent events included the followings:

(a) On 13 May 2014, the Company has entered into an investment agreement (the "**Investment Agreement**") with Celestial Award Limited, Visual Wise and Mr. Lin for the subscription of 5,810 shares, which would represent 5.81% of the issued share capital of the Company after the completion of the Investment Agreement, at a cash consideration of approximately HK$20,000,000. Details of the Investment Agreement are set out in section headed "History, Reorganisation and Corporate Structure — Pre-[REDACTED] Investment" to the Document.

(b) The companies now comprising the Group underwent and completed the Reorganisation on 30 July 2014 in preparation for the listing of the shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Reorganisation" from pages 96 to 97 of the Document. As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

(c) The Company's executive directors, Mr. Lin, Ms. Yan and Mr. Dang Shuguo were appointed in July 2014. The Company's independent non-executive directors, Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man were appointed in [●] 2014.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any year subsequent to 31 December 2013.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the accountants' report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the [REDACTED] on our net tangible assets as of 30 April 2014 as if it had taken place on 30 April 2014.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature it may not give a true picture of our combined net tangible assets as of 30 April 2014 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this document.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 April 2014	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2014**	**Unaudited pro forma adjusted combined net tangible assets of the Group per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the [REDACTED] of HK$[REDACTED] per Share	310,576	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK$[REDACTED] per Share	310,576	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The combined net tangible assets of our Group attributable to owners of the Company as at 30 April 2014 is extracted from the accountants' report as set out in Appendix I to this document.

2. The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, after deduction of underwriting fees and related expenses by our Company (excluding listing expenses of approximately RMB[REDACTED] million incurred up to 30 April 2014) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme. The estimated net proceeds from the [REDACTED] are converted into Renminbi at an exchange rate of RMB1.00 = HK$1.2594.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that [REDACTED] Shares are in issue immediately after the Capitalisation Issue and the [REDACTED] and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme.

4. The unaudited pro forma adjusted combined net tangible assets of the Group per Share is converted into Hong Kong Dollar at an exchange rate of RMB1.00 = HK$1.2594.

5. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2014.

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this document received from Asset Appraisal Limited, an independent property valuer, in connection with the valuation as at 31 May 2014 of the property interests held by the Group.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道 145 號安康商業大廈 9 樓 901 室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

[●] 2014

The Board of Directors
Time2U International Holding Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China (the "PRC")

In accordance with the instructions of **Time2U International Holding Limited** to value the property interests (the "**Properties**") held by the Company and its subsidiaries (altogether referred to as the "**Group**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at **31 May 2014** (the "**date of valuation**").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect their ownership.

Further, we have relied upon the legal opinion provided by the PRC legal advisers, namely Global Law Office (北京市環球(深圳)律師事務所) (the "**PRC Legal Opinion**"), to the Company on the relevant laws and regulations in the PRC, on the nature of leasehold interests in the property situated in the PRC. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

Due to the nature of the buildings and structures erected thereon, the properties numbered 1 and 2 have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc.. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

The Groups' interests in those Properties rented by it have no commercial value due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells their interests in the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the their property interests.

For those properties which are held by the owners by means of long term Land Use Rights granted by the PRC Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the land use rights.

Unless stated as otherwise, we have assumed that the owners of the Properties have the right to sell, mortgage, charge or otherwise dispose of the Properties to any person without payment of any additional premium or substantial fee to government authorities.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The properties situated in the PRC were inspected in June 2013 by Mr. Wang Sheng Chao and in June 2014 by Mr. Zhou Tong, both of whom are registered PRC registered property appraisers. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

We have valued the Properties in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Property	Market Value in existing state as at 31 May 2014 *RMB*
Group I - Properties held and occupied by the Group		
1.	Factory complex located at Lot No. 4079011-2 Junction of Jinma Road and Jinmin Road Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC.	35,800,000
2.	Factory complex located at Lot No. L0000083 Xinxing Industrial Quarter Zhishan Town Xiangcheng District Zhangzhou City Fujian Province the PRC.	1,300,000
3.	Factory complex located at Lot No. 4079075 Jinhua Road Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC.	39,400,000
	Sub total:	**76,500,000**
Group II - Properties rented by the Group		
4.	Warehouses located at Lot No. 4079011-1 Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC.	No commercial value
	Sub total:	**No commercial value**
	Grand total:	**76,500,000**

VALUATION CERTIFICATE

Group I - Properties held and occupied by the Group

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 *RMB*
1.	Factory complex located at Lot No. 4079011-2 Junction of Jinma Road and Jinmin Road Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC. (漳州市薌城區金峰工業區廠房)	The property comprises a parcel of industrial land situated adjacent to property numbered 4 with a site area of approximately 24,041.20 square metres on which 1 block of 3-storey industrial building and 1 block of 4-storey composite building are erected. The gross floor areas of the aforesaid buildings are approximately 10,004.89 square metres and 7,756.05 square metres. They were completed in about 2004. In addition, a transformer room of 191.52 square metres and 2 guard houses are erected on the property. The land use rights of the property have been granted for a term expiring on 5 April 2054 for industrial purposes.	The property is occupied by the Group as a production base.	35,800,000

Notes:

1. As revealed by the Land Use Right Certificate (Ref: Zhang Xiang Guo Yong (2004) Zi No. 00022, 漳薌國用(2004)字第00022號) issued b Zhangzhou Municipal Government on 30 April 2004, the land use rights of the subject land parcel (Lot No. 4079011-2) with a site area of 24,041.20 square metres were granted to Zhangzhou Hongyuan Watch Co. Ltd. (漳州宏源表業有限公司, a wholly-owned subsidiary of the Company), for a land use right term expiring on 5 April 2054 for industrial purposes.

2. Two sets of Building Ownership Certificates (ref nos. Zhangzhou Fang Quan Zheng Xiang Zi No. 01068843 漳州房權證薌字第01068843號 and Zhangzhou Fang Quan Zheng Xiang Zi No. 01068844 漳州房權證薌字第01068844號) were issued by the Real Property Administration Bureau of Zhangzhou City on 20 March 2008 for the industrial building and the composite building of the property with respective gross floor areas of 10,004.89 square metres and 7,756.05 square metres in the name of Zhangzhou Hongyuan Watch Co. Ltd. (漳州宏源表業有限公司).

