宏峰太平洋集團有限公司

Powerwell Pacific Holdings Limited

(a company incorporated in Bermuda with limited liability)

Stock code: 8265

Joint Sponsors

CIMB Securities (HK) Limited

Access Capital

Sole Bookrunner

CIMB Securities (HK) Limited

Placing of Shares

IMPORTANT

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

POWERWELL PACIFIC HOLDINGS LIMITED
宏峰太平洋集團有限公司

(a company incorporated in Bermuda with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**42,000,000 Shares**
Placing Price	**:**	**Not more than HK$1.10 and expected to be not less than HK$0.80 per Placing Share, 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)**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**8265**

Joint Sponsors

CIMB

CIMB Securities (HK) Limited

Access Capital

Sole Bookrunner

CIMB

CIMB Securities (HK) Limited

Joint Lead Managers

CIMB Securities (HK) Limited **Gransing Securities Co., Limited**

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered and to be delivered to the Registrars of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus will also be filed with the Registrar of Companies in Bermuda as required under the Companies Act. The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be determined by agreement between CIMB (for itself and on behalf of the Underwriters) and us on or before Tuesday, 18 January 2011 or such later date as may be agreed by CIMB and us. The Placing Price will not be more than HK$1.10 per Share and is currently expected to be not less than HK$0.80 per Share unless otherwise announced.

CIMB (for itself and on behalf of the Underwriters), with our consent, may reduce the indicative Placing Price range stated in this prospectus at any time prior to the morning of Monday, 17 January 2011. In such a case, a notice of the reduction of the indicative Placing Price range will be published on our website at *www.hklistco.com/8265* and the GEM website at *www.hkgem.com*, not later than the morning of Monday, 17 January 2011. Such notice will also include confirmation or revision, as appropriate, of the placing statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

If, for any reason, the Placing Price is not agreed between CIMB (for itself and on behalf of the Underwriters) and us on or before Tuesday, 18 January 2011 or such later date as may be agreed by CIMB (for itself and on behalf of the Underwriters) and us, the Placing will not become unconditional and will not proceed.

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

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to be given by CIMB (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

29 December 2010

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

	2011 *(Note 1)*
Price Determination Date *(Note 2)* on or before	18 January 2011
Announcement of the Placing Price and the level of indication of interest in the Placing to be published on the GEM website at *www.hkgem.com* our Company website at *www.hklistco.com/8265* on or about	25 January 2011
Allotment of Placing Shares to placees on or about	25 January 2011
Deposit of certificates for the Placing Shares into CCASS on *(Note 3)*	25 January 2011
Dealings in Shares on GEM to commence at 9:30 a.m. on	26 January 2011

Notes:

(1) In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) The Price Determination Date is expected to be on or before 18 January 2011. If, for any reason, the Placing Price is not agreed by that date, or such later date as agreed between CIMB (for itself and on behalf of the Underwriters) and us, the Placing will not become unconditional and will not proceed.

(3) The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS will be deposited into CCASS on or about 25 January 2011 for credit to the respective CCASS Participant's stock accounts designated by the Underwriters, the placees or their agents, as the case may be. We will not issue any temporary documents of title.

(4) If there is any change to the above expected timetable, we will make appropriate announcement at the GEM website at *www.hkgem.com* and our Company website at *www.hklistco.com/8265*.

(5) All Share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its term prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Details of the structure of the Placing, including the conditions thereto, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. No action has been taken to permit an offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus 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.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, any of the Underwriters, any of their respective directors, or any other person involved in the Placing.

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

There are risks associated with any investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

BUSINESS

Our current business operations

Our Group is principally engaged in the sourcing business providing sourcing and procurement solutions to our customers who are mainly brand owners and importers. We source a variety of products to our customers which include watches, costume jewelries, and display and packaging products. We provide our customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing and in particular, we supervise over the process of production outsourcing and procurement management solutions including quality assurance and quality control, logistics and delivery handling services. Finished products are mostly exported overseas. Revenue to the Group is recognised when the finished products are delivered and the customers accept the products.

We have established design and product development capabilities in support of our sourcing business. We offer our customers attractive product designs according to their requirements. We also work with our customers on their proposed product designs, providing them with advice and support on the production feasibility. Our Directors believe these capabilities are one of the principal strengths of our Group which gives us an edge over our competitors.

We source and procure for our customers a wide range of (i) parts and components of watches including mechanical and quartz movements, cases, dials and watch bands; (ii) costume jewelries including silver jewelries; and (iii) display and packaging products for their merchandise.

As watches require precision in timekeeping and comprise many parts and components, we purchase all of the components for the watches we contracted to sell in order to ensure the components are of the required quantities and qualities specified by our customers. We then outsource and supervise the watches assembly by our contract manufacturers in the PRC. Watch components purchased from suppliers are recorded as "raw materials" as a category of "Inventories" in our accounting records. After assembly by our contract manufacturers, completed watches are recorded as "finished goods" as another category of "Inventories" in our accounting records. For our day-to-day operations, we may face the risk of loss or damage to our inventories due to fire, flood and theft. Obsolete inventories (if any) will be written off according to the policy of our Group as stated in Note 4 to the Accountants' Report set out in Appendix I to this prospectus. For costume jewelries and display and packaging products, unless specified otherwise by our customers, we do not source raw materials and components and engage contract manufacturers separately for the production process. Rather, we source finished goods from our contract manufacturers in accordance with our quality assurance and quality control guidelines on order basis. Therefore, during the Track Record Period, we have not kept stock of costume jewelries and display and packaging products and we are not exposed to the risks of holding costume jewelries and display and packaging inventories. During the Track Record Period and up to the Latest Practicable Date, none of the customer demanded to assign any production process for its products to any designated contract manufacturers.

Our Directors believe that throughout the years, we have provided quality service supported by good delivery track record. This provides confidence to our customers that we are capable of providing a comprehensive sourcing solution to them covering the entire supply chain from the beginning involving product design, product development and sampling, to the middle stage involving sourcing of raw materials and components and coordination and supervision of the production process (by outsourcing to contract manufacturers), and to further to the later stage involving the management of the logistics, the delivery arrangements and overseas sales.

Taking into account the importance of the PRC market to our Group's long term development and leveraging on our experience in the sourcing business, we have expanded into retail sales of watches in the PRC bearing the *Tianba* and *Harpo* brands in March 2010. From March 2010 to the Latest Practicable Date, the *Harpo* watches we sold were insignificant in quantities and the PRC Watch Business was not a significant source of our income during the Track Record Period.

Our expansion into the PRC Watch Business

The expansion process began with the PRC company, Tianhaiba. In June 2009, Mr. Yang and his wife, Ms. Yu Ling set up Tianhaiba, a PRC domestic enterprise. In November 2009, Mr. Yang and Ms. Yu Ling entered into an agreement with Goldnet to transfer their entire equity holding in Tianhaiba to Goldnet. At that time, Goldnet was a company owned by the Founding Shareholders and Mr. Yang. In December 2009, Mr. Yang transferred all his shares in Goldnet to Mr. Liu. Goldnet became a company owned by the Founding Shareholders only.

In February 2010, Mr. Yang and Ms. Yu Ling completed the transfer of their equity in Tianhaiba to Goldnet.

In March 2010, Tianhaiba began selling watches under the *Tianba* and *Harpo* brands (though sales under the *Harpo* brand had not been in significant quantities) with the permission of Ling Qiao (such permission refers to the permission of Tianhaiba to use the *Tianba* and *Harpo* trademarks and sell watches under the *Tianba* and *Harpo* brands during the period from 1 March 2010 to 30 June 2010), the then owner of the *Tianba* and *Harpo* brands and a PRC company owned by Mr. Yang Sheng, the brother of Mr. Yang. Mr. Yang has all along been responsible for the overall management of Tianhaiba and its watch retail business in the PRC.

Having acquired the two brands in June 2010, we sell *Tianba* watches and *Harpo* watches in the PRC market through our sales points. For details relating to the acquisitions of the *Tianba* and *Harpo* brands, please refer to the section headed "History and corporate structure" in this prospectus.

As at the Latest Practicable Date, Tianhaiba has a sales network consisting of 110 sales points in 54 cities in the PRC. Among the 110 sales points established by Tianhaiba in the PRC as at the Latest Practicable Date, 36 of which were sales points previously used by Ling Qiao. Instead of taking over the sales points from Ling Qiao, Tianhaiba entered into new arrangements directly with the proprietors of the sales points. The remaining 74 sales points were developed by Tianhaiba on its own. The new arrangements for these 110 sales points refer to the co-operation agreements which were entered into between Tianhaiba and the department stores or the shopping malls. For the salient terms of these co-operation agreements, please refer to the paragraph headed "Sales network" under the section headed "Business" of this prospectus. Tianhaiba has also established an assembly line in its factory premises in Shenzhen, the PRC, for watches under the brands owned by our Group. On 17 December 2010, as part of the Reorganisation, we acquired Goldnet from the Founding Shareholders. After the acquisition, both Goldnet and Tianhaiba have become members of our Group.

Customers

We rely on our major customers. Our top five customers accounted for approximately 95.1%, 92.8% and 91.0% of our Group's total revenue while approximately 92.7%, 90.2% and 88.2% is attributable to our top three customers, for each of the two years ended 31 December 2009, and for the six months ended 30 June 2010, respectively. For the same periods, our largest customer who is a customer for our watch products, accounted for approximately 91.7%, 88.0% and 93.0% respectively, of our revenue derived from the sales of watches (excluding revenue derived from PRC Watch Business); our second largest customer who is a customer for our display and packaging products, accounted for approximately 82.9%, 84.8% and 82.8% respectively of our revenue derived from the sales of display and packaging products; our third largest customer, who is a customer for our costume jewelries, accounted for approximately 83.4%, 77.7% and 71.8% respectively of our revenue derived from the sales of costume jewelries.

As at the Latest Practicable Date, none of our major customers has entered into any long term sales contracts with us. There can be no assurance that our major customers will continue their purchases, if at all, from our Group at the current levels. In addition, our major customers' businesses may be negatively impacted by any potential challenge to their brand portfolio, intellectual property management, product quality and sales strategy implementation, which, in turn, may adversely affect our sales. Our Directors are aware of the potential impact on our business in the event that any of our major customers ceases to purchase or reduces substantially the amount of products it purchases from us in the future. We have been actively seeking new customers to reduce the risk of over-reliance on our major customers. During the Track Record Period, we have successfully broadened our customer base to over 60 customers. Apart from the top three customers, proportion of our revenue generated from other customers increased from 7.3% to 11.8% from the year ended 31 December 2008 to the six months ended 30 June 2010.

Although we do not currently have any long term contracts with our major customers, we have established on-going trading record with them. The Directors believe that the Group has a relatively stable and continuously developing relationship with our major customers and we are not aware of and do not foresee any significant changes in the business relationship between us and our major customers in the near future.

The following table sets out the details of our Group's top three customers:

Customers *(Note 1)*	Background	Major products purchased from our Group	Approximate years of relationship with our Group	Credit period granted	Percentage of total sales to respective customer relative to our total revenue		
					For the year ended 31 December		For the six months ended 30 June
					2008	2009	2010
A	Customer A, which is our largest watch products customer, is an international design company founded in 1989 producing watches, earrings, bracelets, necklaces, rings, sunglasses and clocks. Customer A has offices in the US, Denmark and Hong Kong with market focus in the US, Europe and Asia Pacific region.	Watches	15	45 days	54.4%	40.8%	44.8%
B	Customer B, which is our largest display and packaging products customer, was the agent for several Hong Kong watch exporters. From year 2000, Customer B commenced trading for display and packaging products after acknowledging that the Group could source the right suppliers for them. They position themselves as a worldwide supplier of display and packaging products to brand owners and distribute their products mainly to the US.	Display and packaging products	11	60 days after shipment	28.8%	37.8%	33.8%
C	Customer C, which is our largest costume jewelry product customer, was founded in 1973 in the US. It holds one of the most recognisable brand names in the western accessories market. Its products include a wide selection of premium and aesthetically appealing products including buckets, jewelries, watches, accent trim and home décor. They position themselves as a long established distributor of costume jewelries in the western industry.	Costume jewelries	11	Ranged from 21 to 37 days	9.6%	11.6%	9.7%

Note:

(1) The Directors consider the identities of these customers are confidential and therefore the names of these customers are presented with these alphabets for illustration purpose.

We place great importance and attention in maintaining our design capability and providing technical support to our customers, which assist our customers to promptly identify and resolve their needs and concerns on design issues, technical matters and production feasibility of the proposed products. We are also conscious of the importance of our customers' intellectual properties and are committed to safeguard their valuable intellectual assets. We take measures to carefully segregate and safeguard the design, brand image and attributes of different customers, in terms of physical storage of the design drawings.

Our value added services to our customers by our established design and product development capabilities underpin our competitive strengths, in particular, in maintaining long-term relationship with the abovementioned customers.

Suppliers

For the two years ended 31 December 2009 and the six months ended 30 June 2010, purchases from our top five suppliers (including contract manufacturers) accounted for approximately 59.0%, 61.7% and 68.1% respectively, of our total cost of sales. Purchases of display and packaging products from Pohint, which is one of our top five suppliers and also our largest supplier for display and packaging products, amounted to approximately HK$33.6 million, HK$45.1 million and HK$20.3 million, representing approximately 21.1%, 35.8% and 31.2% of our total cost of sales and approximately 66.9%, 84.6% and 79.6% of our total cost of sales of display and packaging products respectively, for the two years ended 31 December 2009 and the six months ended 30 June 2010. Xunlong Factory, which is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang, is one of our top five suppliers and our largest supplier for components of watches. Purchases of watches components from Xunlong Factory amounted to approximately HK$22.2 million, HK$10.9 million and HK$8.7 million, representing approximately 13.9%, 8.6%, and 13.3% of our total cost of sales and approximately 22.5%, 18.0% and 25.0% of our cost of sales of watches, respectively for the two years ended 31 December 2009 and the six months ended 30 June 2010. Guifeng, which is owned as to 90% by Mr. Yang and his wife, is one of our top five suppliers and our only contract manufacturer for assembly of watches during the Track Record Period. For the same periods, assembly fee for watches paid to Guifeng amounted to approximately HK$7.3 million, HK$5.0 million and HK$3.0 million, representing approximately 4.6%, 4.0%, and 4.6% of our total cost of sales and approximately 7.4%, 8.3%, and 8.7% of our cost of sales of watches, respectively. All the above three suppliers are connected persons of the Company under the GEM Listing Rules. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus. None of these suppliers who are connected persons of our Group has entered into any long term supply contracts with us and they do not supply to us on an exclusive basis. If any of these suppliers cease to supply raw materials, components and finished goods for us, there can be no assurance that we will be able to continue to source the right alternative supplier.

SUMMARY FINANCIAL INFORMATION

Our revenues for each of the two years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010 were approximately HK$199.1 million, HK$164.5 million and HK$84.2 million, respectively. Our gross profit for each of the two years ended 31 December 2008 and 2009 was approximately HK$39.5 million and HK$38.6 million, respectively, representing a decrease of approximately 2.3%. Our gross profit for each of the six months ended 30 June 2009 and 2010 was approximately HK$18.3 million and HK$19.1 million respectively, representing an increase of approximately 4.4%. The gross profit margin for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 was approximately 19.8%, 23.5% and 22.7%, respectively.

Revenue by business

For the two years ended 31 December 2009, all our revenue was derived from our sourcing business of watches, costume jewelries and display and packaging products. For the six months ended 30 June 2010, our sourcing business accounted for approximately 96.9% of our total revenue. We derived approximately 57.4%, 43.6% and 46.0% of our revenues from the sourcing and procuring of watches for each of the two years ended 31 December 2008 and 2009, and for the six months ended 30 June 2010, respectively. Approximately 34.6%, 44.5% and 40.8% of our revenues were derived from the sourcing and procuring of display and packaging products, and approximately 8.0%, 11.9% and 10.1% of our revenues were derived from the sourcing and procuring of costume jewelries for each of the two years ended 31 December 2008 and 2009, and for the six months ended 30 June 2010, respectively. Our PRC Watch Business was started in March 2010. Revenue from the PRC Watch Business amounted to approximately HK$2.6 million, representing approximately 3.1% of our total revenue for the six months ended 30 June 2010. The following table sets forth the breakdown of our revenues of our business segments for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Sourcing Business *(Note 1)*:								
— Watches	114,399	57.4	71,790	43.6	28,106	35.6	38,769	46.0
— Display and packaging	68,950	34.6	73,246	44.5	41,089	52.0	34,346	40.8
— Costume jewelries	15,779	8.0	19,475	11.9	9,792	12.4	8,460	10.1
Subtotal:	199,128	100.0	164,511	100.0	78,987	100.0	81,575	96.9
PRC Watch Business	—	—	—	—	—	—	2,639	3.1
Total:	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Note:

(1) Our Group operates its sourcing business in Hong Kong.

Revenue by geographical locations

The United States has been our Group's principal market during the Track Record Period. Approximately 45.7%, 40.9% and 42.3% of our revenues were derived from the United States for each of the two years ended 31 December 2008 and 2009, and for the six months ended 30 June 2010, respectively. The sales to USA decreased by approximately HK$23.8 million from approximately HK$91.1 million for the year ended 31 December 2008 to approximately HK$67.3 million for the year ended 31 December 2009. This was mainly attributable to the decrease of sales to our largest watch products customer and our largest display and packaging products customer during 2009, both of which are operating in USA. Our Directors believe that such significant drop was mainly due to shrunken consumer spending in the year ended 31 December 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the US into economic slowdown since 2008. The following table sets forth the geographical breakdown of our revenues (determined based on shipment destination instructed by customers) for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Hong Kong	27,826	14.0	22,806	13.9	8,901	11.3	9,484	11.3
The PRC, excluding Hong Kong	—	—	—	—	—	—	2,639	3.1
USA	91,087	45.7	67,315	40.9	31,399	39.7	35,655	42.3
Europe								
— Denmark	39,864	20.0	19,014	11.6	7,147	9.0	11,526	13.7
— France	4,912	2.5	12,893	7.8	7,308	9.3	4,411	5.2
— Italy	6,092	3.1	6,086	3.7	3,564	4.5	3,041	3.6
— Others *(Note 1)*	15,748	7.9	21,254	12.9	11,991	15.2	9,394	11.2
Asia *(Note 2)*	4,404	2.2	7,636	4.6	4,348	5.5	2,305	2.8
Others *(Note 3)*	9,195	4.6	7,507	4.6	4,329	5.5	5,759	6.8
Total	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Notes:

(1) Others in Europe principally include the Netherlands, Austria, Turkey and United Kingdom.

(2) Asia principally includes Singapore, Japan, Korea, Saudi Arabia, Israel and Russia.

(3) Others principally include South America, Panama, Australia and South Africa.

Revenue by customer category

Our Group has derived a majority of its revenue from sales to brand owners, being approximately 67.3%, 57.3% and 59.5% of our Group's total revenue for each of the two years ended 31 December 2009, and for the six months ended 30 June 2010, respectively.

The following table sets forth the breakdown of our revenue by customer category:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Brand owners *(Note 1)*	133,976	67.3	94,295	57.3	38,715	49.0	50,103	59.5
Importers *(Note 2)*	59,797	30.0	66,456	40.4	38,851	49.2	30,991	36.8
Others	5,355	2.7	3,760	2.3	1,421	1.8	3,120	3.7
Total	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Notes:

(1) A brand owner is an entity whose business involves the selling of products of its own brand name.

(2) An importer is an entity who does not own the brands of the goods it sells.

The following is a summary of our Group's combined results for the two years ended 31 December 2009 and the six months ended 30 June 2010, which are derived from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the combined financial information in the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	199,128	164,511	78,987	84,214
Cost of sales	(159,658)	(125,907)	(60,721)	(65,118)
Gross profit	39,470	38,604	18,266	19,096
Other income	1,387	2,657	2,354	646
Selling and distribution expenses	(2,955)	(2,509)	(1,337)	(1,122)
Administrative expenses	(17,240)	(17,517)	(7,818)	(11,069)
Other expenses				
Fair value loss on financial instruments	(4,378)	(63)	(1,108)	—
Others	(2,464)	(310)	(233)	(1,486)
Finance costs	(209)	(67)	(48)	(17)
Profit before income tax	13,611	20,795	10,076	6,048
Income tax expense	(2,223)	(3,229)	(1,851)	(1,434)
Profit/Total comprehensive income for the year/period	11,388	17,566	8,225	4,614
Profit/Total comprehensive income for the year/period attributable to:				
Owners of the Company	10,524	16,498	7,497	4,288
Non-controlling interests	864	1,068	728	326
	11,388	17,566	8,225	4,614
	HK cents	*HK cents*	*HK cents*	*HK cents*
Earnings per share for profit attributable to owners of the Company — Basic	9.7	15.3	6.9	4.0

OUR PRINCIPAL STRENGTHS

We believe our Group has the following principal strengths to which our success is attributed:

- strong product design and development capabilities
- ability to safeguard the intellectual properties of our customers against piracy
- long term relationship with reliable contract manufacturers and suppliers
- a stable and experienced management team
- our ability to deliver quality and reliable products
- long term relationship with our major customers
- our ability in identifying new business opportunities which may synergize with our existing businesses

OUR BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are to consolidate and strengthen our current sourcing business and to develop our PRC Watch Business. We aim to achieve these objectives through the following principal strategies:

- strengthening our current sourcing business capabilities
- cross-selling of our products and broadening our client bases
- expanding our PRC Watch Business
- enhancing brand equity of *Tianba* watches in the PRC
- enhancing our level of inventory

USE OF PROCEEDS

The net proceeds from the Placing, after deducting underwriting fees and estimated expenses payable by our Company in connection therewith, are estimated to be approximately HK$24.1 million, assuming the Placing Price of HK$0.95 per Share, being the mid-point of the proposed Placing Price range of HK$0.80 to HK$1.10 per Share. We intend to use such net proceeds as follows:

- Approximately 58.5% of the net proceeds, or approximately HK$14.1 million, for the corporate expansion of our Group, of which:

  (a) approximately HK$5.8 million for exploring new business opportunities in relation to our sourcing business and broadening of client bases and variety of product mix by strengthening our Group's management and sales and marketing teams for our sourcing business, including but not limited to additional staff recruitment and training, and participation in various trade fairs, shows and exhibitions;

  (b) approximately HK$3.0 million to strengthen our product design and development capabilities by acquiring new computer hardware and software for product design and development for approximately HK$2.5 million, including but not limited to computer numerical controlled ("CNC") machines, and staff recruitment and training for our design and development team for approximately HK$0.5 million;

  (c) approximately HK$4.0 million for system and efficiency enhancement through investment in internal control and management information system, including but not limited to additional staff recruitment and training, risk and inventory management, implementation of enterprise resources planning system; and

  (d) approximately HK$1.3 million for improving corporate image after the Listing, including but not limited to marketing campaign as well as participating in industry exhibition

- Approximately 33.2% of the net proceeds, or approximately HK$8.0 million, for expanding our PRC Watch Business, of which:

  (a) approximately HK$4.5 million for strengthening our brand promotional and marketing efforts in the PRC, part of which may, depending on business and market circumstances, be used for promoting and marketing the PRC Watch Business and financing the operations of such activities; and

  (b) approximately HK$3.5 million for the expansion of the Group's operations in the PRC, including office relocation and expansion, staff recruitment, and expansion and enhancement of our sales network

- The remaining of the net proceeds, or approximately HK$2.0 million, towards working capital and other general corporate purposes.

If the Placing Price is set at the high-end or low-end of the proposed Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK$6.1 million. We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

For detailed breakdown of the use of proceeds, please refer to the table contained in the paragraph headed "Reasons for placing and use of proceeds" under the section headed "Future plans and use of proceeds" of this prospectus.

PLACING STATISTICS

	Based on the Placing Price of HK$0.80 per Share	**Based on the Placing Price of HK$1.10 per Share**
Market capitalisation *(Note 1)*	HK$120,000,000	HK$165,000,000
Unaudited pro forma net tangible asset value per Share *(Note 2)*	HK33.0 cents	HK41.1 cents

Notes:

(1) The market capitalisation is calculated on the basis of 150,000,000 Shares in issue and to be issued immediately upon completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

(2) The unaudited pro forma net tangible asset value per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma net tangible assets" in the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus and on the basis of 150,000,000 Shares in issue at the respective Placing Prices of HK$0.80 and HK$1.10 per Share and to be issued immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

RISK FACTORS

Risks relating to our sourcing business

- We rely on certain major suppliers and contract manufacturers on supply of raw materials, components and finished goods.
- We rely on a few major customers for a significant portion of our sourcing business.
- We may face competitions from other sourcing business operators.
- The success of our sourcing business may depend on the continual services of certain key management personnel.
- Our profitability and prospects may depend on our ability to design and develop products acceptable to our customers.
- Adverse changes in the US market may affect our Group's revenue and profit.

- Our profitability and prospects may be affected by the increases in the costs of raw materials, components and labour. Accordingly, the Group's profitability may decrease from the levels achieved in the financial years in the Track Record Period.

- Appreciation in value of RMB and/or depreciation in foreign currencies may adversely affect profitability. Fluctuations in exchange rates may adversely affect our business.

- Our overseas selling agents may refer the business to other sourcing business providers.

- We may experience loss or damage of our materials, components and finished goods placed at our storage facility or our contract manufacturers' premises.

- Our profitability may be affected by change of product categories of our customers.

- Our inventory level may be affected by seasonality.

- Registration of our Group's logo as a trademark is pending approval.

Risks relating to our PRC Watch Business

- We may face difficulties in managing and expanding our PRC Watch Business.

- Our PRC Watch Business may be affected by difficulties in recruiting or retaining appropriate sales personnel.

- Our profit margin may be affected by the increases in staff cost, marketing and brand building expenditure.

- Our profitability may be affected by slow-moving inventories.

- We may suffer from product liability claims.

- Our insurance coverage may not be sufficient to cover the risks related to our operations.

- Our PRC Watch Business, financial condition, results of operations and prospects may be adversely affected by infringement of intellectual property rights, counterfeiting or imitation of products.

- We may be subject to penalty owing to non-compliance of housing provident funds contributions requirement.

Risks relating to the market

- Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact.

- The recent global market fluctuations and economic downturn may materially and adversely affect our business, financial condition and results of operations.

Risks relating to the PRC

- Changes in the PRC economic, political or social conditions or policies and a slowdown in the PRC economy may affect our business.

- Changes and uncertainties in the PRC legal system may affect our business.

- The enforcement of the PRC Labour Contract Law and other labour related regulations in the PRC may adversely affect our business.

- Fluctuation in the value of Renminbi may materially and adversely affect investors' investment.

Risks relating to the Placing

- An active trading market for our Shares may not develop.

- The trading volume and share price of our Shares may be volatile.

- Investors of our Shares may experience dilution if we issue additional Shares in the future.

- Future sales by our existing Shareholders of a substantial number of our Shares in the public market may materially and adversely affect the prevailing market price of our Shares.

- Historical dividends may not be indicative of the amount of future dividend payments or our future dividend policy.

- We may not be able to sustain our historical financial performance.

- No undue reliance may be placed by prospective investors on industry and market information and statistics derived from official government publications contained in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Access Capital"	Access Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Ampress Merchandising"	Ampress Merchandising Limited (和峰實業有限公司), a company incorporated in Hong Kong with limited liability on 6 November 2008, which is 100% owned by Powerwell Pacific Limited, a wholly-owned subsidiary of our Company
"Ampress Pacific"	Ampress Pacific Limited (和峰太平洋有限公司), a company incorporated in Hong Kong with limited liability on 22 August 1996, which is 100% owned by Good Destination Co., Ltd., a wholly-owned subsidiary of our Company
"Ampress Packaging"	Ampress Packaging Limited, a company incorporated in Hong Kong with limited liability on 3 April 1998, which is 90% owned by Good Destination Co., Ltd., a subsidiary of our Company; and 10% owned by Ms. Tam
"Ampress Packaging Asia"	Ampress Packaging Asia Limited (和峰包裝(亞洲)有限公司), a company incorporated in Hong Kong with limited liability on 6 November 2008, which is 100% owned by Powerwell Pacific Limited, a wholly-owned subsidiary of our Company
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company as at the date of this prospectus
"Business Day"	a day on which the Stock Exchange is open for the business of dealing in securities
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of our Company adopted on 22 December 2010 and as amended from time to time, a summary of which is set out in the section headed "Bye-laws" in Appendix IV to this prospectus
"CAGR"	compound annual growth rate

"Capitalisation Issue"	the Shares to be issued upon capitalisation of part of the sums standing to the credit of the share premium account of our Company referred to under the paragraph headed "Written resolutions of the sole shareholder of the Company dated 22 December 2010" in the section headed "Further information about our Company" in Appendix V to this prospectus
"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
"CIMB"	CIMB Securities (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Companies Act"	the Companies Act 1981 of Bermuda as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Powerwell Pacific Holdings Limited (宏峰太平洋集團有限公司), a company incorporated under the laws of Bermuda with limited liability on 14 June 2010
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Data Champion, Mr. Liu, Mr. Lam and Mr. Wong
"CSEIRC"	China Social Economic Investigation & Research Center, which is a public institution approved by National Bureau of Statistics of PRC and established in 1995

"Data Champion"	Data Champion Limited, a company incorporated in BVI on 6 August 2010, which is owned as to 47.6% by Mr. Liu, 23.8% by Mr. Lam, 23.8% by Mr. Wong and 4.8% by Ms. Tam respectively
"D&P"	Display & Packaging Limited (formerly known as Display & Packaging.com Limited), a company incorporated in Hong Kong with limited liability on 7 February 2001, which is an indirect wholly-owned subsidiary of our Company
"Director(s)"	the director(s) of our Company
"EC (Asia)"	EC (Asia) Limited (宏發(亞洲)有限公司), a company incorporated in Hong Kong with limited liability on 21 February 1995, which is 100% owned by Good Destination Co., Ltd.,a wholly-owned subsidiary of our Company
"EC Manufacturing"	EC Manufacturing Limited (宏發製造有限公司), a company incorporated in Hong Kong with limited liability on 19 June 1998, which is 100% owned by Good Destination Co., Ltd., a wholly-owned subsidiary of our Company
"EC Pacific"	EC Pacific Limited (宏發(太平洋)有限公司), a company incorporated in Hong Kong with limited liability on 6 November 2008, which is 100% owned by Powerwell Pacific Limited, a wholly-owned subsidiary of our Company
"Financial Statements"	audited combined financial statements of our Group for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus
"Founding Shareholders"	Mr. Liu, Mr. Lam and Mr. Wong, the founders of our Group
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
"GEM website"	the internet website at www.hkgem.com operated by the Stock Exchange for the purpose of GEM
"Goldnet"	Goldnet Holdings Group Limited (金域控股集團有限公司), a company incorporated in Hong Kong with limited liability on 8 October 2009, which is a direct wholly-owned subsidiary of our Company

"Gransing Securities"	Gransing Securities Co., Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries and the business carried on by them or (as the case may be) their predecessors
"Guifeng"	深圳市桂峰表業有限公司 (Shenzhen Guifeng Watch Company Limited*), a company which is 80% owned and controlled by Mr. Yang's wife, Ms. Yu Ling, 10% by Mr. Yang and 10% by an Independent Third Party
"HKFRSs"	Hong Kong Financial Reporting Standards, which includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"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 GEM Listing Rules) the Directors, chief executive and substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, our subsidiaries or any of their respective associates
"Inventory Transfer Agreement"	the inventory transfer agreement dated 30 June 2010 between Ling Qiao and Tianhaiba for the acquisition of all *Tianba* and *Harpo* inventory by Tianhaiba at a consideration of RMB5,800,000 (which was later revised to RMB5,654,400 by a supplemental agreement dated 15 July 2010) in accordance with the terms therein
"Joint Lead Managers"	CIMB and Gransing Securities
"Joint Sponsors"	CIMB and Access Capital
"Latest Practicable Date"	21 December 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"Ling Qiao"	深圳市嶺喬貿易有限公司 (Shenzhen Lingqiao Trading Company Limited*), a limited liability company incorporated in the PRC on 13 February 2008, and is 100% owned by Mr. Yang's brother, Mr. Yang Sheng
"Listing"	the listing of Shares on GEM
"Listing Date"	the date, expected to be on or about 26 January 2011, on which dealings in the Shares on GEM first commence
"Listing Division"	the Listing Division of the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Mr. Lam"	Mr. Lam Chi Wai, Peter, an executive Director and one of the Founding Shareholders and Controlling Shareholders and a core management member of our Company
"Mr. Liu"	Mr. Liu Tin Chak, Arnold, the Chairman of our Company and an executive Director, one of the Founding Shareholders and Controlling Shareholders and a core management member of our Company
"Mr. Wong"	Mr. Wong Yu Man, Elias, an executive Director and one of the Founding Shareholders and Controlling Shareholders and a core management member of our Company
"Mr. Yang"	Mr. Yang Yijun, an executive Director and a core management member of our Company
"Ms. Tam"	Ms. Tam Chiu Ming, Tammy, the general manager of our Company and a core management member of our Company
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Placing"	the conditional placing by the Underwriters of the Placing Shares at the Placing Price with institutional, professional and private investors, details of which are described in the section headed "Structure and conditions of the Placing" in this prospectus
"Placing Price"	the final placing price per Placing Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) which will be not more than HK$1.10 and is expected to be not less than HK$0.80, such price to be determined on or before 18 January 2011, as may be agreed between our Company and CIMB (for itself and on behalf of the Underwriters)

"Placing Shares"	the 42,000,000 new Shares being offered by our Company for subscription under the Placing
"Pohint"	Pohint Industries Limited, a company incorporated in Hong Kong and owned by family members of Mr. So Fai Hung, a former director of D&P
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisor"	Hills & Co., the legal advisor of the Company as to PRC laws
"PRC Trademark Office"	the Trademark Office of the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局商標局)
"PRC Watch Business"	the design, manufacture and sale of our Group's own brands of watches through its sales points in the PRC
"Prestige Corporation"	Prestige Corporation Limited (譽銘有限公司 formerly known as 港賢有限公司), a company incorporated in Hong Kong with limited liability on 15 June 2001, which is 100% owned by Good Destination Co., Ltd., a wholly-owned subsidiary of our Company
"Price Determination Date"	the date on which the Placing Price is determined, which is expected to be on or before 18 January 2011
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out under the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 22 December 2010, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Bookrunner"	CIMB

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under section 2 of the Companies Ordinance
"Tianhaiba"	深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited*), a company established in the PRC on 23 June 2009, which is 100% owned by Goldnet, a wholly-owned subsidiary of our Company
"Track Record Period"	the two years ended 31 December 2009 and the six months ended 30 June 2010
"Trademark Licence Agreement"	the trademark licence agreement dated 30 June 2010 between Ling Qiao and Tianhaiba for the granting of the sole and exclusive right to use the Trademarks by Ling Qiao to Tianhaiba at nil consideration
"Trademark Transfer Agreement"	the trademark transfer agreement dated 30 June 2010 between Ling Qiao and Tianhaiba for the acquisition of the Trademarks by Tianhaiba for a total cash consideration of RMB4,700,000 in accordance with the terms therein
"Trademarks"	11 *Tianha* and *Harpo* trademarks registered in the PRC, particulars of which are set out in the paragraph headed "Intellectual property" in Appendix V to this prospectus
"Underwriters"	the Sole Bookrunner and Joint Lead Managers in respect of the Placing named in the section headed "Underwriting" in this prospectus
"Underwriting Agreement"	the conditional underwriting agreement dated 28 December 2010 and entered into between, among others, our Company and the Underwriters relating to the Placing
"United States" or "US" or "USA"	the United States of America
"Xunlong Factory"	深圳市龍崗區橫崗鎮迅隆五金加工廠 (Shenzhen Longgang District Henggang Town Xunlong Metal Processing Factory*), a factory which is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang
"HK$" or "HK dollar(s)" and "cents"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"p.a."	per annum

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.ft." and "sq.m."	square foot/feet and square meter(s), respectively
"US dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus. Certain amounts and percentage figures included in this prospectus 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.

Unless otherwise specified in this prospectus, amounts denominated in RMB and US$ have been converted, for the purpose of illustration only, into HK$ as follows:

RMB1 = HK$1.14

US$1 = HK$7.75

No representation is made that any amount in HK$ could have been or could be converted at the above rate or at any other rates or at all.

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 names in Chinese or another language which are marked with "" and the Chinese translation of names in English which are marked with "*" is for identification purpose only.*

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

"band"	a strap or bracelet made of leather, metal or synthetic material used for fastening of a watch to the wrist
"c-clamp"	a clamp in the shape of the letter "C" which holds a display item for display purpose
"complete watch(es)"	wristwatch(es) with the bands or straps attached to the watch heads
"contract manufacturer"	the manufacturer contracted or may be contracted by our Group to manufacture a particular product or component
"crown"	knob located on the outside of a watch case and used to wind a mechanical watch mainspring
"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
"hand(s)"	an indicator, usually made of a thin, light piece of metal, very variable in form, which moves over a graduated dial or scale showing the hour, minute or second
"mock-up"	a working full-scale model of a product for testing or display purposes
"movements"	the inner mechanism of watch that keeps time and moves the watch's hand, calendar, and so on. Movements are either mechanical or quartz
"quality assurance"	the programme adopted by our Group for the systematic monitoring and evaluation of the various aspects of production by contract manufacturers to ensure that standards of quality are being met
"quality control"	the policy adopted by our Group and the process by which the quality of various aspects involved in production by contract manufacturers will be reviewed
"rendering(s)"	computer-generated technical drawings or graphics which visualise a proposed shape or structure of an object

"retail display unit"	a display unit used for retail display purposes, which may include but are not limited to counter tops, window display c-clamps, various forms of plastic stands, jewelry cushions or pillows, necklace stands, ring holders, trays, and sometimes the transparent container which holds all the retail display items and equipment
"sales points"	the counters in department stores or shopping malls located in various cities of the PRC, operated by Tianhaiba for the retail sales of watches
"silver"	sterling silver (also known as 925 silver), an alloy of 92.5% silver with 7.5% copper or other metal
"watch head"	a watch without a band or any holding mechanism

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans of operations;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under planning;
- the regulatory environment of our industry in general;
- future development in our industry; and
- the other factors referenced in this prospectus, including, without limitation, under the sections entitled "Risk factors", "Industry overview", "Business", and "Financial information".

The words "anticipate", "believe", "could", "expect", "intend", "may", "plan", "project", "seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialize, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, 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 prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Investment in the Placing involves high risks and speculation. Before making any investment decisions in relation to our Company, prospective investors should carefully consider all information contained in this prospectus, in particular the following risk factors and special considerations associated with investing in our Company. It is possible that damage to our Group's business, financial position and operating results may arise from other risk factors and uncertainties that our Company is unaware of, or investment factors that our Company considers insignificant at present. The market price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR SOURCING BUSINESS

We rely on certain major suppliers and contract manufacturers on supply of raw materials, components and finished goods

For the two years ended 31 December 2009 and the six months ended 30 June 2010, purchases from our top five suppliers (including contract manufacturers) accounted for approximately 59.0%, 61.7% and 68.1% respectively, of our total cost of sales. Purchases of display and packaging products from Pohint, which is one of our top five suppliers and also our largest supplier for display and packaging products, amounted to approximately HK$33.6 million, HK$45.1 million and HK$20.3 million, representing approximately 21.1%, 35.8% and 31.2% of our total cost of sales and approximately 66.9%, 84.6% and 79.6% of our total cost of sales of display and packaging products respectively, for the two years ended 31 December 2009 and the six months ended 30 June 2010. Xunlong Factory, which is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang, is our largest supplier for components of watches. Purchases of watches components from Xunlong Factory amounted to approximately HK$22.2 million, HK$10.9 million and HK$8.7 million, representing approximately 13.9%, 8.6%, and 13.3% of our total cost of sales and approximately 22.5%, 18.0% and 25.0% of our cost of sales of watches, respectively for the two years ended 31 December 2009 and the six months ended 30 June 2010. For the same periods, Guifeng, which is owned as to 90% by Mr. Yang and his wife, is our only contract manufacturer for assembly of watches. Purchases of watches from Guifeng amounted to approximately HK$7.3 million, HK$5.0 million and HK$3.0 million, representing approximately 4.6%, 4.0%, and 4.6% of our total cost of sales and 7.4%, 8.3%, and 8.7% of our cost of sales of watches. All the above three suppliers are connected persons of the Company under the GEM Listing Rules. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus. None of our major suppliers (including contract manufacturers) has entered into any long term supply contracts with us and they do not supply to us on an exclusive basis. There can be no assurance that we will be able to continue to source the right suppliers or contract manufacturers to supply raw materials, components and finished goods. If any of our major suppliers or contract manufacturers cease to supply raw materials, components and finished goods for us and we are unable to find suitable alternative suppliers or contract manufacturers at comparable quality and prices within a reasonable period of time, our Group's operation may be adversely affected.

Our dependence on contract manufacturers for supplying finished products exposes us to a number of risks, any of which may have an adverse effect on our business, financial condition and results of operations:

- Our contract manufacturers may fail to meet their production deadlines, maintain our required quality standards or comply with our product specifications.
- We may not be able to source from our contract manufacturers finished products at commercially reasonable prices, as a result of which our cost of sales may also increase and our profitability may be adversely affected.
- Our contract manufacturers may experience transportation delays and interruptions when delivering products to us.
- Should our contract manufacturers experience unforeseen circumstances which may require us to look for alternative manufacturers, we may experience increased costs, disruptions in supply and reduced sales.
- Some of our contract manufacturers also manufacture for other companies that compete with us. There is no assurance that our contract manufacturers will allocate us with the required production capacity.

We rely on a few major customers for a significant portion of our sourcing business

We rely on our major customers. For the two years ended 31 December 2009 and the six months ended 30 June 2010, sales to our top five customers accounted for approximately 95.1%, 92.8% and 91.0% of our total revenue, respectively, whereas sales to our largest customer accounted for approximately 54.4%, 40.8% and 44.8% of our total revenue, respectively during the same periods. We rely on our top three customers, who are respectively our largest customers for each of our three product lines. Our largest customer, who has business relationship with us for 15 years, is a watch brand owner founded in Europe and has established offices in the US and Hong Kong. Besides watches, this customer also sells jewelries and other accessories in its own worldwide distribution networks. Our second largest customer, who has business relationship with us for 11 years, imports display and packaging products. Our third largest customer, who has business relationship with us for 11 years, is a brand owner founded in the US. This customer sells costume jewelries and a wide selection of other products which include, among others, watches and home decor. For the two years ended 31 December 2009 and the six months ended 30 June 2010, our top three customers accounted for approximately 92.7%, 90.2% and 88.2% of our total revenue, respectively. For the same periods, our largest customer who is a customer for our watch products, accounted for approximately 91.7%, 88.0% and 93.0% respectively, of our revenue derived from the sales of watches (excluding revenue derived from PRC Watch Business); our second largest customer who is a customer for our display and packaging products, accounted for approximately 82.9%, 84.8% and 82.8% respectively of revenue derived from the sales of display and packaging products; our third largest customer, who is a customer for our costume jewelries, accounted for approximately 83.4%, 77.7% and 71.8% respectively of our revenue derived from the sales of costume jewelries. As at the Latest Practicable Date, none of our major customers has entered into any long term sales contracts with us. There can be no assurance that our major customers will continue their purchases, if at all, from our Group at the current levels. In addition, our major customers' businesses may be negatively impacted by any potential challenge to their brand portfolio, intellectual property management, product quality and sales strategy implementation, which, in turn, may adversely affect our sales. Any failure to maintain good business relationships with our major customers or any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.

We may face competitions from other sourcing business operators

Sourcing and procurement is a fragmented industry and the entry barrier to the business of providing sourcing and procurement solutions is considered low. We believe we can provide value added services to our customers by our established design and product development capabilities, which underpins our competitive strengths. Our competitive edge may however be eroded in circumstances when other sourcing business operators are able to match our above-mentioned qualities or provide similar businesses but undercut us on pricing. There is also no territorial limitation on where the sourcing and procurement solutions may be provided from. Our competitors may choose to work from lower costs areas where labour and living costs are much lower than those in Hong Kong and the PRC.

The success of our sourcing business may depend on the continual services of certain key management personnel

Our Group's success is, to a significant extent, attributable to the management skills and experience of our loyal and self-motivating management team. Most of our existing senior management team members, in particular our Founding Shareholders, have served our Group for over 15 years. They possess valuable knowledge in different areas, Mr. Liu in banking and finance, Mr. Lam in trading and marketing and Mr. Wong in design. They contributed to the Group with their respective knowledge and experience. Mr. Liu is in charge of finance and overall management of our Group; Mr. Lam focuses on marketing and Mr. Wong on design. We do not currently maintain any key person insurance policies as our Directors consider that the risk of loss of key management personnel lies not in the failure to maintain such insurance policies but the difficulties in finding competent replacement. Our Directors also believe that monetary compensation received from a key person insurance policy is not a sufficient remedy for the loss of any key management personnel. Should any of our Group's key personnel cease to serve our Group and our Group fail to recruit new talents, our Group's business operation may be adversely affected.

Our profitability and prospects may depend on our ability to design and develop products acceptable to our customers

One of our Group's competitive strengths in carrying out sourcing business is our Group's ability to design and develop innovative and unique ideas which meet with our customers' commercial requirements and expectations. We would design for our customers or work and collaborate with them on the designs. We would also then source and procure the finished products for them. Our sourcing and procurement solutions are underpinned by our ability to understand and meet our customers' design requirements. It is important to our continual success that we are able to bring out designs and develop ideas which are appealing to and acceptable by our customers. However, there is no assurance that our Group is able to continue generating new ideas and designs that will meet with our customers' approval and preference.

Adverse changes in the US market may affect our Group's revenue and profit

One of our major export markets is the US. For the two years ended 31 December 2009 and the six months ended 30 June 2010, our sales to the US market amounted to approximately HK$91.1 million, HK$67.3 million, and HK$35.7 million, respectively, representing approximately 45.7%, 40.9% and 42.3% respectively of our total revenue. Our sales to USA decreased by approximately HK$23.8 million from approximately HK$91.1 million for the year ended 31 December 2008 to approximately HK$67.3 million for the year ended 31 December 2009. The Directors believe that such significant drop was mainly due to shrunken consumer spending in the year ended 31 December 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the US into economic slowdown since 2008. The Directors anticipate that sales to the US market will continue to represent a significant portion of our Group's revenue in the foreseeable future, although the Directors believe that some of the products sold to the US are onsold to other countries by our customers. In the event of any adverse changes in the political, economic or social conditions, foreign trade or monetary policies, or legal or regulatory requirements or taxation or tariff regime in the US, our businesses, financial condition and results of operations may be adversely affected.

Our profitability and prospects may be affected by the increases in the costs of raw materials, components and labour. Accordingly, the Group's profitability may decrease from the levels achieved in the financial years in the Track Record Period

For the two years ended 31 December 2009 and the six months ended 30 June 2010 respectively cost of sales for watch products, accounted for approximately 61.7%, 47.9% and 50.9%, of our total cost of sales, respectively. Most of the raw materials and components for our costume jewelries and display and packaging products are provided by our contract manufacturers according to our quality assurance and quality control guidelines.

Furthermore, as a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta region, factories in the Pearl River Delta region have been facing increasing labour cost in recent years. Our contract manufacturers may shift their burden on increase of raw materials, components and labour costs to us in our outsourcing contracts. Our Group's profitability, financial condition and results of operations may be adversely affected if we cannot shift those costs resulting from increases in raw materials, components and labour costs to our customers.

Appreciation in value of RMB and/or depreciation in foreign currencies may adversely affect profitability. Fluctuations in exchange rates may adversely affect our business

As our production activities are carried out in the PRC, approximately 10.7%, 9.6% and 10.4% of our purchases were denominated in Renminbi for the two years ended 31 December 2009 and the six months ended 30 June 2010, respectively. For the same periods, nil, nil and approximately 3.1% of our Group's total revenue were denominated in Renminbi, approximately 1.6%, 2.0%, and 1.3% were denominated in HK dollar, and the remaining 98.4%, 98.0% and 95.6% were denominated in US dollars.

The exchange rate of the RMB against the US dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including US dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to US dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system. From 21 July 2005 to 30 June 2010, according to the official website of the PBOC, the value of RMB has appreciated by approximately 19.4% against the US dollar.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the US dollar, the Hong Kong dollar or other foreign currencies. Prospective investors should note that fluctuations in the exchange rate of Renminbi may affect our cost of sales. In the event that Renminbi appreciates and to the extent that we were unable to absorb the increment, our products are likely to become more expensive, and our export sales are likely to be adversely affected.

Our overseas selling agents may refer the business to other sourcing business providers

In our sourcing business, some of our customers were introduced to us by overseas selling agents. In return, we pay the agents agency fees based on the successful business introduced by them and after payment on the successful business is received by us. The agency fees paid to our overseas selling agents were approximately HK$0.6 million, HK$0.9 million and HK$0.2 million for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, respectively.

For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the respective total revenues of our Group that are attributable to successful business introduced by overseas selling agents amounted to approximately HK$21.2 million, HK$22.9 million and HK$10.4 million, representing approximately 10.6%, 13.9% and 12.3% of the Group's total revenue, respectively.

The agency agreements we entered into with the overseas selling agents do not require these agents to act for us exclusively. There is no guarantee that they will continue to refer customers or business to us, both exclusively or otherwise. Should these agents cease referring new business to us, and unless our Group can compensate that loss of revenue by bringing additional business to our Group from other sources, our business, financial condition, results of operations and prospects may be adversely affected.

We may experience loss or damage of our materials, components and finished goods placed at our storage facility or our contract manufacturers' premises

We engage different suppliers and contract manufacturers, for the sourcing and procurement of raw materials, components and finished goods. In respect of watches, we source all materials and components and send the same to our contract manufacturers for assembly. Some of the watch components and finished goods are stored at our storage facility in Hong Kong and some at our contract manufacturers' premises. For our day-to-day operations, we may face the risk of loss or damage to our inventories due to fire, flood and theft. Obsolete inventories (if any) will be written off according to the policy of our Group as stated in Note 4 to the Accountants' Report set out in Appendix I to this prospectus. In respect of costume jewelries and display and packaging products, we source finished goods from contract manufacturers. Finished goods of costume jewelries and display and packaging products are therefore placed and stored at our contract manufacturers' factory premises and we are not exposed to the risks of holding costume jewelries and display and packaging inventories.

As the raw materials and components for our watch products are sourced according to confirmed orders, in the event that the relevant raw materials and components are lost or damaged while being stored at our storage facility or our contract manufacturers' premises, we may not be able to secure replacement to meet the production deadlines of our customers' orders. This may in turn have an adverse effect on our business, financial condition and results of operations.