3. Besides the aforesaid two buildings, no building ownership certificate and construction work planning permit has been issued for the remaining buildings and structures of the property. In the absence of any title documents, we have assigned no commercial value to such buildings and structures.

4. Pursuant to a Mortgage Agreement entered into between Industrial Bank Co., Ltd. Zhangzhou Branch (as Mortgagee) and Zhangzhou Hongyuan Watch Co. Ltd. (as Mortgagor) on 14 January 2013, the subject land parcel has been pledged for a mortgage loan with a maximum principal amount of RMB38,000,000 over a loan period from 14 January 2013 and 14 January 2016. As revealed from the Encumbrance Certificate (ref no. Zhang Xiang Ta Xiang (2013) No. 14, 漳薌他項(2013)第14號) issued by the State Owned Land Resources Administration Bureau of Zhangzhou City on 21 January 2013, the mortgage loan has been registered.

5. As revealed from the Encumbrance Certificate (ref no. Zhang Fang Ta Zheng Xiang Zi No. 201300372, 漳房他證字第201300372號) registered on 21 January 2013 and issued by the Zhangzhou Property Exchange, Registration and Title Certificate Issuance Centre, the buildings of the subject property have been pledged for a mortgage in favour of Industrial Bank of China Limited Zhangzhou Branch.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:-

   i. Given the Land Use Right Certificate and the two Building Ownership Certificates, Zhangzhou Hongyuan Watch Co. Ltd. has legally secured the land use rights of the subject land parcel and the building ownership rights of the industrial building and the composite building of the property. It is the sole legal holder of the land use rights and the building ownership rights. Subject to the land use restriction as stated in the Land Use Right Certificate and the Building Ownership Certificates, it is eligible to possess and use the land parcel, the industrial building and the composite building throughout the land use right term.

   ii. According to the Land Encumbrance Registration Certificate (土地他項權利證明書) (Ref Zhang Xiang Ta Xiang 2013 No. 14, 漳鄉他項(2013)第14號) issued by the Zhangzhou Land Administration Bureau to Zhangzhou Hongyuan Watch Co. Ltd. on 21 January 2013, the subject land parcel with a site area of 24,0141.20 square metres is subject to a mortgage in favour of Industrial Bank Co., Ltd. Zhangzhou Branch for a loan period spanning between 14 January 2013 and 14 January 2016. Besides the aforesaid mortgage, the Land Use Rights of the subject land parcel are free from encumbrance and closure order.

   iii. According to the Property Encumbrance Registration Certificate (房屋他項權利證明書) (Ref Zhang Fang Ta Xiang No. 201300372, 漳房他證鄉字第201300372號) issued by the Zhangzhou Property Exchange, Registration and Title Certificate Issuance Centre to Zhangzhou Hongyuan Watch Co. Ltd. on 21 January 2013, the industrial building and the composite building with respective gross floor areas of 10,004.89 square metres and 7,756.05 square metres with a site area of 24,0141.20 square metres are subject to a mortgage in favour of Industrial Bank Co., Ltd. Zhangzhou Branch. Besides the aforesaid mortgage, the industrial building and the composite building are free from encumbrance and closure order.

   iv. Subject to the prior consent of the mortgagees of the aforesaid mortgages, Zhangzhou Hongyuan Watch Co. Ltd. has the rights to lease, transfer, further charge or otherwise dispose of the subject land parcel, and subject buildings.

   v. In addition to the aforesaid buildings, Zhangzhou Hongyuan Watch Co. Ltd. has also built a transformer room of 191.52 square metres and 2 guard houses on the subject land parcel. Zhangzhou Hongyuan Watch Co. Ltd. has not completed the relevant application procedures for constructing those additional buildings and has not been issued with Building Ownership Certificate for them.

   vi. According to the Town Planning Law (城鄉規劃法) and the Construction Project Quality Administrative Regulation (建設工程質量管理條例), the relevant department in charge of urban and rural planning is entitled to order Zhangzhou Hongyuan to take steps to rectify within a prescribed period of time in case that such rectification action can be taken to eliminate the adverse effect on the planning implementation and to impose a fine from 5% to 10% of the construction costs. If no rectification action can be taken, the relevant department is entitled to order a demolishment of the building within a prescribed period of time and to impose a fine of up to 10% of the construction costs. Moreover, the competent administrative department for construction is entitled to order Zhangzhou Hongyuan to rectify within a prescribed period of time and to impose a fine from 2% to 4% of the contact value of construction. As confirmed by the Company, the transformer room and the guard houses are not in the nature of production and are small in scale. Their irregularities shall not have any material negative effect on the business operations of Zhangzhou Hongyuan.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 *RMB*
2.	Factory complex located at Lot No. L0000083 Xinxing Industrial Quarter Zhishan Town Xiangcheng District Zhangzhou City Fujian Province the PRC. (漳州市薌城區芝山鎮新星工業邨廠房)	The property comprises a parcel of industrial land with a site area of approximately 1,162 square metres on which 1 block of 3-storey industrial buildings, 1 block of 4-storey composite building and 1 block of single-storey guardroom are erected. The gross floor areas of the aforesaid buildings are approximately 763.37, 434.48 and 15.00 square metres respectively. They were completed in about 1995. The land use rights of the Property have been granted for a term expiring on 10 November 2053 for industrial purposes.	The property is currently vacant.	1,300,000

Notes:

1. As revealed by the Land Use Right Certificate (Ref: Zhang Guo Yong (2014) No. 158624, 漳國用(2014)第158624號) issued by the Zhangzhou Municipal Government on 19 May 2014, the land use rights of the subject land parcel with a site area of 1,162 square metres were granted to Zhangzhou Hongyuan Watch Co., Ltd. (漳州宏源表業有限公司, a wholly-owned subsidiary of the Company) for a land use right term expiring on 10 November 2053 for industrial purposes.