Our profitability may be affected by change of product categories of our customers

Our Group may experience fluctuations in sales volume when our customers, in particular our largest customers in the respective lines of products in our sourcing business, switch their product categories. For our costume jewelries, there was a drop in sales volume from 548,981 units during the six months ended 30 June 2009 to 467,757 units for the six months ended 30 June 2010, representing a decrease of approximately 14.8%, primarily due to the decrease in number of orders placed by our largest costume jewelry product customer who had changed product categories during the period.

To the best knowledge of the Company, our customers update and revise their product categories on a periodical basis based on their own views on the market trend to cope with their ultimate customers' preference. We may not be able to source all types of products for our customers. Therefore, when any customer changes its product category, it may also affect our sales volume and our ability to source the required products for the customer. If we fail to meet our customers' changing demands, our customers may reduce their purchases from us, or cease to place orders with us. Any fluctuation in size and volume of purchase orders could materially and adversely affect our profitability and results of operations.

Our inventory level may be affected by seasonality

Our level of inventories has fluctuated from season to season in the past and is likely to continue to fluctuate due to seasonality and order pattern of our customers. The Group's inventory level usually starts to build up in June to meet the orders placed by our customers for Christmas and Thanksgiving. Upon shipments of these orders in October to December, the Group's inventory level would drop to a lower level by the year end. Such seasonality is primarily attributable to the seasonal fluctuation of demand from the global watch market. In light of abovementioned factors, which are contingent to the global economic environment and customer preference, our results of operations and financial condition may fluctuate from period to period.

Registration of our Group's logo as a trademark is pending approval

As at the Latest Practicable Date, we are in the process of registering the current "PPacific owerwell" logo of our Group in Hong Kong. Further details of the pending trademark application are described in the paragraph headed "Intellectual property" in Appendix V to this prospectus.

We believe that our Group's brand names and intellectual property rights are important assets of our Group. As at the Latest Practicable Date, we are not aware of any material infringement of our intellectual property rights.

There is no assurance, however, that we will not receive an objection to the pending trademark application. Any claim in relation to the use of the logo by our Group in the future, regardless of its merits, may give rise to increased trademark prosecution and potential litigation costs.

RISKS RELATING TO OUR PRC WATCH BUSINESS

We may face difficulties in managing and expanding our PRC Watch Business

We began our PRC Watch Business in March 2010. As at the Latest Practicable Date, we have established a sales network with 110 sales points covering a total of 54 cities in the PRC. These 110 sales points have provided us presence in a number of major cities in the PRC. We planned to actively expand our geographical coverage in other PRC cities. Our revenue generated from the PRC Watch Business since its commencement up to 30 June 2010 amounted to approximately HK$2.6 million with operating losses of approximately HK$1.1 million.

Different regions in the PRC may have different market trends, consumer preferences and tastes. We need to take the aforementioned factors into consideration when developing the designs of our watches and identifying appropriate locations for new sales points. Also, different managerial issues may be involved in our various sales points among cities. We also acknowledge that market competition in watch retail business in the PRC is increasingly severe in recent years. Since our PRC Watch Business is relatively new and our Group has limited experience in watch retail business in the PRC, we will have to understand and deal with the abovementioned risks and challenges. Our proposed business strategies on the PRC Watch Business, as set out in the paragraph headed "Business objectives and strategies" in the section headed "Future plans and use of proceeds" of this prospectus, are yet to be tested and may not be successful. Our rapid expansion into different regions of the PRC may put pressure on our managerial, technical, financial, operational, marketing and other aspects including demand on our cash flow support. Any failure to effectively manage our expansion and resources may adversely affect our business, financial condition and results of operations.

Our PRC Watch Business may be affected by difficulties in recruiting or retaining appropriate sales personnel

One of the key factors for the growth and future success of our PRC Watch Business is attributable to skilled and experienced management and front-line sales personnel for our existing sales network and for further expansion.

As the PRC labour market becomes increasingly competitive, our Group may face difficulties in recruiting or retaining suitable sales personnel and management, in particular those with extensive experience and knowledge of watches.

If our Group fails to maintain and/or expand our sales team and management, the operations of our PRC Watch Business may be adversely affected and the future expansion plan of our Group may not be implemented effectively.

Our profit margin may be affected by the increases in staff cost, marketing and brand building expenditure

On sales and marketing, the PRC Watch Business employs, directly and indirectly through the shopping malls and department stores, sales staff to manage the sales points and managers and supervisors to manage the sales regions.

Since the commencement of our PRC Watch Business in March 2010 and up to 30 June 2010, we have incurred promotional and advertising expenses for a total of approximately HK$231,000, representing approximately 8.8% of revenue derived from our PRC Watch Business. We also expect to incur additional advertising and promotional expenses in the future for promoting market awareness of our *Tianba* brand and at a later stage the *Harpo* brand. In the event that the growth in our revenue fails to absorb the additional promotional expenses and increase in staff cost, our profit margin may be adversely affected.

Our profitability may be affected by slow-moving inventories

The success of our PRC Watch Business is highly related to our customers' preferences to our watches. If our watches fail to meet the changing trend of the market and consumers' tastes, our Group may face the risk of keeping slow-moving inventories. Our inventory of *Tianba* and *Harpo* watches as at 30 June 2010, was reduced to approximately HK$4.9 million as at 31 October 2010. If our Group cannot manage to design and procure appropriate inventories to suit our customers' tastes in future, the volume of slow-moving inventories may be increased and the financial position and the profitability of our Group may be adversely affected.

We may suffer from product liability claims

We own the *Tianba* and *Harpo* brands in the PRC Watch Business. We are exposed to the risk of product liability claims, litigation, complaints or adverse publicity in relation to our products.

According to the legal opinion of our PRC Legal Advisor, pursuant to the relevant PRC laws and the co-operation agreements entered into between Tianhaiba and the relevant shopping malls or department stores, the shopping malls or department stores sell *Tianba* and *Harpo* watches provided by Tianhaiba and are hence regarded as sellers. In the event that customers lodge product liability claims in relation to *Tianba* and *Harpo* watches, the shopping malls or department stores as sellers shall be responsible for the relevant product liabilities. However, if the relevant product defects are caused otherwise than by the sellers, we as the supplier of the *Tianba* and *Harpo* watches to the shopping malls and department stores shall then be responsible for the product liabilities.

The Directors confirm that as at the Latest Practicable Date, we have not been held responsible for any product liability claim in relation to the *Tianba* and *Harpo* watches.

In the event that we are held responsible for product liability claims in relation to the *Tianba* and *Harpo* watches or if adverse publicity, litigation or complaints are instigated against our Group in relation to the *Tianba* and *Harpo* watches, regardless of merit, our Group's business and reputation may be adversely affected. Our financial position may also be materially and adversely affected as a result of our Group's settlement and payment for such claims.

Our insurance coverage may not be sufficient to cover the risks related to our operations

Our business, financial condition and results of operations are subject to risks associated with our operations. We have not subscribed to product liability insurance, which is not a mandatory requirement in the PRC. There can be no assurance that our production operations will be free of accidents or that our insurance policies will be adequate to cover all losses incurred. Associated liabilities and losses incurred by us may have adverse effect on our results of operations if such liabilities or losses are not covered by our insurance policies.

Our PRC Watch Business, financial condition, results of operations and prospects may be adversely affected by infringement of intellectual property rights, counterfeiting or imitation of products

Our principal intellectual property rights include trademarks for our *Tianba* and *Harpo* brands of watches. We are in the process of registering these trademarks for our brand of watches in countries and regions including the PRC and Hong Kong. Our intellectual property rights may be subject to various forms of infringement.

According to Article 52 of《中華人民共和國商標法》(the Trademark Law of the People's Republic of China*), any of the following acts shall be an infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical or similar to a registered trademark in respect of the same or similar goods without the authorization from the trademark registrant; (2) selling goods that infringe the exclusive right to use a registered trademark; (3) counterfeiting, or making, without authorization, the device of a trademark registered by a third party, or selling such counterfeit device; (4) replacing a third party's registered trademark, without authorization, and selling goods bearing such a replaced trademark; (5) causing, in other respects, prejudice to the exclusive right of a third party to use a registered trademark. The Directors confirm that our Group has not encountered any trademark infringement issues in the past.

Some of the trademarks under the *Tianba* and *Harpo* brands were registered in 1989 while others under the two brands were registered in 2000. Accordingly, as at Latest Practicable Date, these trademarks have been registered for over 10 to 20 years. To the best of the Directors' knowledge, *Tianba* and *Harpo* brand have never infringed any registered intellectual property, or have never received any queries or inspections by any third parties or the PRC Trademark Office before the Company's acquisition. According to the search on the official website of the PRC Trademark Office conducted by our PRC Legal Advisor, there is no record showing that these trademarks have been involved in any disputes.

Protections offered by the trademark laws in the PRC and other jurisdictions where we have registered our trademarks may not be easily enforceable and the protections laid down in law may not be effective. As a result, our efforts to enforce or defend our trademark rights may require significant attention from our management and may be costly. If we are unable to adequately protect or safeguard our trademark rights, our business, financial condition, results of operations and prospects may be adversely affected.

We may be subject to penalty owing to non-compliance of housing provident funds contributions requirement

According to the relevant PRC laws and regulations, employers in the PRC are required to pay housing provident fund for its employees. According to Articles 14 and 37 of 《住房公積金管理條例》(the Regulations on Management of Housing Provident Funds*) (the "Regulations"), promulgated by the State Council on 3 April 1999, a newly established unit shall register with Administrative Centre of housing provident fund within 30 days after its establishment and open relevant housing provident fund account for itself and its employees within 20 days after the registration, failing which, the unit shall be ordered to rectify the breach within a specified time limit, otherwise, an aggregate fine of between RMB10,000 and RMB50,000 shall be imposed.

However, as at the Latest Practicable Date, we have not complied with the housing provident fund contribution requirements for our employees because (i) since the system for housing provident fund has been in place in Shenzhen in 1992, the number of participating enterprises and hence employees has been small; and (ii) the housing provident fund contribution requirements have not been made mandatory through enforcement by the local authority. Due to differences in local regulations, inconsistent implementation or interpretation by local authorities responsible for housing provident fund, and according to 《深圳市社會保險暫行規定》 (1992) (the Shenzhen Social Insurance Interim Provisions (1992)*), these provisions apply to fixed workers and contracted workers with 常住戶口 (permanent residency*) in the city. The required rate of contribution from the companies for the housing provident fund is 13% of the total monthly wage of the employees. Thus, in the event that the relevant local PRC governmental authorities responsible for housing provident fund enforce the outstanding payment, the maximum amount which Tianhaiba will have to pay, as of September 2010, an aggregate amount of approximately RMB12,000. The Company considers that as the abovementioned payment is immaterial, indemnity from the Controlling Shareholders is not necessary in this regard.

Although the housing provident fund contributions requirement has not been made mandatory through enforcement by the Shenzhen local authority since 1992, relevant reform proposal has been promulgated recently by the Shenzhen government to enforce the housing provident fund system. According to 《深圳市住房公積金制度改革方案》 (Shenzhen Housing Provident Fund System Reform*), 深圳市住房公積金管理委員會 (Shenzhen Housing Provident Fund Management Committee*) and 深圳市住房公積金管理中心 (Shenzhen Housing Provident Fund Management Centre*, hereinafter referred to as "the Housing Provident Fund Management Centre") were established in December 2010.《深圳市住房公積金管理暫行辦法》(Provisional Measures for Management of Shenzhen Housing Provident Fund*, hereinafter referred to as "the Measures"), which are the implementation rules for the Shenzhen housing provident fund reform, were promulgated on 30 November 2010 and has come into force on 20 December 2010. According to the Measures, a newly established entity shall register with the Housing Provident Fund Management Centre within 30 days after its establishment while units which were established before the enforcement of the Measures shall register housing provident fund within the prescribed timeframe. Our Directors confirm that our Group will register housing provident fund according to the timeframe prescribed by the Housing Provident Fund Management Centre.

According to the verbal queries conducted by our PRC Legal Advisor at 深圳市社會保險基金管理局 (Shenzhen Social Insurance Fund Management Bureau*), the local authority in charge of the housing provident fund contribution, although the housing provident fund contribution is mandatory under PRC law, the housing provident fund contributions requirement has not been made mandatory through enforcement by the Shenzhen local authority before the Measures come into force. For rectification of non-compliance of housing provident fund contribution, as aforementioned, the Group will register housing provident fund according to the timeframe prescribed by the Housing Provident Fund Management Centre. The Company's PRC Legal Advisor has provided a training for its executive Directors and senior management to comply with housing provident fund regulations in the PRC. For more information in relation to housing provident funds, please refer to section headed "Directors, Senior Management and Employees" and the paragraph headed "Social insurance and housing provident fund" in the section headed "Business" in this prospectus.

In order to continuously improve our corporate governance and to prevent future non-compliance of housing provident fund contribution, we intend to adopt or have adopted the following measures:

(i) the Group has appointed three independent non-executive Directors to the Board, among them, Cheung Chi Man, Dennis, being one of the independent non-executive Directors, possesses experience in managing listed companies with operations in the PRC. His depth of experiences could assist us in compliance with PRC laws and regulations on a continuous basis;

(ii) the Group has established an audit committee, comprising the three independent non-executive Directors, to independently monitor and review the financial reporting process and internal control system of our Group;

(iii) the Company's PRC Legal Advisor has provided a training for its executive Directors and senior management to comply with the housing provident fund regulations in the PRC; and

(iv) the Group will improve the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, management, legal matters, finance and audit.

Based on the above, the Directors are of the view that the Company has taken reasonable steps to establish a proper internal control system to prevent future non-compliance with PRC laws and regulations by our Group.

RISKS RELATING TO THE MARKET

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in the PRC and worldwide. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our customers' products are for sale.

Acts of war, terrorist attacks and political unrest may cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, the PRC has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of the PRC. If an outbreak of epidemics occurs again, the economy of the PRC may suffer which will in turn adversely affect our results of operations.

The recent global market fluctuations and economic downturn may materially and adversely affect our business, financial condition and results of operations

The global capital and credit markets have experienced extreme volatility and disruption in recent years. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the United States mortgage market and a declining residential real estate market in the United States and elsewhere have contributed to market volatility and diminished expectations of growth for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment outside the PRC, have contributed to the global economic slowdown and a possible prolonged global recession. As a result, demand for our customers' products may decrease, thereby adversely affecting our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the PRC economic, political or social conditions or policies and a slowdown in the PRC economy may affect our business

A substantial part of the raw materials are sourced in the PRC and the factories of our contract manufacturers are located in the PRC. Our results of operations and prospects are and will continue to be subject to political, economic and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate and control of foreign exchange.

Historically, the PRC economy was centrally planned, with a series of economic plans promulgated and implemented by the PRC government. Since 1978, the PRC government has been promoting economic and political reforms. The PRC has gradually shifted from a planned economy towards a market-oriented economy. However, continued governmental control of the economy may adversely affect us. We cannot assure that the PRC government will continue to pursue economic reforms. A number of policies and measures that could be taken by the PRC government to regulate the economy, including the introduction of measures to control inflation, deflation, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, could materially and adversely affect our business, financial condition and results of operations.

Changes and uncertainties in the PRC legal system may affect our business

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation of these laws and regulations, including their interpretation and enforcement, could have an adverse effect on our business and results of operations.

The enforcement of the PRC Labour Contract Law and other labour related regulations in the PRC may adversely affect our business

On 20 June 2007, the National People's Congress of China enacted 《中華人民共和國勞動合同法》 (the PRC Labour Contract Law*) (the "Labour Contract Law"), which became effective on 1 January 2008. Compared to 《中華人民共和國勞動法》(the PRC Labour Law*), the Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obliged to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts or the employee has already worked for the employer for 10 years consecutively. The employer also has to pay compensation to employees if the employer terminates an unlimited term labour contract. Unless an employee refused to extend an expired labour contract, compensation is also required when the labour contract expires and the employer does not extend the labour contract with the employee under the same terms or terms which are better than those in the original labour contract. Furthermore, under《職工帶薪年休假條例》 (the Regulations on Paid Annual Leave for Employees*), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labour measures, our labour costs may increase. We cannot assure that disputes, work stoppages or strikes will not arise in the future.

Fluctuation in the value of Renminbi may materially and adversely affect investors' investment

The value of Renminbi against other currencies may be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi. Under the current unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of Renminbi to Hong Kong and US dollars have generally been stable. However, with effect from 21 July 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 23 September 2005, the PRC government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of HK dollars and US dollars against Renminbi will further fluctuate. In the event of significant changes in the exchange rates of Hong Kong and US dollars against Renminbi, to the extent we decide to convert Renminbi to HK dollars for purposes of making dividend payments, the HK dollar value of any dividend payments in foreign currencies may be adversely affected.

RISKS RELATING TO THE PLACING

An active trading market for our Shares may not develop

Prior to the Placing, there was no public market for our Shares. The initial Placing Price range for our Shares was the result of negotiations among our Company and CIMB on behalf of the Underwriters. The Placing Price may differ significantly from the market price for the Shares following the Placing. We have applied to list and deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Placing or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following completion of the Placing, or that the market price of our Shares will not decline below the Placing Price.

The trading volume and share price of our Shares may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Investors of our Shares may experience dilution if we issue additional Shares in the future

We may need to raise additional funds in the future to finance expansion of or new developments relating to our 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 the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Future sales by our existing Shareholders of a substantial number of our Shares in the public market may materially and adversely affect the prevailing market price of our Shares

The Shares held by certain of our existing Shareholders are subject to lock-up beginning on the date on which trading in our Shares commences on GEM. While we are not aware of any intentions of our existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, we cannot assure you that our substantial Shareholders, Founding Shareholders or Controlling Shareholders will not dispose of the Shares held by them. We cannot predict the effect, if any, that any future sales of Shares by any substantial Shareholder, or the availability of Shares for sale by any substantial Shareholder may have on the market price of our Shares. Sales of substantial amounts of Shares by any substantial Shareholder, or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or our future dividend policy

For the two years ended 31 December 2009 and the six months ended 30 June 2010, we declared dividends of approximately HK$4.2 million, HK$18.4 million and HK$4.2 million, respectively, to our then shareholders. In the future, the amount of dividends we may declare and pay will be subject to, among other things, the full discretion of our Board, and will depend upon our operations, earnings, financial condition, cash requirements and availability and any other factors which our Board may consider relevant. Accordingly, the amount of dividends that we have declared and paid in the past does not indicate the dividends that we may pay in the future.

We may not be able to sustain our historical financial performance

The total revenue of our Group amounted to approximately HK$199.1 million, HK$164.5 million and HK$84.2 million for the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, respectively. Our gross profit for each of the two years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010 were approximately HK$39.5 million, HK$38.6 million and HK$19.1 million, respectively. The gross profit margin for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 was approximately 19.8%, 23.5% and 22.7%, respectively. However, our revenue and profit in the Track Record Period may not be indicative of our future performance. Our Group's future revenue and profitability depend on a number of factors, including the successful implementation of our Group's future plans as stated in the section headed ''Future plans and use of proceeds'' in this prospectus. Investors should be aware that there is no assurance that our Group will be able to increase or maintain its historical revenue or profit levels.

No undue reliance may be placed by prospective investors on industry and market information and statistics derived from official government publications contained in this prospectus

Certain facts, forecasts and other statistics in this prospectus including those relating to the PRC, the PRC economy and the watch and costume jewelery industry have been derived from various official government publications. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The facts, forecasts and other statistics have not been independently verified by us, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors or any other party involved in the Placing and no representation is given as to their accuracy and completeness. Therefore our Company makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts, forecasts or statistics.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 20 OF THE GEM LISTING RULES

Our Group has entered into certain transactions which would constitute continuing connected transactions that are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the GEM Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules are set out in the section headed "Connected transactions and waiver" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to our Group. The Directors, having made all reasonable enquiries, confirm that the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Placing is concerned, no person is authorized to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Sponsors, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Placing.

Printed copies of this prospectus are available, for information purposes only, at the offices of CIMB at 25/F., Central Tower, 28 Queen's Road Central, Hong Kong, Access Capital at Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and Gransing Securities Co., Limited at 804–806 Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong during normal office hours from 9:00 a.m. to 5:00 p.m. from 29 December 2010 up to 17 January 2011 (both dates inclusive).

UNDERWRITING

This prospectus is published solely in connection with the Placing, which is sponsored by the Joint Sponsors and lead managed by the Joint Lead Managers. Subject to the terms of the Underwriting Agreement (including the determination of the final Placing Price by agreement between our Company and CIMB (for itself and on behalf of the Underwriters) on or before Tuesday, 18 January 2011, being the expected Price Determination Date or such later time as may be agreed between our Company and CIMB (for itself and on behalf of the Underwriters)), the Placing Shares are fully underwritten by the Underwriters under the Underwriting Agreement. For particulars of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by agreement among CIMB (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or before 18 January 2011. If, for whatever reason, our Company and CIMB (for itself and on behalf of the Underwriters) are not able to agree on the Placing Price, the Placing will not proceed.

SELLING RESTRICTIONS

No action has been taken to permit the offering of the Placing Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No invitation may be made to the public in Bermuda to subscribe for or purchase any of the Placing Shares.

Each person acquiring the Placing Shares will be required to confirm and is deemed by his acquisition of the Placing Shares to have confirmed that he is aware of the restrictions on offer of the Placing Shares described in this prospectus and that he is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

Prospective investors for Placing Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON GEM

Our Company is able to satisfy the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under the GEM Listing Rules.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue and as otherwise described in this prospectus on GEM (including any Shares to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

No part of our share or loan capital of our Company is listed, traded or dealt in on any stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, our securities on any other stock exchange.

A total of 42,000,000 Shares, representing 28% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), will be made available under the Placing.

Under Section 44B(1) of the Companies Ordinance, any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All issued Shares upon completion of the Placing and the Capitalisation Issue are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by our branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Our Company's principal register of members will be maintained by our principal share registrar and transfer office in Bermuda, Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.

Dealings in Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Bye-laws.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, Shares on GEM and the compliance with the stock admission requirements of HKSCC, Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisors for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Placing Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in our Shares. It is emphasized that none of our Company, the Joint Lead Managers, the Underwriters, the Joint Sponsors, any of their respective directors, supervisors, agents or advisors or any other person involved in the Placing accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in Shares on GEM are expected to commence at 9:30 a.m. on 26 January 2011. Shares will be traded in board lots of 4,000 Shares each.

The stock code for the Shares is 8265.

Our Company will not issue any temporary documents of title.

Dealings in Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected two trading days following the transaction date. Settlement of transactions between participants of the GEM is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Liu Tin Chak, Arnold (廖天澤)	Unit 6A, Block 6 King's Park Villa 1 King's Park Rise King's Park Kowloon Hong Kong	Canadian
Lam Chi Wai, Peter (林志偉)	Unit 2, 26th Floor Po Tai House Ching Tai Court Tsing Yi New Territories Hong Kong	Chinese
Wong Yu Man, Elias (黃汝文)	Flat D, 9th Floor Marconi Court 2 Marconi Road Kowloon Tong Kowloon Hong Kong	Chinese
Yang Yijun (楊一軍)	2K4C Henggang Zhen Ye Cheng Phase II Longgang District Shenzhen the PRC	Chinese
Independent non-executive Directors		
Cheung Chi Man, Dennis (張志文)	Flat G, 9th Floor Man Kee Mansion 86 Waterloo Road Ho Man Tin Kowloon Hong Kong	Australian
Lui Tai Lok (呂大樂)	Flat 23B Willow Mansion Taikoo Shing Hong Kong	Chinese
Yip Kwok Kwan (葉國均)	2A, Mountain Lodge 44 Mount Kellett Road Hong Kong	Singaporean

PARTIES INVOLVED IN THE PLACING

Joint Sponsors (in alphabetical order)	Access Capital Limited Suite 606, 6th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
	CIMB Securities (HK) Limited 25th Floor Central Tower 28 Queen's Road Central Hong Kong
Sole Bookrunner	CIMB Securities (HK) Limited 25th Floor Central Tower 28 Queen's Road Central Hong Kong
Joint Lead Managers	CIMB Securities (HK) Limited 25th Floor Central Tower 28 Queen's Road Central Hong Kong
	Gransing Securities Co., Limited 804–806 Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Legal advisors to our Company	*As to Hong Kong law:* Jennifer Cheung & Co. Unit A, 19th Floor Two Chinachem Plaza 68 Connaught Road Central Hong Kong
	As to PRC law: Hills & Co. 11th Floor Central Business Building No.88 Fu Hua 1st Road Fu Tian Central Business District Shenzhen China

	As to Bermuda law : Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Hong Kong
Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law:* Sit, Fung, Kwong & Shum 18th Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
	As to PRC law: JiaYuan Law Firm Suite 2511, Landmark 4028 Jintian Road Futian District Shenzhen 518026, China
Auditors and reporting accountants	BDO Limited *Certified Public Accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	Asset Appraisal Limited Room 802, 8th Floor On Hong Commercial Building 145 Hennessy Road Wanchai, Hong Kong

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Headquarter and principal place of business in Hong Kong	19/F., Henry Center 131 Wo Yi Hop Road Kwai Chung New Territories Hong Kong
Company's website	www.hklistco.com/8265 *(Note: contents in this website do not form part of this prospectus)*
Company secretary	Mr. Chan Sun Kwong *FCPA, FCCA, FCS, FCIS*
Compliance officer	Mr. Liu Tin Chak, Arnold
Authorized representatives	(1) Mr. Lam Chi Wai, Peter Unit 2, 26th Floor Po Tai House Ching Tai Court Tsing Yi New Territories Hong Kong (2) Mr. Liu Tin Chak, Arnold Unit 6A, Block 6 King's Park Villa 1 King's Park Rise King's Park Kowloon Hong Kong
Audit committee	(1) Mr. Cheung Chi Man, Dennis *(Chairman)* (2) Mr. Yip Kwok Kwan (3) Professor Lui Tai Lok
Remuneration committee	(1) Mr. Yip Kwok Kwan *(Chairman)* (2) Mr. Cheung Chi Man, Dennis (3) Professor Lui Tai Lok

Compliance advisor	CIMB Securities (HK) Limited 25th Floor Central Tower 28 Queen's Road Central Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 13th Floor Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Principal share registrar and transfer office in Bermuda	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke, HM08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

We have extracted and derived the information and statistics in the section below, in part, from various official government publications and sources as identified. We believe that sources of information in the section below are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Joint Sponsors and any of the Underwriters, nor any of our respective affiliates or advisors, nor any party involved in this Share Offer independently verified such information and statistics directly or indirectly derived from such official government publications or make any representation as to their correctness, accuracy, completeness or fairness.