2. A Building Ownership Certificate (ref no. Zhang Fang Quan Zheng Xiang Zi No. 01155763 漳房權證薌字第01155763號) was issued by the Real Property Administration Bureau of Zhangzhou City on 22 April 2014 for the subject buildings on the subject land parcel (Lot No. L0000083) in the name of Zhangzhou Hongyuan Watch Co. Ltd. (漳州宏源表業有限公司).

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:-

   i. Given the Land Use Right Certificate and the Building Ownership Certificate, Zhangzhou Hongyuan Watch Co., Ltd. has legally secured the land use rights of the subject land parcel and the building ownership rights of the three subject buildings. It is the sole legal holder of the land use rights and the building ownership rights. Subject to the land use restriction as stated in the Land Use Right Certificate and the Building Ownership Certificate, it is eligible to possess and use the land parcel and subject buildings throughout the land use right term.

   ii. Zhangzhou Hongyuan Watch Co. Ltd. has the rights to lease, transfer, further charge or otherwise dispose of the subject land parcel and the subject building.

   iii. The Land Use Rights of the subject land parcel and the Building Ownership Rights of the subject building are free from encumbrance, mortgage and closure order. Also, they were not subject to any order of compulsory acquisition by the Government authorities.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 *RMB*
3.	Factory complex located at Lot No. 4079075 Jinhua Road Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC. (漳州市薌城區金峰開發區金華路廠房)	The property comprises a parcel of industrial land with a site area of approximately 33,486.30 square metres on which a 4-storey factory building is erected. The building has a gross floor area of 17,672.44 square metres and was completed in about 2009. The land use rights of the Property have been granted for a term expiring on 8 April 2057 for industrial purposes.	The property is occupied by the Group as a production base.	39,400,000

Notes:

1. As revealed by the Land Use Right Certificate (Ref: Zhang Xiang Guo Yong (2007) Zi No. 00163, 漳薌國用(2007)字第00163號) issued by Zhangzhou Municipal Government on 29 December 2007, the land use rights of the subject land parcel (Lot No. 4079075) with a site area of 33,486.30 square metres were granted to 福建省歐沃斯鐘錶精密技術有限公司 (a wholly-owned subsidiary of the Company) for a land use right term expiring on 8 April 2057 for industrial purposes.

2. A Building Ownership Certificate (ref nos. Zhangzhou Fang Quan Zheng Xiang Zi No. 01086587 漳州房權證薌字第01086587號) was issued by the Real Property Administration Bureau of Zhangzhou City on 24 March 2010 for the subject building in the name of 福建省歐沃斯鐘錶精密技術有限公司.

3. Pursuant to a Mortgage Agreement entered into between Agricultural Bank of China Limited Zhangzhou Xiang Jiang Branch (as Mortgagee) and 福建省歐沃斯鐘錶精密技術有限公司 (as Mortgagor) on 16 February 2012, the subject land parcel and the subject buildings have been pledged for a mortgage loan with a maximum principal amount of RMB28,360,000 over a loan period from 16 February 2012 and 15 February 2015. As revealed from the Encumbrance Certificate (ref no. Zhang Fang Ta Zheng Xiang Zi No. 201200737 漳房他證字第201200737號) registered on 29 February 2012 and issued by the Zhangzhou City Real Property Exchange, the mortgage loan has been registered.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:-

   i. Given the Land Use Right Certificate and the Building Ownership Certificate, Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. has legally secured the land use rights of the subject land parcel and the building ownership rights of the subject building of the property. It is the sole legal holder of the land use rights and the building ownership rights. Subject to the land use restriction as stated in the Land Use Right Certificate and the Building Ownership Certificates, it is eligible to possess and use the land parcel, the subject building throughout the land use right term.

ii. According to the Property Encumbrance Registration Certificate (房屋他項權利證明書) (Ref Zhang Fang Ta Xiang No. 201200737, 漳房他證鄉字第201200737號) issued by the Zhangzhou Property Exchange, Registration and Title Certificate Issuance Centre to Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd., the subject building together with the subject land parcel of the property are subject to a mortgage in favour of Agricultural Bank of China Co., Ltd. Zhangzhou Xiang Jiang Branch. Besides the aforesaid mortgage, the property is free from encumbrance and closure order.

iii. Subject to the prior consent of the mortgagees of the aforesaid mortgages, Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. has the rights to lease, transfer, further charge or otherwise dispose of the property.

VALUATION CERTIFICATE

Group II - Properties rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 *RMB*
4. Warehouses located at Lot No. 4079011-1 Jinfeng Industrial Zone Xiangcheng District Zhangzhou City Fujian Province the PRC. (漳州市薌城區金峰工業區倉庫)	The property comprises the ground floor of a 4-storey warehouse building and three single storey warehouses. The buildings were erected on a parcel of industrial land situated adjacent to property numbered 1 with a site area of approximately 13,700.10 square metres. The total gross floor area of the subject building is approximately 5,992.08 square metres. They were completed in about 2004. The property is leased by the Group for a term of 3 years commencing on 1 July 2014 at a quarterly rental of RMB107,857.4 exclusive of management fee and other outgoings.	The property is occupied by the Group as warehouses.	No commercial value

Notes:

1. As revealed by the Land Use Right Certificate (Ref: Zhang Xiang Guo Yong (2004) Zi No. 00021, 漳薌國用(2004)字第00021號 issued by the State Owned Land Resources Administration Bureau of Zhangzhou City on 30 April 2004, the land use rights of the subject land parcel (Lot No. 4079011-1) with a site area of 13,700.10 square metres were granted to Fujian Hong Bang Electronic Co., Ltd. (福建宏邦電子有限公司) for a land use right term expiring on 5 April 2054 for industrial purposes.

2. Pursuant to a tenancy agreement entered into Fujian Hong Bang Electronic Co., Ltd. and Zhangzhou Hongyuan Watch Co., Ltd. (漳州宏源表業有限公司, a wholly-owned subsidiary of the Company) on 22 July 2014, the latter rents the property from the former for a lease term of 3 years commencing on 1 July 2014 at a quarterly rental of RMB107,857.4 exclusive of management fees and other outgoings. As provided in the tenancy agreement, the property is permitted to be used by the tenant for industrial uses.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:-

   i. As confirmed by the company, Fujian Hong Bang Electronic Co., Ltd. has not completed application procedures, obtained relevant planning permit (such as Construction Work Planning Permit and Construction Permit) or obtained the Building Ownership Certificate for the subject buildings. There is a risk for the subject property being ordered by relevant authorities to be demolished, which will result in the unavailability for Zhangzhou Hongyuan Watch Co., Ltd to occupy and use the subject property.

ii. According to the Interpretation on Certain Legal Issues in relation to Judgments from the High People's Court on Tenancy Agreements of Urban and Country Property (最高人民法院關于審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋), tenancy agreement of property involving unauthorized buildings and structures is voidable. However, if relevant construction work planning approval or consent from relevant Government authority is sought prior to the laid down of judgment from the People's Court, the court should rule the tenancy agreement to be valid. In case where the tenancy agreement is voidable and the tenant seeks to pay rent in accordance with the tenancy agreement for continuous occupation, the People's Court should rule in favour of the tenant. If the tenant claims for damages arising from the void tenancy agreement, the People's Court should try the claim in accordance with the contract laws and case laws.

iii. As revealed from a written confirmation by the Company, the subject property is occupied by the Group for warehouses uses and can be replaced with other suitable properties by Zhangzhou Hongyuan Watch Co., Ltd. when the aforesaid risk happens and there will not be any material adverse effects on its operation.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 December 2012 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries.***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by

the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held an- executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year ended 31 December adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However,

an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its

discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such

part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of

different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law [(1999 Revision)]/[(2011 Revision)] of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 December 2012.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and our constitution which comprises a memorandum of association and a set of articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of our constitution are set out in Appendix IV to this document.

2. Changes in share capital of our Company

(a) On 3 December 2012, our Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon incorporation, one Share was subscribed at par value by NovaSage Nominees (Cayman) Limited, an Independent Third Party. The one Share was then transferred at par to Visual Wise on the same date.

(b) On 3 December 2012, our Company allotted and issued, credited as fully paid, one Share to Visual Wise, in consideration of and exchange for one share of Speedy Glory, representing all the issued share of Speedy Glory, from Visual Wise.

(c) On 25 March 2013, our Company allotted and issued at par value 9,998 Shares to Visual Wise. Following the allotment, on 26 March 2013, Visual Wise transferred 1,267 Shares, 640 Shares and 533 Shares to Nicest Sense Limited, Fortune Swiss and Full Wealthy Year at a cash consideration of HK$41.8 million, HK$21.0 million and HK$18.0 million, respectively, details of which are more particularly disclosed in the section headed "History, Reorganisation and Corporate Structure — Pre-[REDACTED] investment" in this document.

(d) On 19 September 2013, Nicest Sense Limited transferred 1,267 Shares to Visual Wise at a cash consideration of HK$41.8 million, which is equivalent to the original purchase price at which Nicest Sense Limited purchased the Shares from Visual Wise.

(e) On 19 May 2014, our Company allotted and issued, credited as fully paid, 71,110 Shares, 5,156 Shares, 4,294 Shares and 5,810 Shares to Visual Wise, Fortune Swiss, Full Wealthy Year and Celestial Award at a cash consideration of HK$711.10, HK$51.56, HK$42.94 and HK$20,000,000, respectively, details of which are more particularly disclosed in the section headed "History, Reorganisation and Corporate Structure — Pre-[REDACTED] investment".

(f) Pursuant to a resolution in writing passed by all Shareholders on [●] 2014, the authorised share capital of our Company was increased from HK$380,000 to HK$15,000,000 by the creation of a further 1,462,000,000 Shares.

Immediately following completion of the [REDACTED] and the Capitalisation Issue, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

In the event that the Over-allotment Option is exercised in full, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on [●] 2014

On [●] 2014, pursuant to resolutions in writing passed by all the Shareholders:

(a) our Company's authorised share capital was increased from HK$380,000 to HK$15,000,000 by the creation of a further 1,462,000,000 Shares;

(b) the Memorandum of Association was adopted with immediate effect;

(c) the Articles of Association were conditionally adopted with effect from [REDACTED]; and

(d) conditional on the [REDACTED] granting the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document on the Main Board and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this document:

(i) the [REDACTED] and the Over-allotment Option were approved and our Directors were authorised to approve the allotment and issue of the [REDACTED] and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option and the transfer of the [REDACTED];

(ii) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock

Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the [REDACTED], our Directors were authorised to capitalise HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on [●] 2014 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the [REDACTED]) and our Directors be and they are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the [REDACTED] or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the "**Applicable Period**");

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until expiry of the Applicable Period; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing and our Company became the holding company of our Group. Please see "History, Reorganisation and Corporate Structure — Reorganisation" in this document for further details.

5. Particulars of our subsidiaries

Our Group comprises our Company and five subsidiaries. Please see note 36 to the Accountants' Report set out in Appendix I to this document for a summary of the corporate information of these companies.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure — Corporate development" in this document, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the purchase; (4) out of capital, if so

authorised by the Articles and subject to the provisions of the Companies Law; or (5) in the case of any premium payable on the purchase, out of the profits of our Company, from sums standing to the credit of the share premium account of our Company or out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under the Companies Ordinance

Our Company is a registered non-Hong Kong company as defined under the Companies Ordinance with a principal place of business in Hong Kong at 9/F, ICBC Asia Building, 122 Queen's Road Central, Central, Hong Kong. Mr. Tsui Wing Tak, the company secretary of our Company, has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notices on our Company is the same as the address of our principal place of business in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement dated 7 March 2013 and entered into among Hongbang Electronics, Jiulongjiu and Time2U(HK), pursuant to which Time2U(HK) agreed to acquire 19.28% equity interest in Zhangzhou Hongyuan from Hongbang Electronics at a consideration of RMB5,785,000 and 80.72% equity interest in Zhangzhou Hongyuan from Jiulongjiu at a consideration of RMB24,215,000 respectively;