Certain information in this Prospectus on the US Jewelry Market (Euromonitor Jewelry in USA report, Table 1 "Sales of jewelry by category value 2004–2009"), and the China Watch Market (Euromonitor Watches in China report, Table 1 "Sales of watches by category value 2004–2009) is from independent market research carried out by Euromonitor International Limited. Euromonitor International Limited is a leading independent provider of business intelligence on industries, countries and consumers. Euromonitor International Limited is an Independent Third Party and we did not commission the preparation of the data which we purchased from Euromonitor International. The data prepared by Euromonitor International Limited was issued in May 2010.

Our Group is principally engaged in the sourcing business providing sourcing and procurement solutions to our customers who are mainly brand owners and importers. We have strong product design and development capabilities and our design team works closely with our customers with or through the sales and marketing teams when advising our customers on design issues.

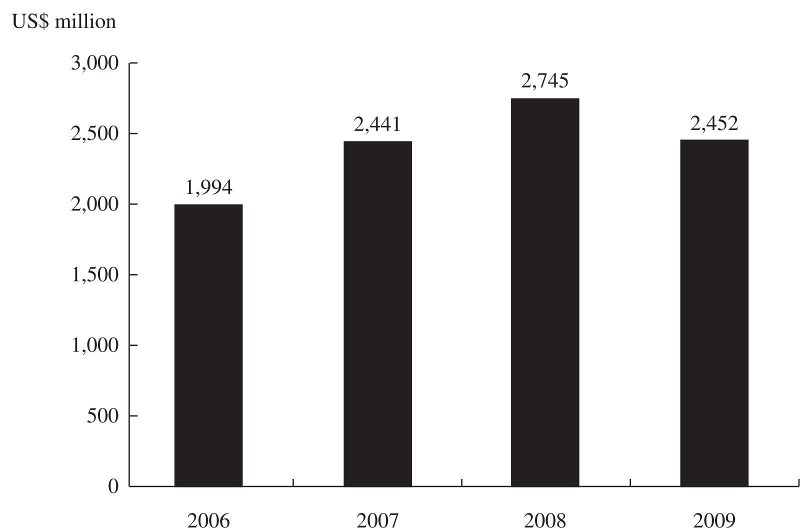
WATCHES

The PRC Watch Export Market

Overview

According to statistics published by China Customs Statistics Information, the value of watches exported from the PRC increased from approximately US$1,994 million in 2006 to approximately US$2,452 million in 2009, representing a CAGR of approximately 7.1%. The chart below sets forth the value of watches exported from the PRC from 2006 to 2009.

Value of watches exported from the PRC from 2006 to 2009



Source: China Customs Statistics Information

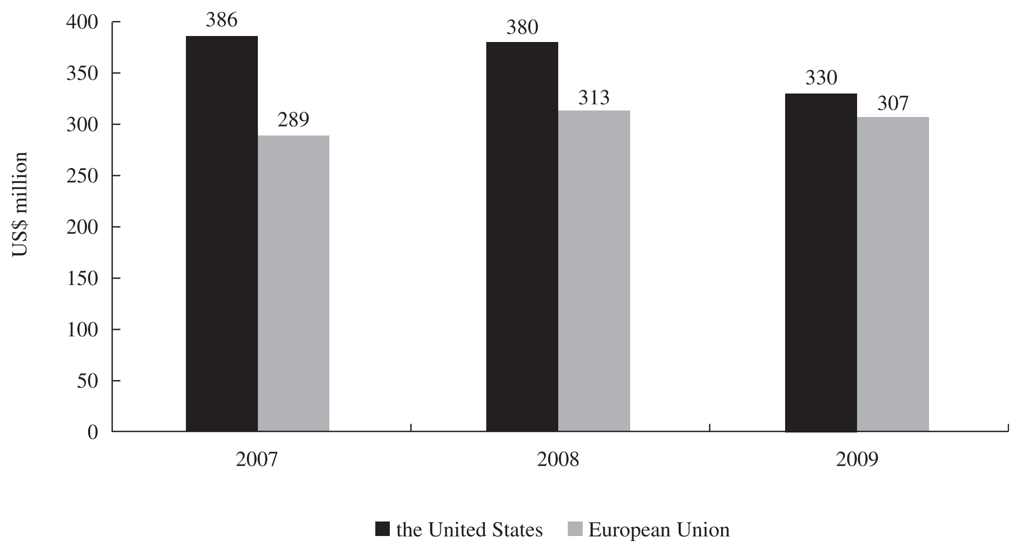
China is the largest watch export country in the world by number of finished watches in 2009 according to the Federation of the Swiss Watch Industry FH. Set out below is the top five watch exporting countries in the world in 2009:

Country	Units exported
	(millions)
China	559.4
Hong Kong	344.3
Switzerland	21.7
Germany	11.1
France	6.2

Source: Federation of the Swiss Watch Industry FH

The United States and the European Union are two of the important PRC watch export markets. The value of watches exported from the PRC to the United States decreased from approximately US$380 million in 2008 to US$330 million in 2009, representing an annual decrease of approximately 13.2%. The value of watches exported from the PRC to the European Union has increased from approximately US$289 million in 2007 to US$307 million in 2009, representing a CAGR of approximately 3.1%. The following chart sets forth the value of watches exported from the PRC to the United States and European Union from 2007 to 2009:

Value of PRC Watch Exports to the United States and European Union

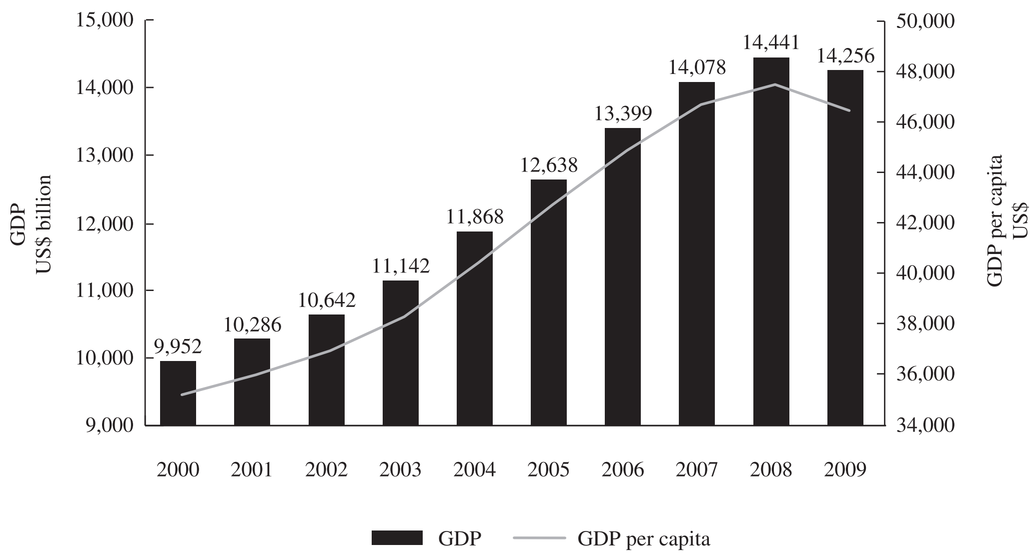


Source: China Customs Statistics Information

US Watch Retail Market

According to International Monetary Fund, the United States annual GDP in 2009 amounted to approximately US$14,256 billion, representing a CAGR of approximately 4.1% for the ten years spanning from 2000 to 2009. The chart below sets forth the GDP and GDP per capita in the United States from 2000 to 2009:

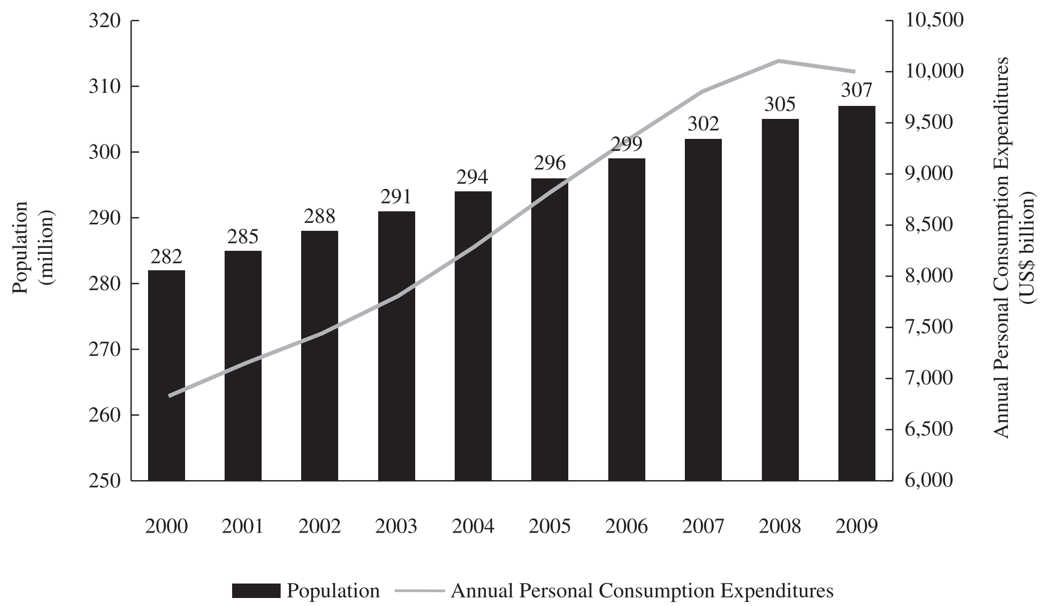
GDP and GDP per capita in the United States



Source: International Monetary Fund — World Economic Outlook Database

According to International Monetary Fund, the population in the United States had increased from approximately 282 million in 2000 to approximately 307 million in 2009, representing a CAGR of approximately 0.9%. Despite the relatively stable population size in the United States, the annual personal consumption expenditures in the United States increased from approximately US$6,830 billion in 2000 to approximately US$10,001 billion in 2009, representing a CAGR of approximately 4.3% according to statistics from the US Census Bureau. The chart below sets forth the population and the annual personal consumption expenditures in the United States from 2000 to 2009:

Population and Annual Personal Consumption Expenditures in the United States



Sources: International Monetary Fund — World Economic Outlook Database and US Census Bureau

Directly benefiting from the increase in personal consumption expenditures and in conjunction with the United States population's increasing fondness for watches, the United States has became one of the largest watch markets in the world today and will continue to experience growth in the watch retail sector according to a watch industry report compiled by China Social Economic Investigation & Research Center ("CSEIRC") in May 2010.

Competitive Landscape

According to a watch industry report compiled by CSEIRC in May 2010, the structure of the PRC watch export industry is relatively fragmented and it is scattered with a lot of small to medium sized players. The industry does not currently have one or a few large players that dominate the other competitors.

Due to the major enhancement in labor skills and production technology, and more foreign investments boosting the capital base of the PRC watch exporters, the PRC watch exporters do not only compete on a narrow product range anymore, for example cheaper and lower quality watches, which used to be the case due to the limitation of their technical capabilities. In the last 10 years, the product range for the PRC watch exporters has become a lot more diverse as watch brands from various countries such as Switzerland, US and Japan also look for them to be subcontractors for producing higher quality watches. As a result, the intensity of the competition amongst the players in the industry on a narrow product range has abated in the last 10 years, and the PRC watch exporters today have a lot more alternatives in terms of the watch products they wish to specialize and compete in.

Prospects

According to a watch industry report compiled by CSEIRC in May 2010, potential exists in the PRC watch export industry because during the last 20 years, the PRC watch exporters have strengthened their competitiveness through enhancing their research and development capabilities, upgrading their production technology, better education and development for entrepreneurs and staff workers who are in the watch industry, and the internationalization of their exported products. As a result, we believe that watch export will continue to play an important role in the PRC export industry.

DISPLAY AND PACKAGING

Global Display and Packaging Export Market

Overview

Our Directors confirm that there are no official or industry statistics available in the United States or Europe in respect of the production and export of display and packaging products of the same categories as those produced and sold by our Group. Our Group's display and packaging product line, which includes mainly, among others, display equipments for watches and jewelries, serves a niche market. As a result, it is not possible to accurately estimate the total size of the market, the competitive landscape, and hence the market share of our Group.

Display and packaging are usually the products' first impression to the consumers, which is of significant importance for the products' initial market positioning and appeal to potential buyers for the products. The Directors consider that display and packaging products are extremely important due to their marketing and advertising role in creating, improving and maintaining brand equity and thus, they represent a necessity in both a booming and a slumping economy.

Prospects

The demand for our Group's display and packaging products is generally dependent on the market's demand in retail and personal goods, in particular luxury items, which in turn are also affected by the local economy. The Directors are aware that the major markets for exports of display and packaging products are countries mainly in Europe, the United States and Asia. The following table sets forth the GDP per capita for different countries from 2005 to 2009:

Gross Domestic Product Per Capita (Current Prices)

	2005	2006	2007	2008	2009
			US$		
USA	42,681	44,823	46,630	47,393	46,381
year over year ("YoY") % change		*5.0%*	*4.0%*	*1.6%*	*–2.1%*
United Kingdom	37,898	40,321	45,922	43,736	35,334
YoY % change		*6.4%*	*13.9%*	*–4.8%*	*–19.2%*
France	35,105	36,865	41,940	46,035	42,747
YoY % change		*5.0%*	*13.8%*	*9.8%*	*–7.1%*
Germany	33,883	35,468	40,480	44,729	40,875
YoY % change		*4.7%*	*14.1%*	*10.5%*	*–8.6%*
Japan	35,633	34,150	34,268	38,271	39,731
YoY % change		*–4.2%*	*0.3%*	*11.7%*	*3.8%*
China	1,710	2,022	2,560	3,404	3,678
YoY % change		*18.2%*	*26.6%*	*33.0%*	*8.0%*
Hong Kong	25,998	27,489	29,783	30,694	29,826
YoY % change		*5.7%*	*8.3%*	*3.1%*	*–2.8%*
Australia	35,917	37,540	44,745	48,951	45,587
YoY % change		*4.5%*	*19.2%*	*9.4%*	*–6.9%*

Source: International Monetary Fund — World Economic Outlook Database

The above statistics corroborated the increase in consumer spending in the recent years. The only exception to the increasing trend was in year 2009 when there was negative GDP growth due to the global financial crisis, which affected consumer spending and consumer confidence. As the economy gradually recovers, it is expected that the continuous growth in the worldwide GDP per capita, and in the watch and jewelry markets, as illustrated in the "Watches" section above and "Costume Jewelries" section below respectively, will lead to an increase in demand for display and advertising products. Furthermore, we believe that the gradual economic recovery should motivate companies to spend more on display and advertising products in order to take advantage of the recovery in global demand.

The Directors acknowledge that the display and packaging industry is experiencing intense competition, and therefore our Group will have to continue to look for innovative methods to attract the attention of the end customers. The Directors anticipate that the demand will grow in the future as they plan to further expand our Group's customer base by selling to customers that are outside of the watch and jewelry sectors. Our Group already has strategies to expand horizontally by tapping into other retail goods, such as optical products, that require display and packaging products. Furthermore, display methods have also evolved significantly in the recent years, and our Group will have to adapt to shorter product life cycles and certain green standards, such as biodegradable products, as emerging social and fashion trends and individual styles may render any existing products obsolete.

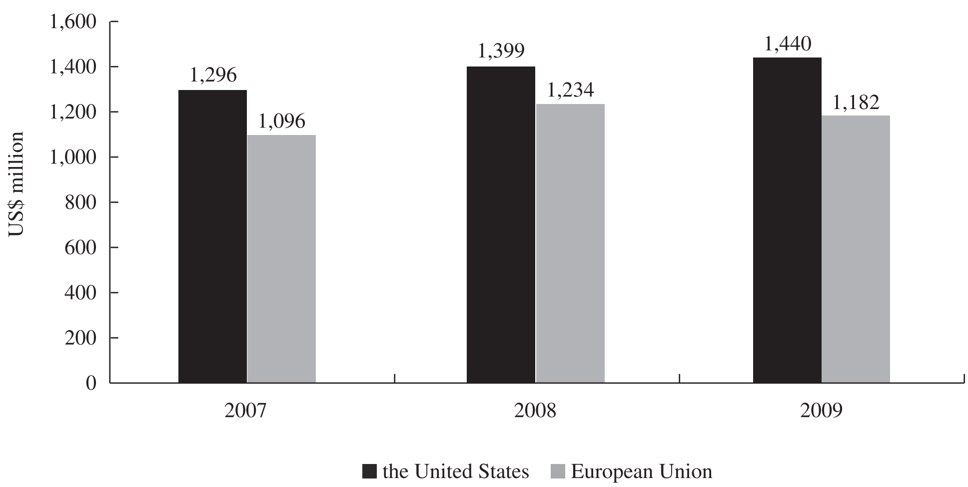
COSTUME JEWELRIES

The PRC Jewelry Export Market

Overview

Based on a report publicly released on 4 February 2010 by the Hong Kong Trade Development Council ("HKTDC"), the PRC export market for jewelry accessories has experienced the highest average growth amongst all countries in the world in the last three years. During the recent years, the United States and the European Union were two of the important PRC jewelry export markets. According to China Customs Statistics Information, the value of jewelries exported from the PRC to the United States increased from approximately US$1,296 million in 2007 to US$1,440 million in 2009, representing a CAGR of approximately 5.4%. The value of jewelries exported from the PRC to the European Union increased from approximately US$1,096 million in 2007 to US$1,182 million in 2009, representing a CAGR of approximately 3.8%. The following chart sets forth the value of jewelries exported from the PRC to the United States and European Union from 2007 to 2009:

Value of PRC Jewelry Exports to the United States and European Union

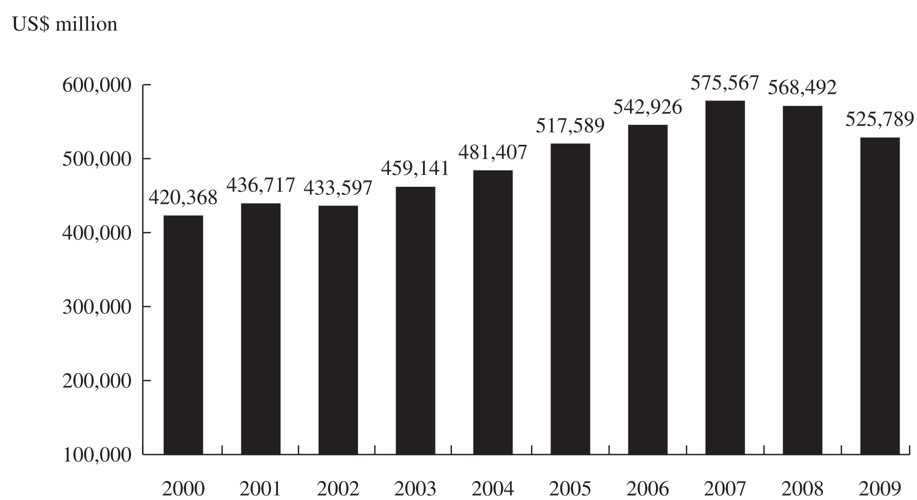


Sources: Monthly statistical reports for 2009 of China Customs Statistics Information

US Jewelry Retail Market

Directly benefiting from the increase in annual personal consumption expenditures in the US as highlighted previously in the "US Watch Retail Market" section, retail sales of clothing and fashion accessories in the US had also experienced a CAGR of approximately 2.3% during the period from 2000 to 2009, which is higher than the growth of GDP over the same period. The following graph sets forth the trend of consumer spending as measured by total retail sales of clothing and fashion accessories from 2000 to 2009:

Clothing and Fashion Accessories Sales in the United States



Source: US Census Bureau

According to the Euromonitor International report on the USA jewelry industry ("USA Jewelry Report"), in the recent years and especially during the 2009 economic downturn, costume and fashion jewelry products competed fiercely with luxurious jewelry products because the recent trend in the jewelry industry has been leaning towards products that are reasonably priced, unique and individualistic, as opposed to real jewelry products that are highly priced. As a result, women increased their purchases of costume and fashion jewelries and decreased their expenditures on real and expensive jewelries. Costume jewelry is a strong performer among consumers who are in the 25-to-45 age group according to the USA Jewelry Report. Sales of costume jewelry had increased from approximately US$7,907 million in 2004 to approximately US$9,367 million in 2009, representing a CAGR of approximately 3.4%, while the sales of real jewelry decreased from approximately US$39,308 million 2004 to approximately US$38,054 million in 2009, representing a negative CAGR of approximately 0.6%. The following table sets forth the sales of jewelry by category in the United States in value terms from 2004 to 2009:

Sales of jewelry by category in the United States in value terms from 2004 to 2009

	2004	2005	2006	2007	2008	2009
			US$ million			
Costume Jewelry	7,907	8,334	8,645	8,924	9,013	9,367
Real Jewelry	39,308	41,627	44,235	45,689	44,378	38,054
Total Jewelry Sales	47,215	49,961	52,880	54,613	53,391	47,421

Source: Euromonitor International: USA Jewelry Report

Competitive Landscape

According to HKTDC, PRC exporters have an obvious competitive advantage over their competitors in other parts of the world in terms of relatively lower labor and production costs and thus, we do not expect the PRC exporters to encounter a significant cost competition and pressure on the production front. However, taking into account the recent increase in wages of factory workers in the PRC, we expect to face some pressure from nearby Southeast Asian countries such as Vietnam, Indonesia and Thailand, which also offer low manufacturing costs, in the years to come.

We believe our competitive advantage is our strong product design and development capabilities. We will continue to focus and improve our already innovative and attractive jewelry designs that will capture the attention of brand representatives and ultimately the end customers.

Prospects

Despite the economic downturn that affected the sales of jewelry in 2009, the prospects of the jewelry market in the United States remain bright. According to the USA Jewelry Report, sales of both real and costume jewelry are expected to grow in the foreseeable future. Moreover, the increasing trend in the annual consumption expenditure as illustrated above is an encouraging signal for the jewelry retail market in the United States in the years to come.

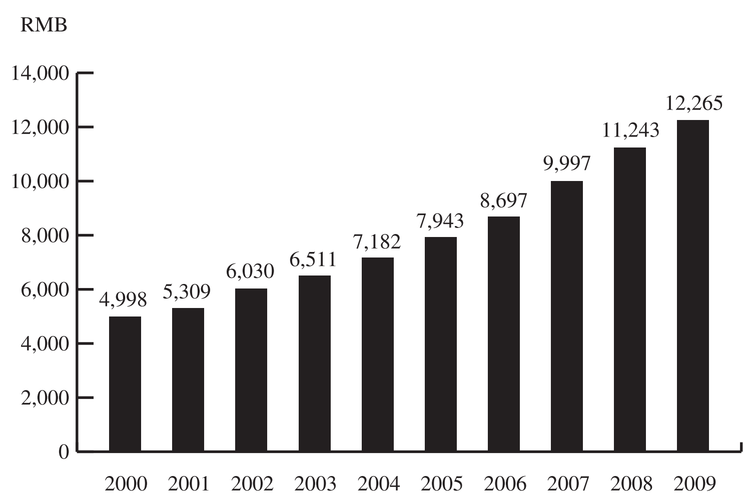
The PRC Retail Watch Market

Taking into account the importance of the PRC market to our Group's long term development, our ability in identifying new business opportunities which may synergize with our existing businesses, and the management's knowledge and connection in the PRC watch market, our Group have recently expanded our business into the PRC with the retail sales of watches under our own brand names of *Tianba* and *Harpo*. We have established a sales network of 110 sales points in over 54 cities in the PRC as at the Latest Practicable Date.