(b) a loan agreement dated 7 March 2013 and entered into between Speedy Glory and Grand Time INC Limited, pursuant to which Grand Time INC Limited agreed to advance a loan in a principal amount of HK$4,266,681 to Speedy Glory;

(c) a loan agreement dated 7 March 2013 and entered into between Time2U(HK) and Grand Time INC Limited, pursuant to which Grand Time INC Limited agreed to advance a loan in a principal amount of HK$40,000,000 to Time2U(HK);

(d) a loan agreement dated 19 March 2013 and entered into between Jiulongjiu and Grand Time INC Limited, pursuant to which Grand Time INC Limited agreed to advance a loan in a principal amount of HK$6,500,000 to Jiulongjiu;

(e) an equity transfer agreement dated 19 February 2014 and entered into between Mr. Lin and Zhangzhou Hongyuan, pursuant to which Zhangzhou Hongyuan agreed to acquire the entire equity interest in Fujian Ouwosi at a consideration of RMB20,000,000;

(f) a capital increase agreement dated 5 March 2014 and entered into among Zhanglong Hongqiao, Zhangzhou Hongyuan and Fujian Ouwosi in relation to the subscription of 20% equity interest in Fujian Ouwosi at a consideration of RMB20,000,000;

(g) a supplemental agreement dated 26 March 2014 and entered into among Hongbang Electronics, Jiulongjiu and Time2U(HK), pursuant to which Hongbang Electronics and Jiulongjiu agreed to accept an equivalent amount in Hong Kong dollars to settle Time2U(HK)'s consideration under the equity transfer agreement described in (a) above;

(h) a subscription agreement dated 13 May 2014 and entered into between our Company, Ace Joy Global Limited and Mr. Ng Fai Ching in relation to the subscription of 3,630 Shares by Ace Joy Global Limited at a consideration of HK$12,576,560;

(i) an investment agreement dated 13 May 2014 and entered into between our Company, Celestial Award, Visual Wise and Mr. Lin in relation to the subscription of 5,810 Shares by Celestial Award at a consideration of HK$20,000,000;

(j) a letter of termination dated 27 June 2014 and entered into among our Company, Ace Joy Global Limited and Mr. Ng Fai Ching, pursuant to which the subscription agreement described in (h) above was terminated;

(k) a letter of amendment dated 21 July 2014 and entered into among our Company, Celestial Award, Visual Wise and Mr. Lin setting out certain amendments to the investment agreement described in (i) above upon the termination of the subscription agreement described in (h) above;

(l) a sale and purchase agreement dated 30 July 2014 and entered into between Mr. Lin, Ms. Yan and Speedy Glory in relation to the acquisition by Speedy Glory of all the issued shares of Jiulongjiu from Mr. Lin and Ms. Yan at a nominal consideration of HK$2 and the shareholder's loan from Mr. Lin at the consideration of approximately HK$13.5 million;

(m) the Deed of Non-Competition;

(n) the Deed of Indemnity; and

(o) the Hong Kong Underwriting Agreement.

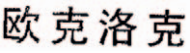
10. Material intellectual property rights of our Group

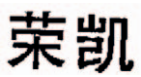
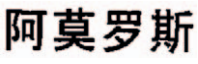
Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following registered trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
1.	JONQUET	Zhangzhou Hongyuan	Australia	14	1329155	2 November 2009 to 2 November 2019

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
2.		Zhangzhou Hongyuan	Australia	14	1329156	2 November 2009 to 2 November 2019
3.		Zhangzhou Hongyuan	Germany	14	302008039395	17 June 2008 to 30 June 2018
4.		Zhangzhou Hongyuan	Germany	14	302008039396	17 June 2008 to 30 June 2018
5.		Zhangzhou Hongyuan	Germany	14	302008039638	18 June 2008 to 30 June 2018
6.		Zhangzhou Hongyuan	Germany	14	302009016594	18 March 2009 to 31 March 2019
7.		Jiulongjiu	Hong Kong	14	300357651	21 January 2005 to 20 January 2015
8.		Zhangzhou Hongyuan	Hong Kong	14	301776727	30 November 2010 to 29 November 2020
9.		Zhangzhou Hongyuan	Hong Kong	14	301954305	23 June 2011 to 22 June 2021
10.		Zhangzhou Hongyuan	International[1]	14	950558	24 December 2007 to 24 December 2017
11.		Zhangzhou Hongyuan	International[2]	14	1139040	10 October 2012 to 10 October 2022
12.		Zhangzhou Hongyuan	PRC	14	1608713	28 July 2011 to 27 July 2021
13.		Zhangzhou Hongyuan	PRC	14	3768304	7 December 2005 to 6 December 2015

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
14.		Zhangzhou Hongyuan	PRC	14	4367316	7 September 2008 to 6 September 2018
15.		Zhangzhou Hongyuan	PRC	14	4367317	14 February 2008 to 13 February 2018
16.		Zhangzhou Hongyuan	PRC	14	4380717	7 February 2009 to 6 February 2019
17.		Zhangzhou Hongyuan	PRC	14	4711230	14 December 2008 to 13 December 2018
18.		Zhangzhou Hongyuan	PRC	14	4736866	7 December 2008 to 6 December 2018
19.		Zhangzhou Hongyuan	PRC	14	4743133	28 November 2008 to 27 November 2018
20.		Zhangzhou Hongyuan	PRC	14	5081337	28 April 2009 to 27 April 2019
21.		Zhangzhou Hongyuan	PRC	14	5139761	21 May 2009 to 20 May 2019
22.		Zhangzhou Hongyuan	PRC	14	5139762	21 May 2009 to 20 May 2019
23.		Zhangzhou Hongyuan	PRC	14	5139763	21 May 2009 to 20 May 2019
24.		Zhangzhou Hongyuan	PRC	14	5139775	21 May 2009 to 20 May 2019
25.		Zhangzhou Hongyuan	PRC	14	5314823	14 July 2009 to 13 July 2019

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
26.		Zhangzhou Hongyuan	PRC	14	5563985	7 September 2009 to 6 September 2019
27.		Zhangzhou Hongyuan	PRC	14	5563986	7 September 2009 to 6 September 2019
28.		Zhangzhou Hongyuan	PRC	14	5563987	7 September 2009 to 6 September 2019
29.		Zhangzhou Hongyuan	PRC	14	5622946	14 September 2009 to 13 September 2019
30.		Zhangzhou Hongyuan	PRC	14	6191346	28 January 2010 to 27 January 2020
31.		Zhangzhou Hongyuan	PRC	14	6191347	28 January 2010 to 27 January 2020
32.		Zhangzhou Hongyuan	PRC	14	6341988	28 February 2010 to 27 February 2020
33.		Zhangzhou Hongyuan	PRC	14	6627733	28 March 2010 to 27 March 2020
34.		Zhangzhou Hongyuan	PRC	14	6753498	28 March 2010 to 27 March 2020
35.		Zhangzhou Hongyuan	PRC	14	6753499	28 March 2010 to 27 March 2020
36.		Zhangzhou Hongyuan	PRC	14	6753500	28 March 2010 to 27 March 2020

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Validity
37.	JONQUET	Zhangzhou Hongyuan	PRC	14	6753501	28 March 2010 to 27 March 2020
38.	www.timE2u.com	Zhangzhou Hongyuan	PRC	14	6765701	7 October 2010 to 6 October 2020
39.	timE2u	Zhangzhou Hongyuan	PRC	14	6765702	14 October 2010 to 13 October 2020
40.		Zhangzhou Hongyuan	PRC	14	6833859	14 April 2010 to 13 April 2020
41.		Zhangzhou Hongyuan	PRC	14	6833861	14 April 2010 to 13 April 2020
42.		Fujian Ouwosi	PRC	14	7303134	28 August 2010 to 27 August 2020
43.	时间由你	Zhangzhou Hongyuan	PRC	14	8769662	7 November 2011 to 6 November 2021
44.	时间由你	Zhangzhou Hongyuan	PRC	14	10888194	14 August 2013 to 13 August 2023

Notes:

1. Countries designated under the international registration include Austria, Egypt, France, Germany, Italy, Poland, Portugal, Russia, Spain and Switzerland.

2. Countries designated under the international registration include Austria, Benelux, Czech Republic, Denmark, Egypt, Finland, France, Greece, Hungary, Iceland, Iran, Ireland, Israel, Italy, Japan, Republic of Korea, Monaco, Morocco, Norway, Poland, Portugal, Russia, Singapore, Slovakia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following trademarks:

No.	Trademark	Applicant	Place of application	Class	Application number	Date of application
1.	Time2U	Zhangzhou Hongyuan	PRC	14	12387226	8 April 2013
2.	Time2U	Zhangzhou Hongyuan	PRC	9	12387240	8 April 2013
3.	Time2U	Zhangzhou Hongyuan	PRC	16	12387798	8 April 2013
4.	Time2U	Zhangzhou Hongyuan	PRC	18	12388101	8 April 2013
5.	Time2U	Zhangzhou Hongyuan	PRC	20	12388168	8 April 2013
6.	Time2U	Zhangzhou Hongyuan	PRC	35	12388257	8 April 2013
7.	彩虹表	Zhangzhou Hongyuan	PRC	14	12718081	6 June 2013
8.	DHMS	Zhangzhou Hongyuan	PRC	14	12718122	6 June 2013
9.	Rainbow emotion of colors	Zhangzhou Hongyuan	PRC	14	13645979	2 December 2013
10.	COLOUR	Zhangzhou Hongyuan	PRC	14	13645980	2 December 2013
11.	TIME2U	Zhangzhou Hongyuan	PRC	14	14099883	3 March 2014

Patents

As at the Latest Practicable Date, our Group had been granted with the following patents in the PRC:

	Type	Patent description	Patent no.	Registered owner	Effective period
1.	Design	Packaging box (P7019) (包裝盒(P7019))	200730138671.5	Zhangzhou Hongyuan	26 March 2007 to 25 March 2017
2.	Design	Watch (手錶)	201030540875.3	Zhangzhou Hongyuan	30 September 2010 to 29 September 2020
3.	Design	Watch (Speed car 92-28700-31004) (手錶(極速汽車92-28700-31004))	201030668478.4	Zhangzhou Hongyuan	9 December 2010 to 8 December 2020
4.	Design	Watch (52983L) (手錶(52983L))	201230063416.X	Zhangzhou Hongyuan	16 March 2012 to 15 March 2022
5.	Design	Watch (17533) (手錶(17533))	201230128507.7	Zhangzhou Hongyuan	24 April 2012 to 23 April 2022
6.	Design	Watch (17534) (手錶(17534))	201230128511.3	Zhangzhou Hongyuan	24 April 2012 to 23 April 2022
7.	Design	Watch (17535) (手錶(17535))	201230128517.0	Zhangzhou Hongyuan	24 April 2012 to 23 April 2022
8.	Design	Watch showcase (手錶展示櫃)	201230128521.7	Zhangzhou Hongyuan	24 April 2012 to 23 April 2022
9.	Design	Watch box (P134) (手錶盒(P134))	201230265677.X	Zhangzhou Hongyuan	21 June 2012 to 20 June 2022
10.	Design	Watch box (P132) (手錶盒(P132))	201230265690.5	Zhangzhou Hongyuan	21 June 2012 to 20 June 2022
11.	Design	Dice clock (98-00366) (骰子鐘(98-00366))	201230362252.0	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
12.	Design	Watch packaging box (Dice-shaped) (手錶包裝盒(骰子形))	201230362284.0	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
13.	Design	Notebook (筆記本)	201230362808.6	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
14.	Design	Multi-functional watch packaging box (Model A) (多功能鐘錶包裝盒(A款))	201230363314.X	Zhangzhou Hongyuan	4 August 2012 to 3 August 2012