Overview

Demand for watches in the PRC is driven by the general economic environment and the purchasing power of the PRC population. According to the National Bureau of Statistics of China, the per capita annual consumption expenditures of urban households in the PRC has increased from approximately RMB4,998 in 2000 to approximately RMB12,265 in 2009, representing a CAGR of approximately 10.5%. The following chart sets forth the increase in per capita annual consumption expenditure for urban households in the PRC from 2000 to 2009:

Per Capita Annual Consumption Expenditure for Urban Households in the PRC

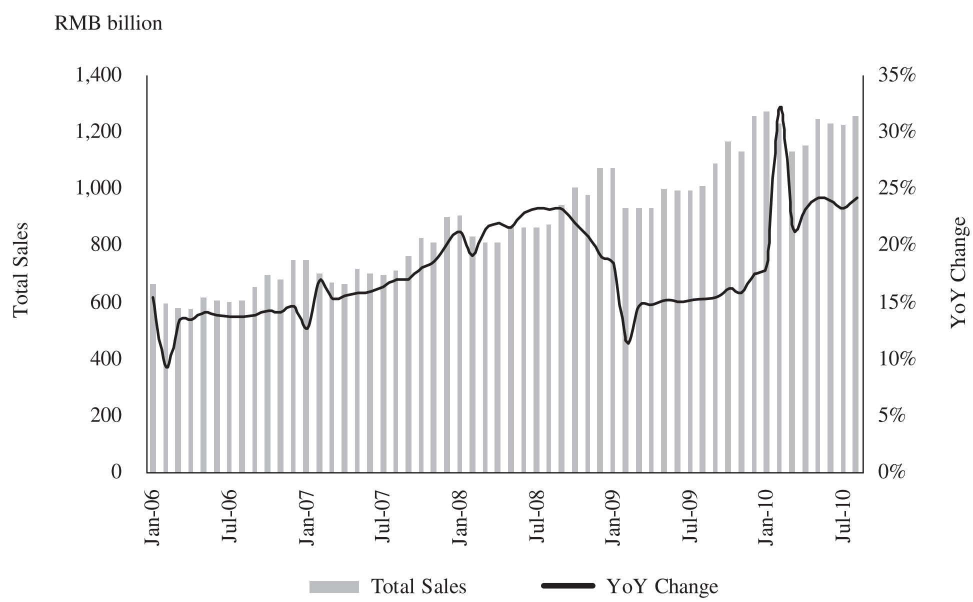


Source: National Bureau of Statistics of China

The increase in annual consumption expenditures of urban households in the PRC means that the average consumer in the PRC now spends more money, which is favourable for the consumer markets.

As with the increase in consumption expenditure, the retail sales in the PRC also experienced rapid growth. According to the statistics from National Bureau of Statistics of China, the retail sales in the PRC grew from approximately RMB664 billion in January 2006 to approximately RMB1,257 billion in August 2010. Set out below is the monthly retail sales data in the PRC from January 2006 to August 2010 and the corresponding year over year growth rate:

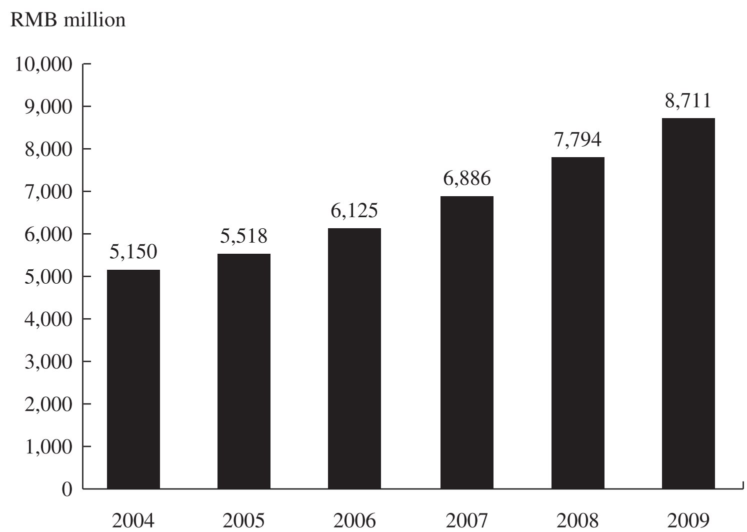
Monthly retail sales in the PRC



Source: National Bureau of Statistics of China

Consistent with the increase in consumer spending and retail sales, China has also experienced an increase in demand for mid-market and high-end watches. Furthermore, the total sales of watches in the PRC have increased from approximately RMB5,150 million in 2004 to approximately RMB8,711 million in 2009, representing a CAGR of approximately 11.1%. According to a watch industry report compiled by CSEIRC in May 2010, approximately 61%, 31%, and 8% of the Chinese population own one to two watches, three watches or above, and zero watches respectively. The following chart sets forth the sales of watches in the PRC in value terms from 2004 to 2009:

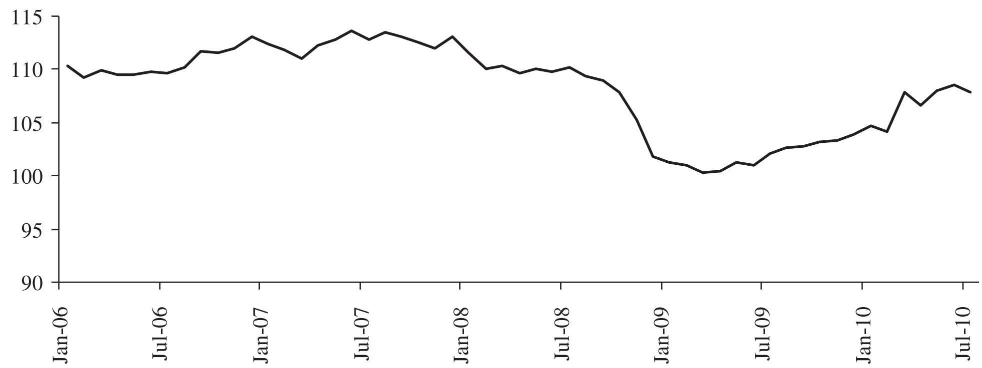
Sales of Watches in the PRC in value terms from 2004 to 2009



Source: Euromonitor International: the PRC Watch Report

The retail sales of watches in the PRC, as with other retail goods, is dependent on consumers' confidence in the economy and their willingness to spend. The consumer confidence index is an indicator designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. As shown in the chart below, the consumer confidence decreased in early 2009 when the global financial crisis affected the global economy but subsequently recovered since 2010. The following chart sets forth the confidence of the PRC consumers from January 2006 to August 2010:

Consumer Confidence Index



Source: National Bureau of Statistics of China

Brands

According to the Euromonitor International Report on the PRC watch industry ("the PRC Watch Report"), among the many watch brands in the PRC retail market, a significant portion of the market belongs to international watch brands. In 2009, domestic PRC watch brands contributed approximately 38.0% and international watch brands contributed approximately 62.0% to the top ten watch brands in the PRC in terms of market share.

Among the domestic PRC watch brands, our Group's retail brand, *Tianba*, is amongst the top five domestic PRC watch brands in terms of sales in value and in volume in 2009 according to a watch industry report compiled by CSEIRC in May 2010. *Tianba* contributed to approximately 2.3% to both total sales in value and in volume of all domestic PRC watch brands. The following table sets forth the domestic PRC watch brands' percentage share of the PRC watch market in terms of sales value and sales volume in 2009:

	2009	
Brand Names	**% share of market in terms of sales value**	**% share of market in terms of sales volume**
Rossini	27.7	24.6
Tianwang	22.4	23.7
Ebohr	19.1	20.9
Fiyta	10.4	19.4
Tianba	2.3	2.3
Kiddie Time	2.0	1.6
Kingtis	1.9	0.9
Rarone	1.8	0.4
Seagull Watch	0.9	0.4
Pasbew	0.9	0.4
Others	10.7	5.4

Source: Watch industry report compiled by CSEIRC in May 2010

Competitive Landscape

Based on the information in the Datamonitor Market Research Profiles article dated 8 June 2010, the watch retail market in the PRC is characterized by a large number of players ranging from small, specialized retailers to well-known international brands. Small, specialized retailers focus on particular product types or in a particular sector of the market whereas large retailers focus on the broader market and penetrate the market with their reputable histories and brand names. Since the switching costs are low for watch buyers, consumers are therefore open to a large variety of brand options. Brand loyalty, however, plays a relatively strong role in this market and therefore, brands that have developed a popular and reputable name would usually have a stronger presence in the market.

Prospects

Watches are gradually becoming fashion accessories and status symbols to the population in the PRC and thus, price and functions of the watches are no longer the major and only determinants towards the consumers' final purchase decisions. According to a watch industry report compiled by CSEIRC in May 2010, approximately 71%, 63% and 40% of the watch consumers focus on the quality, fashion style and price of the watches respectively when they make a purchase. These statistics further highlight the emphasis consumers put on quality and style of watches, as opposed to putting the emphasis on the price of the watches.

Based on the increasing trend of the household expenditure consumption per capita for urban households in the PRC as illustrated above, the prospects of the PRC watch retail market is expected to remain strong in the foreseeable future as consumers spend more of their disposable income on retail and luxury goods.

OVERVIEW

As at the Latest Practicable Date, our Group had established business presences in Hong Kong and in the PRC. Our Group is subject to the relevant laws and regulations in the PRC. This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our Group's operation and business.

PRC laws and regulations relating to our business

According to 《外商投資產業指導目錄》 (Catalogue for the Guidance of Foreign Investment Industries*) issued by the Ministry of Commerce ("MOFCOM") and the National Development and Reform Commission ("NDRC") on 30 November 2004 and 《外商投資產業指導目錄》(Catalogue for the Guidance of Foreign Investment Industries*) regarding foreign investments in watch and clock issued by MOFCOM and NDRC on 31 October 2007 which took effect on 1 December 2007, the foreign investment in the field of watch and clock manufacture and sale is permitted by the PRC government.

《中華人民共和國產品質量法》 (the Product Quality Law of the PRC*), (the "Product Quality Law") was promulgated on 22 February 1993 and amended on 8 July 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

《中華人民共和國消費者權益保護法》 (the Consumer Protection Law of the PRC*) (the "Consumer Protect Law") was enacted on 31 October 1993 and took effect on 1 January 1994. According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

The registered business scope of Tianhaiba at the time of its establishment was: production and processing of clocks and watches and its parts; domestic trade (not involving items requiring prior approval as stipulated by laws, administrative regulations and regulations of State Council); import and export of goods and technology (not involving items prohibited by laws and administrative regulations; need to obtain permission before operating items restricted by laws and administrative regulations). The current business scope of Tianhaiba is: production and processing of clocks and watches and its parts; import and export of goods and technology (not involving distribution and commodities of special projects of the state). According to the opinion of our PRC Legal Advisor, where the business scope of enterprises includes "production and processing", the enterprise can sell its self-made products (sales include wholesale and retail) without addition of the item "sales" to its business scope. The PRC Legal Advisor to our Company also made verbal consultation with Shenzhen Municipal Science and Technology Trade and Industry and Information Technology Committee (the former Shenzhen Trade and Industry Bureau), their staff replied that based on the current business scope of Tianhaiba, it can sell its self-made products without an additional item "sales" in its business scope. For foreign-invested enterprises, where the business scope includes "production and processing", the enterprise can sell its self-made products without an additional item "sales". According to our PRC Legal Advisor, there is no specific legal definition of "production" or "self-made-production" under PRC law, the usual understanding is that product assembly, assembly, labeling processes constitute production/self-made-production. There is no sales model nor size restrictions for manufacturing companies selling their self-made products (i.e. self-made-production and sales of self-made-production). The said manufacturing companies have discretion in determining whether to conduct wholesale or retail. According to the confirmation made by Tianhaiba and the due diligence conducted by our PRC Legal Advisor, the scope of business of Tianhaiba complies with the business scope as stated on its business license.

Laws and regulations relating to employment in the PRC

We are subject to《中華人民共和國勞動法》(the PRC Labour Law*) (the "PRC Labour Law"),《中華人民共和國勞動合同法》(the PRC Labour Contract Law*) (the "Labour Contract Law") and《中華人民共和國勞動合同法實施條例》(the Implementations Regulations of the PRC Labour Contract Law*) (the "New Implementation of Labour Contract Law"), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for our Group operations in the PRC.

The Labour Contract Law which became effective on 1 January 2008, calls for stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economical compensation, as well as social security premiums.

According to the PRC Labour Law and the Labour Contract Law, enterprises must enter into labour contracts if they are to establish labour relationships with the employees. Enterprises must provide wages, which are no lower than the local minimum wage standards, to such employees and are required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees. Enterprises must also provide the employees with working conditions that meet PRC rules and standards for safety and sanitation and must regularly examine the health of the employees engaged in hazardous occupations.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations, including but not limited to the New Labour Contract Law in all material respects.

PRC laws and regulations relating to foreign exchange

On 28 December 1993, the PBOC announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the PBOC shall publish the RMB exchange rate against the US dollar daily. The daily exchange rate is set by reference to the RMB/US dollar trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996,《中華人民共和國外匯管理條例》(the Foreign Exchange Control Regulations of the PRC*) (as amended on 14 January 1997 and further amended on 1 August 2008) came into effect. On 20 June 1996, the 《結匯、售匯及付匯管理規定》 (Regulations on Sale and Purchase of and Payment in Foreign Exchange*) were promulgated by the PBOC and came into effect on 1 July 1996. On 25 October 1998, the PBOC and the State Administration of Foreign Exchange ("SAFE") issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (the "CFETC") by the computerised network will be merged with the CFETC and sub-centres to the CFETC.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent to which the existing provisions stipulated in previous regulations do not contradict these new regulations, are as follows:

(a) From 21 July 2005, the PRC reformed the exchange rate regime by moving into a managed floating rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

(b) On 12 August 2007, SAFE promulgated 《國家外匯管理局關於境內機構自行保留經常項目外匯收入的通知》 (SAFE Circular on Self-reserving Income from Current Transaction by PRC Enterprises*), pursuant to which the PRC enterprises are allowed to reserve the foreign exchange earnings from current transaction and the banks shall not use the maximum limit to administer the opening of foreign exchange accounts or the payments of foreign exchange.

According to the prevailing《中國人民共和國外匯管理條例(2008修訂)》(Foreign Exchange Control Regulations of the PRC*) which was amended on 1 August 2008, PRC enterprises shall be allowed to either repatriate their incomes of foreign exchange to the PRC or deposit such incomes overseas, subject to the terms and conditions implemented by SAFE.

(c) Foreign investment enterprises may have their own foreign currency account and are permitted to retain their recurrent foreign exchange earnings.

(d) Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

(e) Foreign investment enterprises may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds in their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on such dividends. Where the amount of the funds in foreign exchange is insufficient, the enterprise may, upon the presentation of the resolutions of our Directors on the profit distribution plan of the particular enterprise, purchase foreign exchange from designated foreign exchange banks.

(f) Foreign investment enterprises may apply to the Bank of China or other designated foreign exchange banks to remit the profits out of the PRC to the foreign parties to equity or cooperative joint ventures or the foreign investors in wholly foreign-owned enterprises if the requirements provided by the PRC laws, rules and regulations are met.

(g) The injection of funds into our subsidiaries in the PRC for the purposes of business expansion may be subject to prior approvals from the competent foreign exchange administration authorities.

(h) Where the foreign investment enterprise is wound up or in the process of winding up for any reasons and there is residual assets after settlement of all debts or liabilities including taxes pursuant to the PRC liquidation law, the liquidation committee may, through the designated bank, purchase and remit the foreign exchange to its foreign shareholders by presentation of the liquidation documents, the tax settlement certificate and approval by SAFE.

As one of our subsidiaries is located in the PRC, we are required to comply with the PRC foreign exchange controls, as set out above, when we transfer funds from our PRC subsidiaries to our non-PRC subsidiaries (whether in the form of dividend or not). Save as disclosed in the paragraphs above, there are no restrictions on the ability of our PRC subsidiaries to transfer funds to our Company in the form of dividends.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable foreign exchange laws and regulations, including but not limited to the laws and regulations mentioned above in all material respects, and up to the Latest Practicable Date we have not been subject to any administrative penalties imposed by any government authorities with respect to foreign exchange.

Laws and regulations relating to PRC taxation

(i) *Enterprise income tax*

The applicable income tax laws, regulations, notices and decisions (collectively referred to as the "Applicable Foreign Investment Enterprises Tax Law") related to foreign investment enterprises and their investors include the following:

(a) 《中華人民共和國外商投資企業和外國企業所得稅法》 (Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises*) adopted by the National People's Congress (the "NPC") on 9 April 1991 and invalidated from 1 January 2008.

(b) 《中華人民共和國外商投資企業和外國企業所得稅法實施細則》 (Implementing Rules of the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises*) promulgated by the State Council, which came into effect on 1 July 1991 and invalidated from 1 January 2008.

(c) 《國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》 (Notice Relating to Taxes Applicable to Foreign Investment Enterprises/Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares promulgated by the State Tax Bureau*) on 21 July 1993.

(d) 《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》 (Notice on Some Policy Questions Concerning Individual Income Tax issued by Ministry of Finance and the State Tax Bureau*) on 13 May 1994.

(e) 《國務院關於外國企業來源於我國境內的利息等所得減徵所得稅問題的通知》 (Notice on Relevant Policies Concerning the Reduction of Income Tax on Interest and Other Income of Foreign Enterprises Derived from Sources in China issued by the State Council*), which came into effect on 1 January 2000.

(f) 《中華人民共和國個人所得稅法(2007第二次修正)》 (The Income Tax Law Applicable to Individuals of the PRC*) revised by the Standing Committee of NPC on 29 December 2007.

(g) 《財政部、國家稅務總局關於貫徹落實國務院關於實施企業所得稅過渡優惠政策有關問題的通知》 (Circulation of State Council on Preferential Policy for Implementing Enterprise Income Tax Transition*) effective on 1 January 2008.

(h) 《中華人民共和國企業所得稅法》 (The PRC Enterprise Income Tax Law*) promulgated on 16 March 2007, which stipulates that enterprise income tax will be standardised to 25% for all PRC resident enterprises, which came into effect on 1 January 2008.

(i) 《中華人民共和國企業所得稅法實施條例》 (The Implementation Regulations on the PRC Enterprise Income Tax Law*) which came into effect on 1 January 2008.

According to the Applicable Foreign Investment Enterprises Tax Law before 1 January 2008 (the "Old Tax Law"), foreign investment enterprises (including sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign-owned enterprises established in the territory of the PRC) were required to pay an enterprise income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

According to 《中華人民共和國企業所得稅法》 (the PRC Enterprise Income Tax Law*) which came into effect on 1 January 2008 ("the New Tax Law"), the enterprise incorporated in the PRC shall be subject to the rate of 25% on their income and the local income tax is not applicable from 1 January 2008 onwards.

(ii) *Value added tax*

Under《中華人民共和國增值稅暫行條例》(The Provisional Regulations of the PRC Concerning Value Added Tax*) promulgated by the State Council which came into effect on 1 January 1994 and amended on 5 November 2008, and the implementation of the Rules of 《中華人民共和國增值稅暫行條例》(The Provisional Regulations of the PRC Concerning Value Added Tax*), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

(a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in items (b) and (c) below shall be 17.0%.

(b) The tax rate for sales or imports of the following goods by taxpayers shall be 13.0% on:

(i) grain, edible vegetable oil;

(ii) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas methane and coal products for use by residents;

(iii) books, newspapers, magazines;

(iv) forage, chemical fertiliser, agrochemical, agricultural machinery, agricultures film; and

(v) other goods specified by the State Council.

(c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.

(d) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.

(iii) *Business tax*

With effect from 1 January 1994 and as amended on 5 November 2008, businesses that provide services (including entertainment businesses), assign intangible assets or sell immovable property are liable to business tax at the rate ranging from 3.0% to 20.0%, of the charges for the services provided, the intangible assets assigned or the immovable property sold, as the case maybe. The formula for the calculation of the amount of tax payable is set forth below:

Amount of tax payable = turnover × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers who settle their business income in foreign exchange shall convert their business income into RMB at the foreign exchange market rate.

(iv) *PRC custom duties*

According to 《中華人民共和國海關法》(the Customs Law of the PRC*), the consignee of the imports, the consignor of exports and the owners of the imports and exports are the persons obligated to pay custom duties. The custom is the authority in charge of the collection of custom duties.

Custom duties in the PRC mainly fall under *ad valorem* duties, i.e. the price of import/export commodities is the basis for calculation of duties. When calculating the custom duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the custom import and export tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, upon the approval of the PRC customs, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempted from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage foreign investment, the PRC started providing certain exemptions and reductions of custom duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies from 1992. However, subsequent to the adjustment of policies as of April 1996, such exemptions and reductions have been terminated. Foreign investment companies incorporated before the effective date can still continue to enjoy such preferential treatment within the grace period.

As of January 1998, according to 《國務院關於調整進口設備稅收政策的通知》(the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment*） in respect of foreign investment projects that fall under 鼓勵類 and 限制乙類 (Encouraging Category and the Restricted Category B*) of《外商投資產業指導目錄(1995)》(Catalogue for the Guidance of Foreign Investment Industries (1995)*), and which also involve the transfer of technology, equipment imported for its own use within the total investment can be exempted from custom duties, except for the commodities listed in the《外商投資項目不予免稅的進口商品目錄》 (the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects*).

As of 20 July 2007, according to《關於針對海關在執行相關進口稅收優惠政策適用問題》(Several Problems on Customs Implementing the Preferential Policy of Import Tax*), in respect of foreign investment projects that fall under the Encouraging Category of《外商投資產業指導目錄(2004年修訂)》(Catalogue for the Guidance of Foreign Investment Industries (2004 revision)*) or 《中西部地區外商投資優勢產業目錄(2004年修訂)》 (Industrial Entries of the Predominant Industrial Catalogue of Foreign Investment in Midwest Area (2004 revision)*), the equipment imported for its own use within the total investment as well as the accessory technology and components (the "Self-used Equipment") can be exempt from custom duties, except for the commodities listed in 《外商投資項目不予免稅的進口商品目錄》(the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects*).

(v) *Tax on dividends from PRC enterprise with foreign investment*

According to the New Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the New Tax Law.

Pursuant to the Old Tax Law, the income of foreign investors allocated from the profits of foreign investment enterprises are exempted from enterprise income tax.

According to 《中華人民共和國企業所得稅法》 (The PRC Enterprise Income Tax Law*) and 《中華人民共和國企業所得稅法實施條例》 (The Implementation Regulations of the PRC Enterprise Income Tax Law*) which came into effect on 1 January 2008, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% enterprise income tax (also known as "withholding tax"), subject to reduction as provided by any applicable double taxation treaty.

According to 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(Arrangement between the PRC and Hong Kong and Prevention of Fiscal Evasion With Respect To Taxes On Income*) ("Tax Arrangement Between the PRC and HK"), the dividends may be taxed in the side of which the company paying the dividends is a resident, and according to the laws of that side, but if the beneficial owner of the dividends is a resident of the other side, the tax so charged shall not exceed: (i) where the beneficial owner is a company directly owning at least 25% of the capital of the company which pays the dividends, 5% of the gross amount of the dividends; and (ii) in any other case, 10% of the gross amount of the dividends. Therefore, the profit derived by a foreign investor residing in Hong Kong from its wholly-owned PRC enterprise is subject to the tax rate of 5%.

According to 《財政部、國家稅務總局關於企業所得稅若干優惠政策的通知》(Notice of Financial Ministry and State Administration of Taxation on the Several Preferential Policies on Enterprise Income Tax*) announced on 22 February 2008, the un-allocated profit generated from a foreign investment enterprise before 1 January 2008 shall be exempted from enterprise income tax when such profit is allocated to its foreign investor(s) whilst the profits generated in the year of 2008 and thereafter shall be subject to the enterprise income tax.

According to our PRC Legal Advisor, Tianhaiba has been duly registered with the relevant taxation authorities and obtained all requisite taxation registration certificates necessary under PRC laws and regulations.

Environmental Protection Regulations

In accordance with 《中華人民共和國環境保護法》(the Environmental Protection Law of the PRC*) adopted by the Standing Committee of the National People's Congress on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people's governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate. On 29 November 1998, the State Council of the PRC promulgated 《建設項目環境保護管理條例》(the Administrative Regulations on Environmental Protection for Construction Project*) and on 28 October 2002, the Standing Committee of the NPC promulgated 《中華人民共和國環境影響評價法》(the Environmental Impact Assessment Impact Law of the PRC*).

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report to and register with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their production and operations ceased. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as compensate for any losses or damages suffered as a result of such environmental pollution.

Our PRC Legal Advisor is of the opinion that Tianhaiba has obtained all the necessary approvals and certificates in respect of the PRC environmental protection which are required for its business operation.

Social insurance regulations of the PRC

According to 《社會保險費徵繳暫行條例》(Interim Regulations concerning the Levy of Social Insurance*) effective as of 22 January 1999 and 《社會保險登記管理暫行辦法》(Interim Measures concerning the Management of the Registration of Social Insurance*) effective as of 19 March 1999, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medial insurance and unemployment insurance for their employees.

According to 《工傷保險條例》(Regulation on Work-Related Injury Insurances*) effective as of 1 January 2004, employers shall make contribution to the work-related injury insurance for their employees.

PRC laws and regulations relating to mergers and acquisitions

On 8 August 2006, Ministry of Commerce (中華人民共和國商務部) ("MOC"), China Securities Regulatory Commission (中國證券監督管理委員會) ("CSRC"), State Administration of Foreign Exchange (中國國家外匯管理局) ("SAFE") and three other PRC authorities promulgated Rules on the Mergers and Acquisitions of Domestic Enterprise 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 revised on 22 June 2009.

Foreign investors should comply with the M&A Rules when they purchase shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign investment enterprise ("FIE"); or when the foreign investors establish a FIE in PRC and obtain the asset of a domestic company through purchase agreement and operate the asset, or purchase the asset of a domestic company and establish a FIE by use of the asset and operate the asset. According to the M&A Rules, a special purpose vehicle ("SPV") refers to an overseas holding company which is directly or indirectly controlled by a domestic company or individual (the "Beneficial Owner") and is incorporated for the purpose of conducting overseas listing of the equity interests of an onshore company, which is actually owned by the Beneficial Owner in the PRC. The overseas listing of a SPV shall be subject to approval of the CSRC (the "CSRC Approval") and MOC (the "MOC Approval").

Our PRC Legal Advisor is of the opinion that as each of the ultimate individual shareholders of the PRC subsidiary is overseas permanent resident, the acquisition of Tianhaiba by our Group does not fall within the scope of acquisition of domestic company by a SPV and thus our Group is not subject to the provisions with respect to SPV of the M&A Rules, and we are not required to obtain the MOC Approval and/or the CSRC Approval as stipulated by the M&A Rules.