	Type	Patent description	Patent no.	Registered owner	Effective period
15.	Design	Multi-functional watch packaging box (Model B) (多功能鐘錶包裝盒(B款))	201230363327.7	Zhangzhou Hongyuan	4 August 2012 to 3 August 2012
16.	Design	Clock (17536) (鐘(17536))	201330104127.4	Zhangzhou Hongyuan	9 April 2013 to 8 April 2023
17.	Design	Watch (Ammolite) (手錶(斑彩螺王))	201330557593.8	Zhangzhou Hongyuan	19 November 2013 to 18 November 2023
18.	Utility model	A watch with changeable combinations (一種可組合變換的手錶)	201120057054.3	Zhangzhou Hongyuan	4 March 2011 to 3 March 2021
19.	Utility model	A watch with replaceable cases and watchbands (一種錶盤與錶帶可簡易拆卸更換的手錶)	201120144504.2	Zhangzhou Hongyuan	9 May 2011 to 8 May 2021
20.	Utility model	A watch with replaceable decorative chains (一種可更換手錶鏈裝飾帶的手錶)	201220380953.1	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
21.	Utility model	A multi-functional watch (一種多功能鐘錶)	201220380954.6	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
22.	Utility model	A quartz watch (一種石英手錶)	201220381266.1	Zhangzhou Hongyuan	3 August 2012 to 2 August 2022
23.	Utility model	A LED watch (一種LED手錶)	201220385260.1	Zhangzhou Hongyuan	6 August 2012 to 5 August 2022
24.	Utility model	A movement for a modern active watch (一種新型動感鐘錶機芯)	201220387346.8	Zhangzhou Hongyuan	7 August 2012 to 6 August 2022
25.	Utility model	A reliable quartz watch with stop-second function (一種止秒可靠的石英錶)	201220389846.5	Zhangzhou Hongyuan	8 August 2012 to 7 August 2022

	Type	Patent description	Patent no.	Registered owner	Effective period
26.	Utility model	A multi-functional watch packaging box (一種多功能鐘錶包裝盒)	201220397866.7	Zhangzhou Hongyuan	13 August 2012 to 12 August 2022
27.	Utility model	A watch with game functions (一種具有遊戲功能的手錶)	201220398291.0	Zhangzhou Hongyuan	13 August 2012 to 12 August 2022
28.	Utility model	A watch with freely-rotated movement (一種機芯可自由旋轉的電子錶)	201220398492.0	Zhangzhou Hongyuan	13 August 2012 to 12 August 2022
29.	Utility model	A multi-functional notebook (一種多功能筆記本)	201220399036.8	Zhangzhou Hongyuan	14 August 2012 to 13 August 2022
30.	Utility model	A watch with colourful changes (一種多彩變幻的手錶)	201320235013.8	Zhangzhou Hongyuan	3 May 2013 to 2 May 2013

Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

	Domain name	Registration date	Expiry date	Registrant
1.	dhms-watch.com	31 May 2013	31 May 2015	Zhangzhou Hongyuan
2.	dhms-watch.cn	31 May 2013	31 May 2015	Zhangzhou Hongyuan
3.	hongyuanwatch.com	16 January 2010	16 January 2015	Zhangzhou Hongyuan
4.	hongyuanwatch.com.cn	18 January 2010	18 January 2015	Zhangzhou Hongyuan
5.	hongyuanwatch.cn	18 January 2010	18 January 2015	Zhangzhou Hongyuan
6.	hy-w.com	21 March 2001	21 March 2015	Zhangzhou Hongyuan
7.	time2u.com	29 March 2005	29 March 2015	Zhangzhou Hongyuan
8.	time2u.com.cn	4 March 2008	4 March 2015	Zhangzhou Hongyuan
9.	time2u.cn	4 March 2008	4 March 2015	Zhangzhou Hongyuan
10.	time2u.net	11 March 2008	11 March 2015	Zhangzhou Hongyuan
11.	watch2u.cn	4 March 2008	4 March 2015	Zhangzhou Hongyuan
12.	watch2u.com.cn	4 March 2008	4 March 2015	Zhangzhou Hongyuan

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERT

11. Directors

(a) ***Disclosure of interests***

[REDACTED]

(b) ***Particulars of service contracts***

Each of our executive Directors [has entered] into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date. Each of these executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus. The annual salaries of the executive Directors provided under the service contracts are as follows:

Name	**Annual salary** *(HK$)*
Mr. Lin	[960,000]
Ms. Yan	[720,000]
Mr. Dang Shuguo	[480,000]

Each of the independent non-executive Directors [has been] appointed for an initial term of three years commencing from the Listing Date. The annual directors' fees which our Company intends to pay to all our independent non-executive Directors are as follows:

Name	**Annual directors' fees** *(HK$)*
Mr. Chang Wei	[100,000]
Mr. Nie Xing	[160,000]
Mr. Yu Chon Man	[120,000]

Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) ***Directors' remuneration***

(i) During the year ended 31 December 2013, the aggregate emoluments paid by our Group to our Directors were RMB507,000.

(ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 December 2014 are estimated to be RMB[●].

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(d) ***Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations***

Immediately following the completion of the [REDACTED] and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

Name of Director	**Relevant company**	**Capacity**	**Number of shares in the relevant company** *(Note 1)*	**Percentage of shareholding**
Mr. Lin	Our Company	Interest in controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED]% *(Note 3)*
	Visual Wise	Beneficial owner	62 (L)	62%

Name of Director	Relevant company	Capacity	Number of shares in the relevant company *(Note 1)*	Percentage of shareholding
Ms. Yan	Our Company	Interest in controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED]% *(Note 3)*
	Visual Wise	Beneficial owner	38 (L)	38%

Notes:

(1) The letter "L" denotes the Director's long position in the shares.