PRC regulations relating to No. 75 Rules

On 21 October 2005, SAFE promulgated the 《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》(Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Return Investment via Overseas Special Purpose Companies*) (the "No. 75 Rules"). According to the No. 75 Rules, if a domestic resident wants to use an overseas vehicle (i.e. the overseas enterprise directly established or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in the domestic enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the domestic resident shall, before establishing or controlling an overseas company, bring the prescriptive materials to the local branch of SAFE to apply for going through the procedures for foreign exchange registration of overseas investments.

As each of the ultimate individual shareholders of Tianhaiba is overseas permanent resident with overseas passport, which does not fall within the scope of investment in the PRC by overseas vehicle stipulated in the No. 75 Rules, our PRC Legal Advisor is of the view that the No. 75 Rules do not apply to the ultimate individual shareholder of our Group.

Save for the non-compliance of the housing provident fund contributions requirement, according to our PRC Legal Advisor, Tianhaiba has complied with all the applicable rules and regulations and has already obtained all necessary and effective approvals, licenses, registration and permits for its business operations, which are protected and regulated under PRC laws. For details of non-compliance with housing provident fund contributions requirement, please refer to the sub-section headed "Social insurance and housing provident fund under section headed "Directors, senior management and employees" in this prospectus.

OUR HISTORY AND DEVELOPMENT

Business Development

Our Company was incorporated as a company with limited liability in Bermuda on 14 June 2010. Our headquarter is in Hong Kong. Our Group is principally engaged in the provision of sourcing and procurement solutions to our customers who are mainly brand owners and importers. Our product lines include watches, costume jewelries, and display and packaging products. In March 2010, we began our PRC Watch Business.

In 1995, EC (Asia) was established to sell watch products. Funding for the establishment of our business was mainly derived from Founding Shareholders' personal savings, in particular those from Mr. Liu. The Founding Shareholders come from different backgrounds. Mr. Liu from banking and finance, Mr. Lam from trading and marketing, and Mr. Wong from design. Mr. Liu entered the timepiece industry in 1992 when he joined Watary International Holdings Limited (then stock code 0305), an electronic handheld games manufacturer which also produced liquid crystal display watches and clocks. Mr. Lam started to be involved in the timepiece industry in 1989 when he joined a watch trading company, and Mr. Wong in 1984 when he joined a watch manufacturer. For details of backgrounds of the Founding Shareholders, please refer to the paragraph headed "Executive directors" under the section headed "Directors, senior management and employees" of this prospectus.

In 2000, one of our watch products customers covering a wide variety of products began to source their jewelries products from us. In the same year, our design team, after gaining years of design experience, managed to solve a design problem associated with c-clamps, a display accessory, encountered by a customer. As a result, we started sourcing c-clamps in sizeable quantities for this customer.

Our relationship with this customer has further strengthened and it began to place orders with us to supply other display and packaging products, including retail display units. Our business relationship with this customer has continued to date.

During the early 2000s, we continued to build our customer base and our sourcing business has then been divided into three principal lines of products, being watches, costume jewelries and display and packaging products.

We have accumulated experience and track record in product design and development, materials sourcing and procurement, production outsourcing, quality assurance and control and logistics and delivery handling capabilities and have also diversified our customer base from watch brand owners to other trading companies and importers which covered watch products and other products including costume jewelries or display and packaging products.

New customers for display and packaging products were handled by D&P and new customers for costume jewelries were handled by Prestige Corporation.

In 2008, we began to source and procure silver jewelries including silver rings.

In 2009, we took steps to rationalise our corporate and shareholding structure, and streamline the operations of our Group. EC Pacific was set up to handle our watch business; Ampress Merchandising our costume jewelries business. Ampress Packaging Asia was also set up to handle our display and packaging business together with D&P. Ampress Packaging Asia and D&P deal with different display and packaging customers to ensure product confidentiality.

Taking into account the importance of the PRC market to our Group's long term development and leveraging on our experience in the sourcing business, we have expanded into the PRC retail sales of watches bearing the *Tianba* and *Harpo* brands in March 2010. The expansion process began with the PRC company, Tianhaiba.

Mr. Yang was known to the Founding Shareholders in 1995 as he was a owner of a factory for watch assembly for EC (Asia).

In June 2009, Mr. Yang and his wife, Ms. Yu Ling, set up Tianhaiba, a PRC domestic enterprise. The Founding Shareholders noted that Mr. Yang and Ms. Yu Ling were looking for opportunities to fund the business expansion of Tianhaiba and considered that it was a natural progression for the Group to enter into the PRC Watch Business, the Founding Shareholders started to negotiate with Mr. Yang and Ms. Yu Ling for a possible investment in Tianhaiba. As a result, Mr. Yang and Ms. Yu Ling entered into an agreement with Goldnet to transfer their entire equity holding in Tianhaiba to Goldnet in November 2009. At that time, Goldnet was a company owned by the Founding Shareholders and Mr. Yang. In December 2009, Mr. Yang transferred all his shares in Goldnet to Mr. Liu. Goldnet became a company owned by the Founding Shareholders only.

In February 2010, Mr. Yang and Ms. Yu Ling completed the transfer of their equity in Tianhaiba to Goldnet and Tianhaiba changed from a PRC domestic enterprise into a wholly foreign-owned enterprise after it obtained its revised business licence in February 2010. Mr. Yang has remained as the legal representative of Tianhaiba responsible for the overall management of Tianhaiba. According to the company search conducted by our PRC Legal Advisor, there was no other shareholding change in Tianhaiba since its establishment save as disclosed above. The Company appointed Mr. Yang as an executive director on 17 September 2010. As Mr. Yang has been a committee member of Shenzhen Watch & Clock Association (深圳市鐘錶行業協會) since 2007, his experience and good connection in watch industry can provide benefits to PRC Watch Business.

In March 2010, Tianhaiba began selling watches under *Tianba* and *Harpo* brands (though sales under *Harpo* brand had not been in significant quantities) with the permission of Ling Qiao (such permission refers to the permission of Tianhaiba to use *Tianba* and *Harpo* trademarks and sell watches under *Tianba* and *Harpo* brands during the period from 1 March 2010 to 30 June 2010), the then owner of *Tianba* and *Harpo* brands, through acquiring from Ling Qiao its *Tianba* and *Harpo* inventory at cost. Among the 110 sales points established by Tianhaiba in the PRC as at the Latest Practicable Date, 36 of which were sales points previously used by Ling Qiao. Instead of taking over the sales points from Ling Qiao, Tianhaiba entered into new arrangements directly with the proprietors of the sales points. The remaining 74 sales points were developed by Tianhaiba on its own. The new arrangements for these 110 sales points refer to the co-operation agreements which were entered into between Tianhaiba and the department stores or the shopping malls. For the salient terms of these co-operation agreements, please refer to the paragraph headed "Sales network" under the section headed "Business" of this prospectus.

Tianhaiba's exclusive right to use the *Tianba* and *Harpo* trademarks during the period from 1 March 2010 to 30 June 2010 was confirmed by a confirmation letter entered into between Ling Qiao and Tianhaiba on 5 August 2010.

Our PRC Legal Advisor is of the opinion that, in accordance with the confirmation letter dated 5 August 2010, Tianhaiba has the exclusive right to use the *Tianba* and *Harpo* trademarks from 1 March 2010 to 30 June 2010. During this period, no consideration, fee or other amounts were payable by our Group to Ling Qiao for the exclusive right to use the *Tianba* and *Harpo* trademarks. The Directors confirmed that Ling Qiao has not rendered any other assistance to Tianhaiba in selling the *Tianba* and *Harpo* watches saved as disclosed above in this paragraph from 1 March 2010 to 30 June 2010.

On 30 June 2010, Tianhaiba entered into the Trademark Transfer Agreement with Ling Qiao to acquire from Ling Qiao the *Tianba* and *Harpo* trademarks at a consideration of RMB4,700,000 and the Inventory Transfer Agreement with Ling Qiao to acquire from Ling Qiao all its *Tianba* and *Harpo* inventory at a consideration of RMB5,800,000 (which was later revised to RMB5,654,400 by a supplemental agreement dated 15 July 2010). The consideration under the Trademark Transfer Agreement was determined by negotiations between the parties based on an independent valuation report issued by Asset Appraisal Limited, while the consideration under the Inventory Transfer Agreement was based on cost.

Pending the approval by the PRC Trademark Office of the Trademark Transfer Agreement, Tianhaiba and Ling Qiao entered into a Trademark Licence Agreement on 30 June 2010 whereby Ling Qiao granted to Tianhaiba with immediate effect a sole and exclusive right to use the *Tianba* and *Harpo* trademarks. Pursuant to the Trademark Licence Agreement, Ling Qiao has agreed to discontinue using the *Tianba* and *Harpo* trademarks with effect from 30 June 2010. On 20 December 2010, Ling Qiao executed a non-competition undertaking in favour of Tianhaiba.

In July and August 2010, we submitted the Trademark Transfer Agreement to the PRC Trademark Office for approval and the Trademark Licence Agreement to the PRC Trademark Office for record respectively. On 30 August 2010, we received all relevant acceptance notices of trademark transfer issued by the PRC Trademark Office.

Our PRC Legal Advisor is of the opinion that the sole and exclusive right in the Trademark Licence Agreement to use the *Tianba* and *Harpo* trademarks is valid and enforceable and our Group will continue to enjoy the sole and exclusive right to use those trademarks even if the transfer of the two trademarks shall not be approved by the PRC Trademark Office. Our PRC Legal Advisor is further of the opinion that subject to the PRC laws and procedures including payment of fees, there is no legal obstacle preventing the approval of the transfer of the trademarks. As at the Latest Practicable Date, the application for the transfer of the two trademarks have not been disapproved or objected to.《中華人民共和國商標法》(The Trademark Law of the PRC*) and《中華人民共和國商標法實施條例》(The Implementing Regulations of the Trademark Law of the PRC*) do not specify the required time for application of the transfer of trademark ownership. The registration of the trademark transfer is expected to be approved in February 2011.

As at the Latest Practicable Date, Tianhaiba had established an assembly line in Shenzhen for watches under the brands owned by our Group and 110 sales points in 54 cities in the PRC.

For the purpose of management and development of our Group, a verbal agreement was reached among the Founding Shareholders when they first found the Group in 1995 to act together as a single group of shareholders to manage and control the business and operations of our Group on collective basis and the Founding Shareholders make collective decisions in respect of the financial and operating policies of our Group so as to obtain economic benefits from our Group. To achieve this objective, the Founding Shareholders must reach unanimous agreement in making decision for the following matters: formation of business plan and change in principal activities, approving annual budget, entering into material contract, acquisition of subsidiary/business, issue of new shares, change in capital structure, fund raising activities including borrowings and obtaining bank facilities, creation of charge or other encumbrance over the assets of the group entities, listing on any stock exchange, payment of declaration of dividend or other distribution. The Founding Shareholders having been managing and controlling our Group entities following the above mechanism. The Founding Shareholders collectively have the power to govern the financial and operating policies of our Group entities and have obtained economic benefits from the activities of our Group entities.

To facilitate the Reorganisation in preparation for the Listing and with a view to offering further protection to the interests of the Founding Shareholders as a whole, these arrangements were formulated under a written agreement entered into among the Founding Shareholders in August 2010.

Corporate Development

Good Destination Co. Ltd and its subsidiaries

Good Destination Co. Ltd. was incorporated in the BVI on 18 September 2000 with an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each. On 15 October 2002, Mr. Liu and Mr. Lam each acquired one bearer share while Mr. Wong and Mr. Liu each subscribed for one share at par, resulting in the shareholding of two, one and one by Mr. Liu, Mr. Lam and Mr. Wong respectively. Good Destination Co. Ltd. was an investment holding company.

EC (Asia) was incorporated on 21 February 1995 with an authorised share capital of HK$500,000.00 divided into 500,000 shares of HK$1.00 each. The initial shareholders were Ms. Fina Fung, wife of Mr. Lam, as to 250,000 shares and an Independent Third Party as to 250,000 shares. On 3 March 1995, Mr. Wong acquired 125,000 shares from Ms. Fina Fung, at par value. On 31 March 1995, Mr. Liu acquired 250,000 shares from an Independent Third Party at par value. On 17 October 2002, Ms. Fina Fung, Mr. Wong and Mr. Liu transferred 124,999, 125,000 and 250,000 shares respectively to Good Destination Co. Ltd. at par value. On the same day, Ms. Fina Fung transferred the beneficial interest of one share to Good Destination Co. Ltd. The considerations of the above transfers were determined with reference to the net asset value of EC (Asia) at the time of the transfers. EC (Asia) was engaged in watch business.

Ampress Pacific was incorporated on 22 August 1996 with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. The initial shareholders were Ms. Fina Fung as to 5,000 shares and Mr. Liu as to 5,000 shares. On 17 October 2002, Good Destination Co. Ltd. acquired (i) from Mr. Liu 5,000 shares at HK$20.00 per share and (ii) from Ms. Fina Fung 4,999 shares at HK$20.00 per share. The considerations of the above transfers were determined with reference to the net asset value of Ampress Pacific at the time of the transfers. On the same day, Ms. Fina Fung transferred one share to Mr. Lam, who held the same on trust for Good Destination Co. Ltd. Ampress Pacific was engaged in costume jewelries business.

Ampress Packaging was incorporated on 3 April 1998 with an authorised share capital of HK$100,000.00 divided into 100,000 shares of HK$1.00 each. The initial shareholders were Ampress Pacific as to 40,000 shares and an Independent Third Party as to 50,000 shares. On 2 April 1999, in recognition of the years of contribution to the growth and development of the business of our Group, 10,000 shares were transferred to Ms. Tam from the Independent Third Party at par value. The nominal consideration was determined based on the fact that Ampress Packaging did not have substantial reserve and operation at the time of the transfer. On the same day, the remaining 40,000 shares held by the Independent Third Party were transferred to Ampress Pacific. A further 10,000 shares were allotted to Ampress Pacific on January 2001 at par value of HK$1.00 each. On 9 November 2006, Ampress Pacific transferred all its 90,000 shares in Ampress Packaging to Good Destination Co. Ltd. at par value. The consideration of the transfer was nominal as Ampress Packaging was indirectly held by Good Destination Co. Ltd. Ampress Packaging was engaged in display and packaging products business.

EC Manufacturing was incorporated on 19 June 1998 with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. The initial shareholders were EC (Asia) as to 8,000 shares and Mr. Tong Wai Kuen as to 2,000 shares. On 11 July 2001, Mr. Lam acquired 8,000 shares from EC (Asia) at par value. On 6 October 2003, Good Destination Co. Ltd. acquired from Mr. Lam the 8,000 shares at a consideration of HK$205,658.00. On 7 May 2010, Mr. Tong Wai Kuen sold 2,000 shares of HK$1.00 each of EC Manufacturing to Mr. Liu as nominee for Good Destination Co. Ltd. for a total cash consideration of HK$2,000.00 The considerations of the above transfers were determined with reference to the net asset value of EC Manufacturing at the time of the transfers. EC Manufacturing was engaged in watch business.

Richmind International Investment Limited was incorporated on 9 December 1998 with an authorised share capital of HK10,000.00 divided into 10,000 shares of HK$1.00 each. The initial shareholders were two Independent Third Parties. On 11 January 1999, 4,999 shares were allotted to Mr. Liu, 2,499 shares were allotted to Ms. Fina Fung and 2,500 shares were allotted to Mr. Wong at par value. On 12 January 1999, Mr. Liu and Ms. Fina Fung each acquired one share from the two Independent Third Parties respectively. On 7 July 2009, the authorised share capital of Richmind International Investment Limited was increased to HK$100,000.00 by creation of 90,000 shares. These 90,000 shares were allotted to Good Destination Co. Ltd on 8 July 2009. On 6 October 2003, Mr. Lam acquired 2,500 shares from Ms. Fina Fung at a total cash consideration of HK$68,213.00. On 20 September 2010, Good Destination Co. Ltd. acquired 5,000 shares, 2,500 shares and 2,500 shares, all at par value, from Mr. Liu, Mr. Lam and Mr. Wong respectively at a total cash consideration of HK$225,400.00. The considerations of the above transfers were determined with reference to the net asset value of Richmind International Investment Limited at the time of the transfers. Richmind International Investment Limited was an investment company.

Prestige Corporation was incorporated on 15 June 2001 with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. On 17 July 2001, Mr. Liu acquired one share from an initial shareholder who was an Independent Third Party and also subscribed for 99 shares. He held the 100 shares as nominee for Good Destination Co. Ltd. On the same day, Good Destination Co. Ltd. acquired one share from another initial shareholder who was also an Independent Third Party and was allotted 9,899 shares. Prestige Corporation was engaged in costume jewelries business.

D&P was incorporated on 7 February 2001 with an authorised share capital of HK$300,000.00 divided into 300,000 shares of HK$1.00 each. The initial shareholders were Good Destination Co. Ltd. as to 200,000 shares and Mr. So Fai Hung as to 100,000 shares. On 13 April 2010, Mr. So Fai Hung transferred 100,000 shares to Good Destination Co. Ltd at a total cash consideration of HK$200,000.00 which was determined by arms length negotiation. On 14 April 2010, Mr. So Fai Hung resigned as a director of D&P to concentrate on his business commitments with Pohint. Mr. So confirmed that he had no disagreement with the Founding Shareholders relating to his resignation. D&P was engaged in display and packaging products business.

Powerwell Pacific Limited and its subsidiaries

Powerwell Pacific Limited was incorporated in the BVI on 8 August 2008 and was authorised to issue 50,000 shares with no par value. On 3 September 2008, two shares were allotted to Mr. Liu, one share was allotted to Mr. Lam and one share was allotted to Mr. Wong, all at US$1.00 each. On 16 June 2010, Powerwell Pacific Limited issued 376 shares to Mr. Liu, 188 shares to Mr. Lam and 188 shares to Mr. Wong, all for cash at US$1.00 each. On 20 June 2010, Powerwell Pacific Limited issued 44 shares to Ms. Tam at a total subscription price of HK$1,027,000.00 which was determined with reference to the net asset value of Powerwell Pacific Limited and its operating subsidiaries as on 31 December 2009. Powerwell Pacific Limited was an investment holding company.

EC Pacific was incorporated on 6 November 2008 with an authorised share capital of HK$500,000.00 divided into 500,000 shares of HK$1.00 each. The entire issued share capital of EC Pacific has been held by Powerwell Pacific Limited since incorporation. EC Pacific was engaged in watch business.

Ampress Merchandising was incorporated on 6 November 2008 with an authorised share capital of HK$100,000.00 divided into 100,000 shares of HK$1.00 each. The entire issued share capital of Ampress Merchandising has been held by Powerwell Pacific Limited since incorporation. Ampress Merchandising was engaged in costume jewelries business.

Ampress Packaging Asia was incorporated on 6 November 2008 with an authorised share capital of HK$500,000.00 divided into 500,000 shares of HK$1.00 each. The initial shareholders were Powerwell Pacific Limited as to 450,000 shares and Ms. Tam as to 50,000 shares. On 23 June 2010, Ms. Tam transferred 50,000 shares to Powerwell Pacific Limited at a total consideration of HK$1,027,000.00 which was determined with reference to the net asset value of Ampress Packaging Asia as at 30 September 2009. Ampress Packaging Asia was engaged in display and packaging products business.

Powerwell Finance Limited was incorporated on 6 November 2008 with an authorised share capital of HK$500,000.00 divided into 500,000 shares of HK$1.00 each. The entire issued share capital of Powerwell Finance Limited has ben held by Powerwell Pacific Limited since incorporation. Powerwell Finance Limited was an investment holding company.

Goldnet and its subsidiary

Goldnet was incorporated on 8 October 2009 with an authorised share capital of HK$10,000.00 divided into 10,000 of HK$1.00 each whereby Mr. Yang, Mr. Liu, Mr. Lam and Mr. Wong subscribed for 36, 32, 16 and 16 shares respectively, at par value. On 17 December 2009, Mr. Yang transferred all his shareholdings in Goldnet to Mr. Liu at cost at a cash consideration of HK$36.00. The nominal consideration was determined based on the fact that Goldnet did not have substantial reserve or operation at the time of the transfer.

Tianhaiba was established on 23 June 2009 by Mr. Yang and Ms. Yu Ling, wife of Mr. Yang to engage in the business of watch and components assembly, trading within the PRC, and goods and technology export. At the time of establishment, the registered capital of Tianhaiba was RMB1,000,000.00 of which RMB900,000.00 representing 90% of the registered capital was contributed by Mr. Yang and the remaining RMB100,000.00 representing 10% of the registered capital was contributed by Ms. Yu Ling. On 24 November 2009, Mr. Yang and Ms. Yu Ling entered into an agreement with Goldnet to transfer their entire equity holding in Tianhaiba to Goldnet whereby Goldnet would acquire the 90% shareholding from Mr. Yang at a cash consideration of RMB900,000.00 and 10% shareholding from Ms. Yu Ling at a cash consideration of RMB100,000.00. The considerations were determined based on the fact that Tianhaiba did not have substantial reserve or operation at the time of the transfers. On 1 April 2010, the Shenzhen Municipal Government approved the increase of registered share capital of Tianhaiba from RMB1,000,000.00 to RMB16,000,000.00. Goldnet was responsible for contributing RMB15,000,000.00, representing the entire amount of the increased capital.

On 17 December 2010, as part of the Reorganisation, we acquired Goldnet from the Founding Shareholders. After the acquisition, both Goldnet and Tianhaiba have become members of our Group.

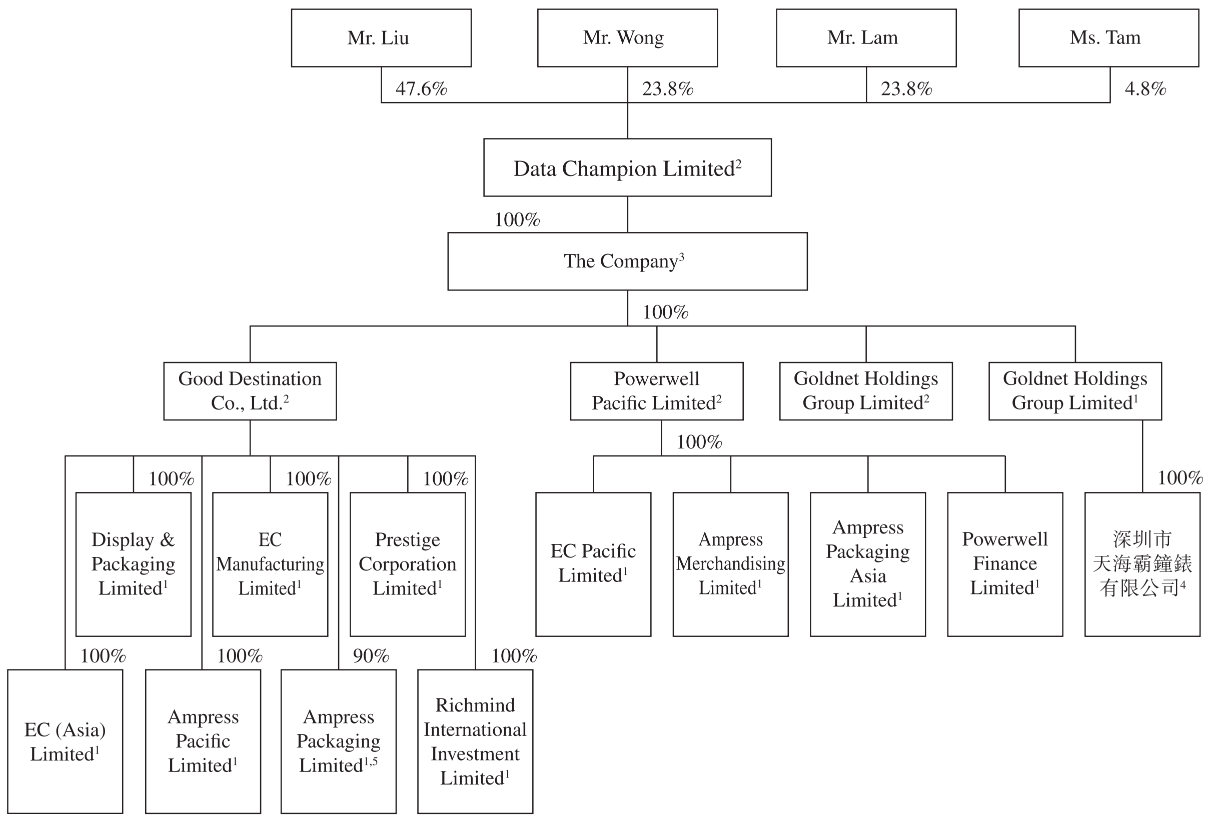
Goldnet Holdings Group Limited

Goldnet Holdings Group Limited was incorporated in the BVI on 8 August 2008 and was authorised to issue 50,000 shares with no par value. On 31 December 2008, 10 shares were allotted to Powerwell Pacific Limited at US$1.00 each. On 27 August 2009, Goldnet Holdings Group Limited further issued 54 shares to Powerwell Pacific Limited and 36 shares to Mr. Yang, all at US$1.00 each. On 22 June 2010, Mr. Yang sold 36 shares to Mr. Liu for a total cash consideration of US$36.00. On the same day, Powerwell Pacific Limited sold 14 shares, 25 shares and 25 shares of Goldnet Holdings Group Limited to Mr. Liu, Mr. Lam and Mr. Wong respectively for cash at US$1.00 each. The nominal considerations were determined based on the fact that Goldnet Holdings Group Limited did not have substantial reserve or operation at the time of the transfers. Goldnet Holdings Group Limited was an investment holding company.

On 20 December 2010, our Group underwent the final step of the Reorganisation and as a result of that, our Company has become the holding company of our Group. Further details of the Reorganisation are described note 2 of "Reorganisation and basis of presentation" to the Accountants' Report of the Company included in Appendix I to this prospectus and in the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP IMMEDIATELY BEFORE AND AFTER COMPLETION OF THE PLACING AND THE CAPITALISATION ISSUE

Set out below is the corporate and shareholding structure of our Group immediately before completion of the Placing and the Capitalisation Issue:



1 Incorporated in Hong Kong

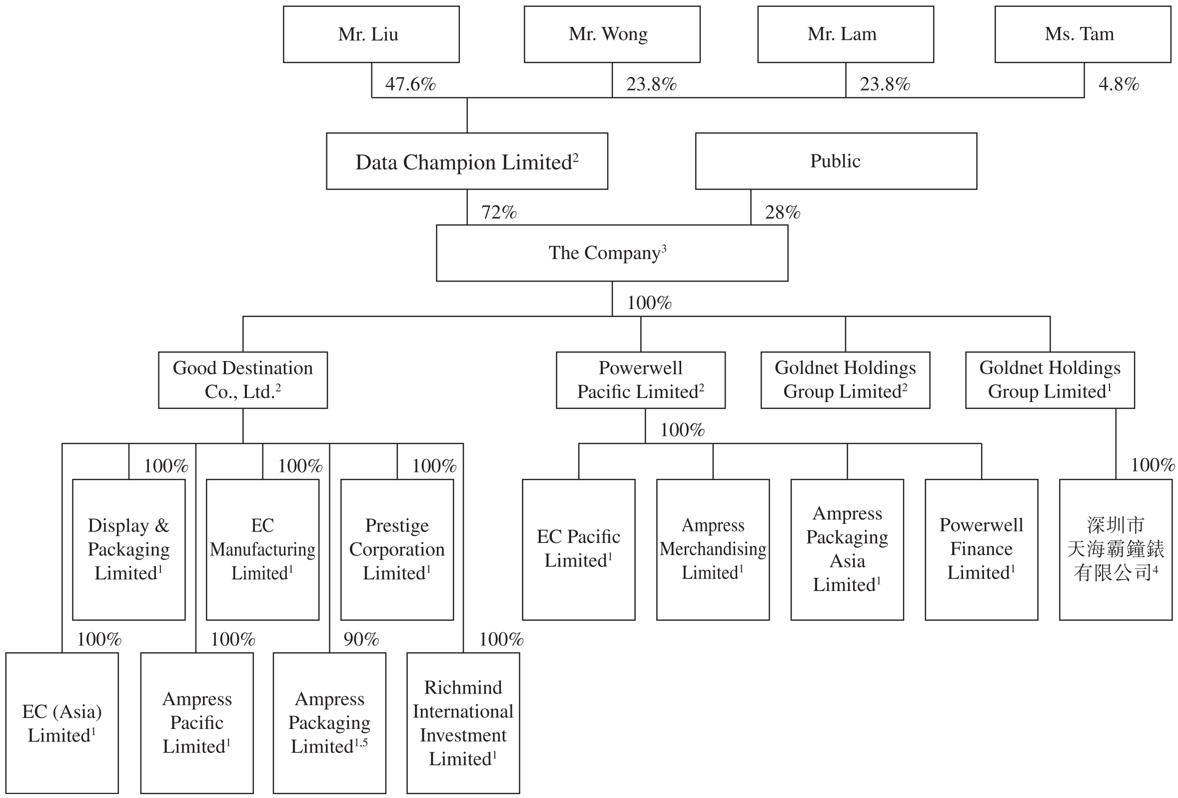
2 Incorporated in the British Virgin Islands

3 Incorporated in Bermuda

4 Incorporated in the PRC

5 Remaining 10% interest is held by Ms. Tam Chiu Ming Tammy, a member of our senior management team

Set out below is the corporate and shareholding structures of our Group immediately after completion of the Placing and the Capitalisation Issue:



1 Incorporated in Hong Kong

2 Incorporated in the British Virgin Islands

3 Incorporated in Bermuda

4 Incorporated in the PRC

5 Remaining 10% interest is held by Ms. Tam Chiu Ming Tammy, a member of our senior management team

The Company and its subsidiaries now comprising the Group have been, prior to and immediately after the Reorganisation, under the common control of the Founding Shareholders. For the purpose of management and development of the Group, a verbal agreement was reached among the Founding Shareholders when they first found the Group in 1995 to act together as a single group of shareholders to manage and control the business and operations of the Group on collective basis and the Founding Shareholders make collective decisions in respect of the financial and operating policies of the Group so as to obtain economic benefits from the Group. To achieve this, the Founding Shareholders have agreed that unanimous agreement must be reached among the Founding Shareholders in making decision for the following matters: formation of business plan and change in principal activities, approving annual budget, entering into material contract, acquisition of subsidiary/business, issue of new shares, change in capital structure, fund raising activities including borrowings and obtaining bank facilities, creation of charge or other encumbrance over the assets of operating entities now comprising the Group, listing on any stock exchange, payment of declaration of dividend or other distribution. These arrangements were formulated under a written agreement entered into among the Founding Shareholders in August 2010. Through these arrangements, the Founding Shareholders collectively have the power to govern the financial and operating policies of the companies now comprising the Group so as to obtain benefits from their activities.

OVERVIEW

Our Group is principally engaged in the sourcing business providing sourcing and procurement solutions to our customers who are mainly brand owners and importers. We source a variety of products to our customers which include watches, costume jewelries, and display and packaging products. We provide our customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing and in particular, we supervise over the process of production outsourcing and procurement management solutions including quality assurance and quality control, logistics and delivery handling services. Finished products are mostly exported overseas. Revenue to the Group is recognised when the finished products are delivered and the customers accept the products.

We have established design and product development capabilities in support of our sourcing business. We offer our customers attractive product designs according to their requirements. We also work with our customers on their proposed product designs, providing them with advice and support on the production feasibility. Our Directors believe these capabilities are one of the principal strengths of our Group which gives us an edge over our competitors.

We source and procure for our customers a wide range of (i) parts and components of watches including mechanical and quartz movements, cases, dials and watch bands; (ii) costume jewelries including silver jewelries; and (iii) display and packaging products for their merchandise.

As watches require precision in timekeeping and comprise many parts and components, we purchase all of the components for the watches we contracted to sell in order to ensure the components are of the required quantities and qualities specified by our customers. We then outsource and supervise the watches assembly by our contract manufacturers in the PRC. For costume jewelries and display and packaging products, unless specified otherwise by our customers, we do not source raw materials and components and engage contract manufacturers separately for the production process. Rather, we source finished goods from our contract manufacturers for costume jewelries and display and packaging products in accordance with our quality assurance and quality control guidelines. During the Track Record and up to the Latest Practicable Date, none of the customer demanded to assign any production process for its products to any designated contract manufacturers.

Our Directors believe that throughout the years, we have provided quality service supported by good delivery track record, which provides confidence to our customers that we are capable of providing a comprehensive sourcing solution to our customers covering the entire supply chain from the beginning involving product design, product development and sampling, to the middle stage involving sourcing of raw materials and components and coordination and supervision of the production process (by outsourcing to contract manufacturers), and to further to the later stage involving the management of the logistics, the delivery arrangements and overseas sales.

Taking into account the importance of the PRC market to our Group's long term development and leveraging on our experience in the sourcing business, we have expanded into retail sales of watches in the PRC bearing the *Tianba* and *Harpo* brands in March 2010. From March 2010 to the Latest Practicable Date, the *Harpo* watches we sold were insignificant in quantities and the PRC Watch Business was not a significant source of our income during the Track Record Period.

The expansion process began with the PRC company, Tianhaiba. In June 2009, Mr. Yang and his wife, Ms. Yu Ling set up Tianhaiba, a PRC domestic enterprise. In November 2009, Mr. Yang and Ms. Yu Ling entered into an agreement with Goldnet to transfer their entire equity holding in Tianhaiba to Goldnet. At that time, Goldnet was a company owned by the Founding Shareholders and Mr. Yang. In December 2009, Mr. Yang transferred all his shares in Goldnet to Mr. Liu. Goldnet became a company owned by the Founding Shareholders only.

In February 2010, Mr. Yang and Ms. Yu Ling completed the transfer of their equity in Tianhaiba to Goldnet.

In March 2010, Tianhaiba began selling watches under the *Tianba* and *Harpo* brands (though sales under the *Harpo* brand had not been in significant quantities) with the permission of Ling Qiao, the then owner of the *Tianba* and *Harpo* brands and a PRC company owned by Mr. Yang Sheng, the brother of Mr. Yang. Mr. Yang has all along been responsible for the overall management of Tianhaiba and its watch retail business in the PRC.

Having acquired the two brands in June 2010, we sell *Tianba* watches and *Harpo* watches in the PRC market through our sales points. For details relating to the acquisitions of the *Tianba* and *Harpo* brands, please refer to the section headed "History and corporate structure" in this prospectus.

As at the Latest Practicable Date, Tianhaiba has a sales network consisting of 110 sales points in 54 cities in the PRC. It has also established an assembly line in its factory premises in Shenzhen, the PRC for watches under the brands owned by our Group, the PRC. On 17 December 2010, as part of the Reorganisation, we acquired Goldnet from the Founding Shareholders. After the acquisition, both Goldnet and Tianhaiba have become members of our Group.

PRINCIPAL STRENGTHS

We believe our success in the sourcing business is derived from our ability to provide our customers with quality sourcing and procurement management solutions with attractive product designs. We place great importance and attention in maintaining our design capability and our technical support to our customers, which assist our customers to promptly identify and resolve their needs and concerns on design issues, technical matters and production feasibility of the proposed products. Leveraging on our experience in the sourcing business and the management's knowledge and connection in the PRC watch market, we have expanded into PRC Watch Business in March 2010.

We believe our Group has the following principal strengths to which our success is attributed:

Strong product design and development capabilities

Our design team works closely with our customers in conjunction with or through the sales and marketing teams, advising our customers on design issues, technical matters and production feasibility of the proposed products. Our designers provide our customers with their own designs and explore new ideas together with our customers. We also work with our customers on the proposed product designs, giving them technical advices on whether or not some features could be included in the products. With this in-house design capability, we are able to provide product design proposals as well as mock-up samples for our customers to consider and to decide which product design may suit their requirements.

Ability to safeguard the intellectual properties of our customers against piracy

We are conscious of the importance of our customers' intellectual properties and are committed to safeguard their valuable intellectual assets. Most of our major customers are brand owners whose products carried a distinctive brand image and culture. During the design and product development processes, we work closely with our customers and contribute ideas in the design and production of their products while maintaining the overall brand image and culture. We take measures to carefully segregate and safeguard the design, brand image and attributes of different customers, in terms of physical storage of the design drawings.

We are keen to prevent any breach of customers' product confidentiality. In all the years serving our major brand owners, we are able to uphold and safeguard their intellectual properties.

Long term relationship with reliable contract manufacturers and suppliers

We have maintained close and long term relationship with a number of reliable contract manufacturers and suppliers. As of the Latest Practicable Date, our top five suppliers including contract manufacturers for the six months ended 30 June 2010 have been engaged by us for periods ranging from 5 to 15 years. For their proportion to our Group's operation in terms of our total cost of sales, please refer to the paragraph headed "Suppliers" in this section. We outsource our production processes to our suppliers in accordance with our selection criteria, including the contract manufacturer's capability in producing our customers' products, its production availability and willingness to give us production priorities and its competitiveness in pricing.

In the event that any particular supplier including contract manufacturer should cease to provide outsource contracting services to us, our Directors do not foresee difficulties in finding alternative suppliers.

A stable and experienced management team

The Founding Shareholders and certain members of the senior management have been with our Group since the commencement of our business in 1995. The Founding Shareholders came from different backgrounds. Mr. Liu from banking and finance, Mr. Lam from trading and marketing and Mr. Wong on design. There is a clear division of labour among them and all the Founding Shareholders and the senior management are devoted to the stability and growth of our Group. Mr. Liu is in charge of finance and overall management of our Group; Mr. Lam focuses on marketing and Mr. Wong on design. Mr. Tong supervises our quality assurance and quality control on watches while Ms. Tam supervises the daily administration of our Group. Our Founding Shareholders hold the same belief in pursuing a prudent financial policy for our Group. Our steady financial position provides us readily available resources for developing new business, including the starting of the PRC Watch Business.

Our ability to deliver quality and reliable products

Our quality control team and sales and marketing teams would travel to the factories of our contract manufacturers in the PRC to perform on-site quality control inspections and testing procedures at different stages in their manufacturing process to ensure a good quality production.

During our product development process, we might require our suppliers or contract manufacturers to provide us with certificates that the materials they supply to us or to our contract manufacturers would comply with ROHS (Restriction on Hazardous Substances) or REACH (Registration, Evaluation and Authorisation of Chemical) tests requirements. When necessary we would request our contract manufacturers to send their production materials to recognised laboratories in Hong Kong for laboratory tests.

Our excellence can be identified particularly in our display and packaging. We have never had any material complaint for incorrect delivery of individually pre-packed retail display units containing assortment of display items to various location as directed by customers.

Long term relationship with our major customers

We have maintained close and long term relationships with our customers who are mainly from overseas. Some of our customers started relationship with us for the sourcing and procurement of watches. As our relationship further develop, these customers also place orders with us for costume jewelries or display and packaging products. Our close relationship with our customers is built on the foundation that we are able to provide quality products and services to meet our customers' needs. Most of our top five customers for the two years ended 31 December 2009 and six months ended 30 June 2010 have maintained business relationship with us for more than 10 years.

This group of loyal customers contributes to a solid foundation of our Group's financial stability and has given us the confidence to consider and expand into new businesses.

Our ability in identifying new business opportunities which may synergize with our existing businesses

Throughout the development of our Group, cross-selling of our existing products was achieved when we were able to source and procure for our customers a different product line which was desired by them. Our success in securing business expansions is attributable to our ability in identifying synergies among existing product lines and to relay those synergies to our customers' business needs.

OUR BUSINESS

Our business is classified into two business activities, the sourcing business and the PRC Watch Business.

SOURCING BUSINESS

We source products, including watches, costume jewelries, and display and packaging products for our customers and we also provide them with a wide range of sourcing management solutions including product design and product development, raw materials sourcing and production outsourcing; and procurement management services including quality assurance and control, logistics and delivery handling services. The finished products are mostly exported overseas.

Our products

The three product lines are watches, costume jewelries, and display and packaging products.

Watches

We source for our customers a diversified portfolio of mechanical and quartz watches which are either produced in accordance with their designs or designs which we have developed together with them, most of the products bear international brand names.

As at the Latest Practicable Date, the following are the major watch products that are sourced and procured by our Group for our customers:

- Sport watches

  Sport watches are constructed with stainless steel or titanium material and come with bezel. Our latest collection has chronograph function and 100 feet water resistant.

- Dress watches

  Dress watches are for formal wearing and normally come with stylish watch cases or bands. Our latest collection is mainly adorned with imitation stones.

- Kids watches

  Kids watches tend to bear designs of licensed characters. When we receive orders for kids watches with licensed characters, we do not sign separate agreements with our customers on the use of those characters but confirm that our customers have the proper license and authority to produce and sell products with those characters. It is a great way to get youngsters interested in time keeping. Colour and product safety are important.

- Pocket watches

  Our customers may request for blank top cover, which can be engraved by our customers, so that it can be used as a collectable or special gift to others.

- Classic watches

  Classic watches have a long standing popularity and can be worn at formal or informal occasions.

Based on shipment destination instructed by customers, for the two years ended 31 December 2009 and for the six months ended 30 June 2010, the geographical breakdown of our Group's sales of watches under sourcing business are as follows:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
USA	53,394	46.7	37,072	51.6	14,627	52.0	20,734	53.5
Europe								
— Denmark	37,831	33.1	17,197	24.0	6,775	24.1	11,272	29.0
— France	—	—	234	0.3	—	—	—	—
— Others *(Note 1)*	199	0.1	—	—	—	—	—	—
Hong Kong *(Note 2)*	21,358	18.7	16,065	22.4	6,139	21.8	6,506	16.8
Asia *(Note 3)*	—	—	530	0.7	187	0.7	73	0.2
Others	1,617	1.4	692	1.0	378	1.4	184	0.5
Total	114,399	100.0	71,790	100.0	28,106	100.0	38,769	100.0

Notes:

(1) Others in Europe include Portugal only.

(2) Asia includes Saudi Arabia only.

(3) Others principally include Australia.

Revenue for the two years ended 31 December 2009 and for the six months ended 30 June 2010 in respect of our watches under sourcing business are approximately HK$114.4 million, HK$71.8 million and HK$38.8 million, respectively. The sales of watches with shipments to USA decreased by approximately 30.5% from approximately HK$53.4 million for the year ended 31 December 2008 to approximately HK$37.1 million for the year ended 31 December 2009. Such decrease was primarily attributable to the decrease in sales of watches with shipments to USA to our largest watch product customer by approximately 30.5% from approximately HK$47.8 million for the year ended 31 December 2008 to approximately HK$33.2 million for the year ended 31 December 2009. The sales of watches to our largest watch product customer with shipments to USA amounted to approximately 89.5%, 89.6%, 82.9% and 91.5% of our total sales of watches with shipments to USA for the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively. Our Directors believe that such significant drop was mainly due to shrunken consumer spending in the year ended 31 December 2009 as a result of the global economic downturn, the sub-prime mortgage crisis, the investment bank failures, falling home prices and tight credit environment that had pushed the US into economic slowdown since 2008.

The following table sets forth the sales volume and the average selling price on our Group's sourcing and procurement of watches (excluding our PRC Watch Business) for the periods indicated:

	Year ended 31 December		**Six months ended 30 June**	
	2008	**2009**	**2009**	**2010**
Sales volume *(units)*	958,706	570,954	202,971	327,640
Average selling price *(HK$ per unit)*	119.3	125.7	138.5	118.3

The fluctuations of sales volume were primarily attributable to the demand from our largest watch product customer, the sales quantity of which amounted to approximately 89.4%, 85.7%, 82.3% and 94.5% of the total sales volume of watches for the two years ended 31 December 2008 and 2009 and the six months ended 2009 and 2010, respectively. The decrease in the sales volume of our watches from 958,706 units for the year ended 31 December 2008 to 570,954 units for the year ended 31 December 2009 was primarily due to the decrease in demand from such largest watch product customer following the downturn of economy in 2009. Still, the average selling price increased by approximately 5.4% for the year ended 31 December 2009 which was due to introduction of new models of watches with higher selling prices to our largest watch product customer in 2009. As the global market conditions improved in 2010, our largest watch product customer increased the number of orders to meet the increased market demand, particularly in the US and Europe markets, for the six months ended 30 June 2010 compared to the same period in 2009 whilst its orders mainly comprised relatively lower-priced product range. As such, the sales volume rebounded from 202,971 units for the six months ended 30 June 2009 to 327,640 units for the six months ended 30 June 2010 whereas the average selling price decreased by approximately 14.5% in the six months ended 30 June 2010 as compared to the same period of 2009.

For the six months ended 30 June 2010, we had more than 10 active watch product customers, who placed orders with us during this period. Sales to our largest watch product customer who is a brand owner and also the largest customer of our Group amounted to approximately HK$104.9 million, HK$63.2 million and HK$36.0 million for the two years ended 31 December 2009 and the six months ended 30 June 2010, representing approximately 91.7%, 88.0% and 93.0% of our sales of watches for the two years ended 31 December 2009 and for the six months ended 30 June 2010, respectively. This customer is a brand owner founded in Europe and has established offices in the US and Hong Kong. Besides watches, this customer also sells jewelries and other accessories in its own worldwide distribution networks. This customer has also placed with us orders for costume jewelries and display and packaging products. For the two years ended 31 December 2009 and the six months ended 30 June 2010, sales of display and packaging products to this customer amounted to approximately HK$3.3 million, HK$4.0 million, and HK$1.7 million, representing approximately 4.7%, 5.4% and 4.8% respectively, of our total revenue for display and packaging products. For the same periods, sales of costume jewelries to this customer amounted to approximately HK$101,000, HK$8,100 and nil representing approximately 0.6%, 0.04% and nil respectively, of our total revenue for costume jewelries. We are not engaged as the exclusive supplier of this customer. Our Directors believe that there are also other suppliers available in the PRC who can provide similar products to this customer. We have maintained a good relationship with our largest customer for 15 years.

Display and packaging products

Currently our display and packaging products consist of c-clamps, cases, boxes, bags, pouches and small pillows or cushions. We use different types of materials including plastic, paper and wood, mounted with decorative materials such as leatherette, special paper or artificial suede. We also design, source and procure retail display units for our customers.

Our retail display units may include window displays and may contain various display and packaging products. We also supply liquid crystal display (LCD) units to our customers. Most of our display and packaging products bear brand names.

As at the Latest Practicable Date, the following are the major display and packaging products that are sourced and procured by our Group for our customers:

- C-clamps

  C-clamp is a device to hold a display item, such as a watch or a piece of jewelry. We source c-clamps that are made by plastic injection.

- Packaging boxes

  Packaging boxes give a defined image for the branded items they hold. We source plastic boxes, wooden boxes and paper boxes.

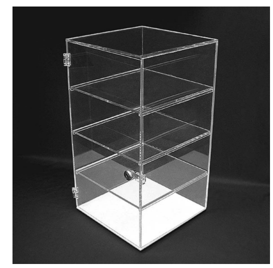
- Packaging accessories

  Packaging accessories include ring stands, earring stands, watch stands, bracelet holders, necklace holders, watch trays, logo plaque, pouch, pillow for ring or bracelet, made of different materials, such as acrylic, paper, medium-density fiberboard.

- Retail display units

  Retail display units will normally include two basic items, platform and back panel. The unit may be fabricated by medium-density fiberboard or acrylic. Normally, the surface will be coated with paint. Some of them will be mounted with polyvinyl chloride cover. Another kind of display unit will be counter tops. They will be placed on the counters in the department stores. Our latest development is to insert the liquid crystal display at the back panel so that the digital image can be broadcast.





Based on shipment destination instructed by customers, for the two years ended 31 December 2009 and for the six months ended 30 June 2010, the geographical breakdown of our display and packaging sales are as follows:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
USA	24,063	34.9	11,742	16.0	7,410	18.0	6,735	19.6
Europe								
— Denmark	2,002	2.9	1,817	2.5	372	0.9	254	0.7
— France	4,761	6.9	12,630	17.2	7,279	17.7	4,411	12.8
— Italy	6,092	8.8	6,086	8.3	3,564	8.7	3,041	8.9
— Others *(Note 1)*	15,366	22.3	21,254	29.0	11,991	29.2	9,394	27.4
Hong Kong	5,262	7.6	6,198	8.5	2,495	6.1	2,892	8.4
Asia *(Note 2)*	4,404	6.4	7,083	9.7	4,148	10.1	2,232	6.5
Others *(Note 3)*	7,000	10.2	6,436	8.8	3,830	9.3	5,387	15.7
Total	68,950	100.0	73,246	100.0	41,089	100.0	34,346	100.0

Notes:

(1) Others in Europe principally include the Netherlands, Austria, Turkey and United Kingdom.

(2) Asia principally includes Singapore, Japan, Korea, Saudi Arabia, Israel and Russia.

(3) Others principally include South America, Panama, Australia and South Africa.

Revenue in terms of sales for the two years ended 31 December 2009 and for the six months ended 30 June 2010 in respect of our display and packaging products are approximately HK$69.0 million, HK$73.2 million and HK$34.3 million, respectively.

The following table sets forth the sales volume and the average selling price on our Group's sourcing and procurement of display and packaging products for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2008	**2009**	**2009**	**2010**
Packaging boxes:				
Sales volume *(units)*	196,430	314,264	237,220	119,500
Average selling price *(HK$ per unit)*	36.6	31.0	32.5	29.0
Retail display units:				
Sales volume *(units)*	223,178	193,685	87,769	80,839
Average selling price *(HK$ per unit)*	276.7	327.9	380.2	382.1

For the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, the average selling prices of packaging boxes were approximately HK$36.6 per unit, HK$31.0 per unit, HK$32.5 per unit and HK$29.0 per unit, respectively, while the average selling prices of retail display units were approximately HK$276.7 per unit, HK$327.9 per unit, HK$380.2 per unit and HK$382.1 per unit, respectively. The fluctuations of the average selling prices for packaging boxes and retail display units depend on the quality of materials used and complexity of designs and pre-packaging requirements as requested by our customers. In terms of sales volume, it fluctuated, particularly for packaging boxes, during the Track Record Period. Demand for packaging boxes depends on the inventory policy of our customers and the popularity of the items that the boxes hold in the market, whereas the demand for retail display unit will depend on the promotion program and spending budget of our customers. For the two years ended 31 December 2008 and 2009 and the six months ended 2009 and 2010, the sales volume of packaging boxes was 196,430 units, 314,264 units, 237,220 units and 119,500 units, respectively. The significant decrease in sales volume of packaging boxes by approximately 49.6% from 237,220 units for the six months ended 30 June 2009 to 119,500 units for the six months ended 30 June 2010 was mainly due to decrease in demand and delay in shipment schedule for the packaging boxes from our major customers. On the other hand, the sales volume of retail display units was relatively stable during the Track Record Period.

For the six months ended 30 June 2010, we had over 40 active display and packaging product customers. Sales to our largest display and packaging product customer who is an importer and also one of our top five customers amounted to approximately HK$57.2 million, HK$62.1 million and HK$28.4 million, representing approximately 82.9%, 84.8% and 82.8% of our sales of display and packaging products for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010, respectively. This customer imports display and packaging products to brand owners and distribute their products mainly to the US. We have maintained a good relationship with this customer for approximately 11 years.