(2) These Shares are held by Visual Wise, which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%. By virtue of the SFO, Mr. Lin and Ms. Yan are deemed to be interested in the Shares held by Visual Wise.

(3) Assuming the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the [REDACTED] and the Capitalisation Issue (but without taking account any Shares which may be taken up under the [REDACTED] and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

(a) ***Interest in the Shares***

Name	Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding
Visual Wise *(Note 2)*	Beneficial owner	[REDACTED] (L)	[REDACTED]% *(Note 3)*

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) Visual Wise is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%.

(3) Assuming the [REDACTED] is HK$[REDACTED], being the mid-point of the proposed [REDACTED] range.

(b) ***Interest in the share capital of other members of our Group***

Name	Relevant company	Capacity	Approximate percentage of shareholding
Zhanglong Hongqiao	Fujian Ouwosi	Beneficial owner	20%

13. Related party transactions

Save as disclosed in note 35 of the Accountants' Report set out in Appendix I to this document, during the two years immediately preceding the date of this document, our Group has not engaged in any other material related party transactions.

14. Disclaimers

(a) Taking no account of any Shares which may be taken up or acquired under the [REDACTED] or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in paragraph 12 in this appendix, will, immediately following the completion of the [REDACTED] and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed on the Main Board;

(c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(d) Save in connection with the Underwriting Agreements, the material contracts referred to in paragraph 9 of this appendix and the service agreements and letters of appointments referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 of this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole; and

(e) none of the experts named in paragraph 21 in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) ***Summary of terms***

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on [●] 2014:

(i) *Purpose of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the "**Eligible Participants**"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries (the "**Subsidiaries**") or any entity (the "**Invested Entity**") in which our Group holds an equity interest (the "**Eligible Employee**");

(bb) any non-executive director (including independent non-executive directors) of our Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of Shares*

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 40,000,000 Shares) (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the Over-Allotment Option.

(cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to connected persons*

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1 % of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) *Restrictions on the time of grant of options*

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year,

quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) *Rights on death, ill-heath or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associate (or his associate if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate (or his associate if the grantee is a connected person) on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) *Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) *Others*

(aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated 5 September 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) ***Present status of the Share Option Scheme***

(i) *Approval of the Listing Committee required*

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

Visual Wise, Mr. Lin and Ms. Yan (collectively the "**Indemnifiers**") [have] executed the Deed of Indemnity (being the material contract referred to in paragraph 9(n) of this appendix) in favour of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

(a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the [REDACTED] becomes unconditional (the "**Effective Date**");

(b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below;

(c) taxation which may fall on us arising from the Reorganisation payable under the Notice on Strengthening Enterprise Income Taxation on Non-Resident Enterprises with respect to Gains from Equity Transfer (國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知) promulgated by the SAT or any event or transaction on or before the Effective Date, subject to certain exceptions set out below;

(d) any liability which are suffered by us in connection with the title defects and/or compliance issues referred to in the section headed "Business — Properties" in this document; and

(e) any liability which are suffered by us in connection with the incidents referred to in the section headed "Business — Legal proceedings and regulatory compliance — Compliance with relevant laws and requirements" in this document.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraphs (b) and (c) above:

(1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 30 April 2014 which arises in our ordinary course of business; or

(2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after 1 May 2014 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or

(3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

(4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 30 April 2014 and which is finally established to be an over-provision or an excessive reserve.

17. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK$4 million to act as the sponsor to our Company in connection with the [REDACTED].

19. Preliminary expenses

The preliminary expenses incurred by our Company are approximately HK$30,000 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the [REDACTED] or the related transactions described in this document.

21. Qualifications of experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualifications
Cinda International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Asset Appraisal Limited	Professional Property Valuer
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Global Law Office	Qualified legal advisers as to PRC law
George T.Y. Hui	Barrister-at-law in Hong Kong

22. Consents of experts

Each of the experts named in paragraph 21 has given and has not withdrawn its written consents to the issue of this document with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

23. [REDACTED]

[REDACTED]

24. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

25. Miscellaneous

(i) Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" and "Structure of the [REDACTED]" in this document and paragraph 2 in this appendix within two years immediately preceding the date of this document:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of its subsidiaries.

(ii) Save for the Share Option Scheme, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(iii) There has been no material adverse change in the financial position or prospects of our Group since 30 April 2014 (being the date to which the latest audited combined financial statements of our Group were made up).

(iv) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group.

(v) There is no arrangement under which future dividends are waived or agreed to be waived.

(vi) There are no founder, management or deferred shares in our Company or any of its subsidiaries.

(vii) Our Group does not have any outstanding convertible debt securities or debentures.

(viii) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.

(ix) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(x) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

26. [REDACTED]

[REDACTED]

27. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration include:

(a) [REDACTED];

(b) [REDACTED];

(c) the written consents referred to in the paragraph headed "22. Consents of experts" in Appendix V to this document; and

(d) a copy of each of the material contracts referred to in the paragraph headed "9. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cheung & Lee in association with Locke Lord (HK) LLP at 21/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles;

(b) the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this document;

(c) the letter from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(d) the letter, summary of values and valuation certificate relating to our property interests prepared by Asset Appraisal Limited, the text of which is set out in Appendix III to this document;

(e) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, summarising the constitution of our Company and certain aspects of the Cayman Islands company law, referred to in Appendix IV to this document;

(f) the legal opinion on our Group's operations and our Group's property interests in the PRC issued by Global Law Office;

(g) the legal opinion in respect of our Group's historical operations in Hong Kong and the non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance issued by Mr. George T.Y. Hui;

(h) the written consents referred to in the paragraph headed "22. Consents of experts" in Appendix V to this document;

(h) the service agreements and letters of appointment referred to in the paragraph headed "11. Directors—(b) Particulars of service contracts" in Appendix V to this document;

(i) the material contracts referred to in the paragraph headed "9. Summary of material contracts" in Appendix V to this document;

(j) the rules of the Share Option Scheme;

(k) [REDACTED]; and

(l) the Companies Law.