Costume jewelries

We now source and supply our customers with rings, pendants, charms, bracelets, necklaces, earrings, bangles, broaches, key chains, book marks and phone straps.

As at the Latest Practicable Date, the followings are the major costume jewelries items that are sourced and procured by our Group for our customers:

- Rings

  Our ring items are made of silver often set with semi-precious stones, comes with sizes for men and women.

- Pendants

  Our current pendant items are made of stainless steel, alloy and silver.

- Charms

  Our charm collection comes with alloy materials, offering more than hundred styles.

- Key chains

  A keychain can be a promotional item. Our customer would use keychain as a part of its accessories item. Our keychain items are made of stainless silver and alloy.

- Silver jewelry

  Silver is usually alloyed with copper to give it strength, while at the same time preserving the ductility and beauty of the precious metal. We offer silver rings, earrings, bracelets, necklaces and pendants to our customers.

Based on shipment destination instructed by customers, for the two years ended 31 December 2009 and for the six months ended 30 June 2010, the geographical breakdown of our costume jewelries sales are as follows:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
USA	13,630	86.4	18,501	95.0	9,362	95.6	8,186	96.8
Europe								
— Denmark	31	0.2	—	—	—	—	—	—
— France	151	1.0	29	0.2	29	0.3	—	—
— Others *(Note 1)*	183	1.1	—	—	—	—	—	—
Hong Kong	1,206	7.6	543	2.8	267	2.7	86	1.0
Asia *(Note 2)*	—	—	23	0.1	13	0.1	—	—
Others *(Note 3)*	578	3.7	379	1.9	121	1.3	188	2.2
Total	15,779	100.0	19,475	100.0	9,792	100.0	8,460	100.0

Notes:

(1) Others in Europe include Switzerland only.

(2) Asia includes Japan only.

(3) Others principally include Australia.

Revenue for the two years ended 31 December 2009 and for the six months ended 30 June 2010 in respect of our costume jewelries product line were approximately HK$15.8 million, HK$19.5 million and HK$8.5 million, respectively.

The following table sets forth the sales volume and the average selling price on our Group's sourcing and procurement of costume jewelries for the periods indicated:

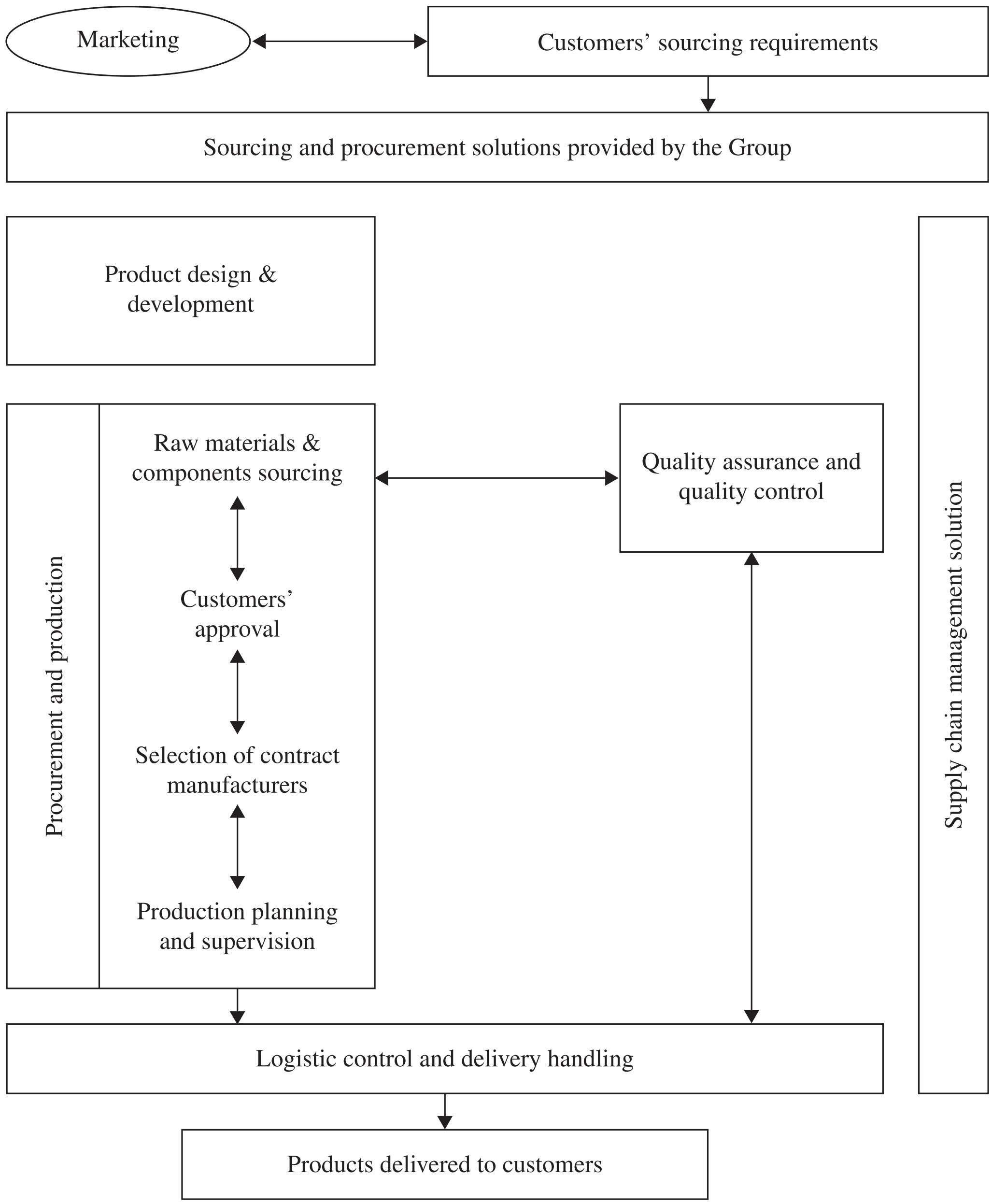
	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
Sales volume *(units)*	848,651	990,180	548,981	467,757
Average selling price *(HK$ per unit)*	18.6	19.7	17.8	18.1

The fluctuations of sales volume were partially attributable to the demand from our largest costume jewelry product customer, the sales quantity of which amounted to approximately 56.0%, 50.9%, 52.3% and 33.6% of the total sales volume of costume jewelry for the two years ended 31 December 2008 and 2009 and the six months ended 2009 and 2010, respectively. Despite the global financial crisis in 2008, the Directors believe that sales volume was not negatively affected. This was primarily due to the combined effect of (i) increase of orders from new customers introduced by one of our overseas selling agents; (ii) sustainable demand for such costume jewelries that were reasonably priced during the economic downturn in 2009; and (iii) the stable demand during 2008 and 2009 from our largest costume jewelry product customer, the sales volume of which amounted to 475,567 units and 503,569 units for the two years ended 31 December 2008 and 2009, respectively. However, the drop of sales volume from 548,981 units for the six months ended 30 June 2009 to 467,757 units for the six months ended 30 June 2010, representing a decrease of approximately 14.8%, was primarily due to the decrease in number of orders placed by our largest costume jewelry product customer who had changed product categories during the period. Its sales quantity contributed only 157,251 units for the six months ended 30 June 2010 to the total sales volume of costume jewelries as compared to 287,149 units for the six months ended 30 June 2009. The average selling price maintained a relatively stable level throughout the Track Record Period.

For the six months ended 30 June 2010, we had more than 10 active costume jewelry product customers. Sales of costume jewelry to our largest costume jewelry product customer who also sources watch products from us, is a brand owner and also one of our top five customers amounted to approximately HK$13.2 million, HK$15.1 million and HK$6.1 million, representing approximately 83.4%, 77.7% and 71.8% of our sales of costume jewelries for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010, respectively. This customer is a brand owner founded in the US. This customer sells costume jewelries and a wide selection of other products which include, among others, watches and home decor. We have maintained a good relationship with this customer for approximately 11 years.

Sourcing and procurement model

The following diagram illustrates the business model of our sourcing business:



Marketing

We have separate sales and marketing teams for each of the three product lines. The sales and marketing teams would contact our customers to ascertain their needs, exchange views on market trends and solicit orders. Our Directors and senior management of our Group are actively involved in the marketing efforts of our Group and they maintain contacts with customers of our Group in conjunction with the sales and marketing teams.

To promote our services and products, we participate in international watch fairs and jewelry shows, such as Baselworld (held annually at Basel, Switzerland), the Hong Kong International Watch and Clock Fair, Hong Kong International Jewellery Show, the Hong Kong Jewellery and Gem Fair and Hong Kong Optical Fair. We also advertise through trade magazines in Hong Kong.

Some of our customers were introduced to us by overseas selling agents. Pursuant to the agency agreements entered into with the overseas selling agents, we pay the overseas selling agents agency fees based on the successful business introduced by them and after payment on the successful business is received by us. There is no fixed term of these engagements. We have engaged one, two and two overseas selling agents, respectively, for the two years ended 31 December 2009 and the six months ended 30 June 2010. These overseas selling agents are Independent Third Parties. The agency arrangement with the overseas selling agents is not exclusive. No obligation is imposed on the agents to refer business to us on an exclusive basis. The Directors believe that such arrangement is normal business practice among the industry and is a normal commercial risk. On the other hand, the arrangement does not impose an obligation on us to contract with customers only through the overseas selling agents. Once the customers are introduced to us, we may work with the customers directly in daily operations whilst the overseas selling agents help us in maintaining customers relationship. For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the respective total revenue of our Group that are attributable to successful business introduced by the overseas selling agents amounted to approximately HK$21.2 million, HK$22.9 million and HK$10.4 million, representing approximately 10.6%, 13.9% and 12.3% of the Group's total revenue, respectively. The agency fees paid to our overseas selling agents were approximately HK$0.6 million, HK$0.9 million and HK$0.2 million for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, respectively.

Product design and development

Our product design and development is an integral part of our sourcing business.

We ensure different design concepts and features on products are reserved for different global brands. The concepts and features are always kept separate and confidential. This strategy is important in retaining the trust and business loyalty of our customers.

For watches and costume jewelries, there are different stages in the design process, including taking instructions, understanding our customers' requirements, solving the difficult areas in engineering and production. Technical drawings will be produced during the design process. In the case of watches, our engineers and draughtsmen would produce 3-dimensional mock-up drawings from which a mock-up sample would be produced for customers' approval. For costume jewelries, our designers would study the images prepared by our customers and they work together with our customers and produce drawings suitable for production of the costume jewelries. For display and packaging products, our customers would give us instructions on image and style. Our designers would generate different renderings for customers' approval. Since some of our retail display units comprise a large number of packaging accessories, it is necessary for us to devote more time and resources in developing the designs of the final products and to present the same to our customers.

Being an integral part of our sourcing business, we provide our input advice to our customers without charging separate design fees. The cost of designs are built-in in the selling prices. The intellectual property rights for the designs jointly developed by customers and our Group are owned by our customers.

Our design team also works closely with our sales and marketing teams in order to understand the market trend and customers' requirements, and with our quality control personnel on matters relating to the improvement of quality of the products and production efficiency. Our design team holds discussions with our sales and marketing teams and the customers to assess product requirements.

Procurement and production

We engage different suppliers and contract manufacturers, and source and procure from them raw materials, components and finished goods. In respect of watches, we source all raw materials and components from suppliers and send the same to our contract manufacturers for assembly. In respect of costume jewelries and display and packaging products, instead of sourcing raw materials and components and engaging contract manufacturers separately for the production process, we source finished goods from contract manufacturers. Raw materials and components are sourced by our contract manufacturers according to our specific instructions and subject to our quality assurance and quality control standards. In certain circumstances, when specific or designated materials such as gemstones are used, we would source those materials ourselves instead of engaging our contract manufacturers to source the same.

Our decision on the choice of contract manufacturer depends on a number of criteria, including its capability in producing our customers' products, its availability and willingness to give us production priorities, its competitiveness in pricing and its ability to keep our customers' designs confidential. During the Track Record Period, we have engaged only Guifeng as our contract manufacturer for assembly of watches.

For our watches, the key components are the movements, dial, case, crown, strap or band and hands. The movements for the watches we sourced and procured are mostly made in Japan and Switzerland. Other components are sourced from suppliers mostly based in Hong Kong and the PRC. These component suppliers will provide us the required watch components in accordance with our product specification and delivery schedule so that we can send the same to our contract manufacturers for assembly. We have over 70 component suppliers for our watches during the Track Record Period. Except Xunlong Factory, all the component suppliers for our watches are Independent Third Parties.

During the design process of watches, our sales and marketing staff would go through a merchandising process where the components to be used in the watch production including the types or models of movements, straps or bands are determined and approved by our customers. Most of the components purchased from component suppliers are tested according to our specified standards, whereas dials are individually inspected. If the defect rate exceeds the prescribed percentage adopted by us, the whole lot of the components or parts will be returned to the component supplier. Only those components which pass the quality control tests would be used in the production.

For our costume jewelries, the raw materials and components used include silver, inexpensive metals such as alloy, brass and stainless steel, imitation or semi-precious stones and glass. Most of the raw materials and components are sourced by our contract manufacturers responsible for production according to our specific instructions and subject to our quality assurance and quality control standards. We only source raw materials or components as specifically requested by our customers. The raw materials and components required for each category of costume jewelry depend on its design and the requirements of our customers. These contract manufacturers will source the required raw materials and devote appropriate labor resources, and provide us with the finished products in accordance with our product specification and delivery schedule so that we can send the same to our customers if they have met our quality assurance and quality control standards. During the Track Record Period, we have sourced finished goods from more than 40 contract manufacturers for costume jewelries. All the contract manufacturers for our costume jewelries are Independent Third Parties.

For our display and packaging products, the principal raw materials are paper, wood and various types of exterior materials such as leatherette, velvet and other fabric materials. Similar to the case for costume jewelries, raw materials and components are sourced by our contract manufacturers according to our specific instructions and subject to our quality assurance and quality control standards. We only source raw materials or components as specifically requested by our customers. The raw materials and components required for each category of display and packaging products depend on its design and the requirements of our customers. These contract manufacturers will source the required raw materials and devote appropriate labor resources, and provide us with the finished products in accordance with our product specification and delivery schedule so that we can send the same to our customers if they have met our quality assurance and quality control standards. During the Track Record Period, we have sourced finished goods from more than 10 contract manufacturers for display and packaging products. Except Pohint, all the contract manufacturers for display and packaging products are Independent Third Parties.

During the Track Record Period, we have engaged only Guifeng as our contract manufacturer for assembly of watches, whilst we sourced raw materials, components and finished goods from other suppliers including contract manufacturers. Contract manufacturers are not engaged on an exclusive basis. Apart from the agreements as set out in paragraph headed "Continuing connected transactions" under the section headed "Connected translations and waiver" in this prospectus, we have not entered into master manufacturing agreements with our contract manufacturers. Arrangements between our Group and contract manufacturers are determined by individual orders we place. Besides the price and quantity, our purchase orders generally set out specified terms covering the expected delivery date, packing instructions, payment terms and other product specifications. The Directors believe we have developed a solid and steady relationship with our key suppliers, including contract manufacturers as they have been supplying raw materials, components and finished goods to us for many years. Given our stable relationship with many of them, we have not experienced any significant difficulties in obtaining supplies of the necessary raw materials, components or finished goods. In the event that any of our suppliers should cease their services to us, our Directors believe that there will not be significant difficulties in finding alternatives, which are available in the market.

All our suppliers are Independent Third Parties except the followings:

During the Track Record Period, Guifeng, the equity interest of which is owned as to 10% by Mr. Yang and 80% by Ms. Yu Ling, the wife of Mr. Yang, was the only contract manufacturer for assembly of watches; Xunlong Factory, which is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang, was our largest supplier for components of watches and Pohint, which is owned by family members of Mr. So Fai Hung, a former director of D&P, was our largest contract manufacturer for display and packaging products. For details relating to our suppliers, please refer to paragraph headed "Suppliers" under this section. For details relating to connected transactions, please refer to the section headed "Connected transactions and waiver" in this prospectus.

Pohint, Xunlong Factory and Guifeng are the major suppliers and contract manufacturers for our sourcing business. For the two years ended 31 December 2009 and six months ended 30 June 2010, the total purchases from Pohint accounted for approximately HK$33.8 million, HK$45.2 million and HK$20.3 million, representing approximately 21.1%, 35.9% and 31.2% of our Group's total cost of sales respectively. For the same periods, the total purchases from Xunlong Factory accounted for approximately HK$22.9 million, HK$12.1 million and HK$9.1 million, representing approximately 14.3%, 9.6% and 14.0% of our Group's total cost of sales respectively, and the total purchases from Guifeng accounted for approximately HK$8.2 million, HK$6.0 million and HK$3.0 million, representing approximately 5.1%, 4.8% and 4.7% of our Group's total cost of sales respectively. Pohint, Xunlong Factory and Guifeng do not supply to us on an exclusive basis.

During the Track Record Period, apart from Xunlong Factory and Pohint, our Group has also engaged other Independent Third Parties for the supplies of watch components and display and packaging products. Our Group has maintained over 5 years of working relationship with some of these suppliers who have proven track record of quality supplies. For the two years ended 31 December 2009 and six months ended 30 June 2010, the total purchases from these Independent Third Parties suppliers accounted for approximately HK$38.0 million, HK$15.5 million and HK$14.7 million, representing approximately 23.8%, 12.3% and 22.5% of our Group's total cost of sales respectively.

Although Guifeng was our Group's only contract manufacturer for watch assembly during the Track Record Period, as at the Latest Practicable Date, our Company has, since September 2010, approved an additional Independent Third Party operating a factory in Shenzhen for the assembly of watches for our Group's sourcing business. This Independent Third Party contract manufacturer engages in the production of watch products, which includes the assembly of watches for various famous international brands that are similar to those being served by Guifeng. Since the relationship with this Independent Third Party contract manufacturer only started in September 2010, the total transaction amount since September 2010 and up to the Latest Practicable Date was insignificant. Given the standardised nature of the watch assembly process, the Directors do not expect to incur material additional costs or other difficulties in shifting the watch assembly processes to other alternative contract manufacturers. In addition, the Directors consider that materials and components suppliers and contract manufacturers are readily available in the market and our Group should be able to find alternative suppliers in the event any suppliers or contract manufacturers should cease to provide their services to our Group.

In view of the increasing labour costs as a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta region, it is our Company's intention to pass on the increased costs from the suppliers and contract manufacturers to the end customers by increasing the selling prices of the products in order to maintain the overall profit margin of the business.

Our total staff costs for the two years ended 31 December 2009 and six months ended 30 June 2010 were approximately HK$11.5 million, HK$12.0 million and HK$7.9 million respectively, representing approximately 5.8%, 7.3%, 9.4% of our total revenue respectively for the same periods. Staff costs were not a substantial component of our cost of sales during the Track Record Period. As disclosed in the section headed "PRC regulatory overview" in this prospectus, the Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations, including but not limited to the New Labour Contract Law in all material respects.

Quality assurance and quality control

To ensure that the quality of goods supplied by our suppliers and contract manufacturers are up to standard, we have adopted stringent quality assurance and quality control measures in different stages of our sourcing and procurement model. Quality assurance and quality control measures are carried out by our quality control personnel and our sales and marketing teams. Our quality control personnel is responsible for the quality assurance and quality control of watches while our sales and marketing teams double up this function in respect of costume jewelries and display and packaging products.

In respect of watch components, except the dials which are inspected individually, components are spot checked by our contract manufacturers prior to the assembly or production under the supervision of our quality control personnel. The checking is based on procedures and standards approved by us to ensure their quality and suitability. For costume jewelries and display and packaging products, we would only inspect the raw materials and components before production if necessary, as our contract manufacturers would source the required raw materials and components according to our specific instructions and subject to our quality assurance and quality control standards.

After the watches have been assembled by our contract manufacturers, our quality control personnel from our Hong Kong office would visit our contract manufacturer's factory in the PRC for on-site quality assurance inspections. Inspections are conducted in accordance with our acceptable quality level and samples are picked at random. The percentage of products rejected by our customers during the Track Record Period is insignificant.

In respect of manufacturing of costume jewelries and display and packaging products, our sales and marketing teams would do random spot checks at the factories of our contract manufacturers in the PRC to ensure the quality of the products meets our customers' requirements. After production, our sales and marketing teams would visit the production facilities of the contract manufacturers to conduct quality control inspections. Any product which we consider as sub-standard would be returned for rectification.

As our display and packaging products are sourced for brand owners, being in the middle and high end of their respective product markets, significant emphasis is placed on the craftsmanship, quality and consistency of our products. Before packing of the products, our staff members would also carry out inspections and spot check to make sure that all items are in place and correctly packed.

Logistic control and delivery handling

In respect of watches and costume jewelries, we would arrange for the products to be labeled with bar codes for its despatch to customers' designated destination or collection by customers' nominated forwarders.

The handling of the display and packaging products is different from the other two lines of products, we have to carry out specific arrangements on the delivery logistics in a timely manner.

Our largest customer on display and packaging products would place a bulk order with us based on the different requirements of its distributors in different parts of the world. Each order would provide all the necessary information on how the retail display units should be packed with the respective display and packaging products. Different quantities and different assortments are sent to different countries and locations.

The shipping of retail display units involves the packing of different components of display items to be assorted into pre-packed boxes in accordance with pre-packing instructions of the customer. The pre-packed boxes would then be shipped or distributed by the customer's forwarder to overseas destinations as directed by the customer. We would have to make sure that our contract manufacturers adhere to the pre-packing instructions laid down in the pick tickets issued by the customer. The products are then collected by the customer's forwarders.

We have never had any material complaints for incorrect display and packaging products delivered to our customers. This value added service of pre-packing according to pick tickets issued by our customers demand good logistic control and precise delivery handling. We have achieved reliable track record in the arrangement and pre-packing of display and packaging products in the past years.

PRC WATCH BUSINESS

The *Tianba* brand is a national watch brand which was introduced into the PRC watch market back in the 1980s. The *Tianba* and *Harpo* brands were owned by an Independent Third Party until Ling Qiao acquired them in December 2008 and started sale of watches under these two brands in January 2009. According to the business license of Ling Qiao, it is a trading company with business scope covering the sales of watches and watch parts, packaging materials, handicrafts, machinery and equipment, jewelries, glass products and metal products. As a trading company in the PRC, Ling Qiao did not engage in the manufacturing of watches but sourced watch components from suppliers and sub-contracted to third parties for the assembly of watches under the *Tianba* and *Harpo* brands. Ling Qiao conducted quality check and/or engaged 國家鐘錶質量監督檢驗中心 (State Clock and Watch Quality Supervision & Testing Center*) to conduct quality check on the *Tianba* and *Harpo* watches assembled by the sub-contractors. The Directors are conscious of any publicity concerning the Group. To the best of the Directors' knowledge, there was no adverse publicity about the quality of such watches sold by Ling Qiao. In March 2010, we commenced our PRC Watch Business selling the *Tianba* and *Harpo* brands of watches.

On 30 June 2010, we entered into the Trademark Transfer Agreement with Ling Qiao to acquire from Ling Qiao the *Tianba* and *Harpo* trademarks and the Inventory Transfer Agreement with Ling Qiao to acquire from Ling Qiao all its *Tianba* and *Harpo* inventory. The consideration for the Trademark Transfer Agreement was determined by negotiations between the parties based on an independent valuation report dated 30 June 2010 issued by Asset Appraisal Limited, while the consideration for the Inventory Transfer Agreement was based on cost. Pending the approval by the PRC Trademark Office for the Trademark Transfer Agreement, Tianhaiba entered into the Trademark Licence Agreement with Ling Qiao on the same day whereby Ling Qiao granted to us with immediate effect a sole and exclusive right to use the *Tianba* and *Harpo* trademarks.

As a result, we own the sole and exclusive right to use the *Tianba* and *Harpo* trademarks, the brand and design of the *Tianba* and *Harpo* watches. We sell the *Tianba* watches and *Harpo* watches in the PRC market through our sales points. We have not relied on the expertise, achievement or know-how previously developed by Ling Qiao in developing our PRC Watch Business. As at the Latest Practicable Date, the *Harpo* watches we sold were still insignificant in quantities. We have also established an assembly line in its factory premises in Shenzhen, the PRC.

Considering the rapid growth of the PRC economy in recent years, the Directors believe that expansion into the PRC market would contribute to the growth of our Group. In our sourcing business, revenue is mainly derived from sales to the US and Europe. The Directors believe that the PRC Watch Business provides our Group with a new and additional source of revenue.

Up to 30 September 2010, the amount spent for capital expenditure for our PRC Watch Business was approximately HK$0.5 million while the amount committed is approximately HK$5.3 million which is for the payment of trademark. The amount estimated to be spent is mainly for the purchase of property, plant and equipment, being approximately HK$0.5 million. Consistent with our prudent financial policy, the PRC Watch Business commenced with the support of both internal resources and shareholders' contributions. It is expected that the expansion of PRC Watch Business will be financed by the proceeds from the Placing. For details of the implementation plans and use of proceeds in relation to the PRC Watch Business, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

In deciding our Group's expansion into PRC Watch Business, we have taken into account the factors set out below:

- Our extensive experience in dealing with global brand names in our sourcing business will help the brand building of the *Tianba* and *Harpo* trademarks

- Our product design capability with knowledge of global trends will help the re-launching of the *Tianba* and *Harpo* watches and to give them a more modern perception

- Our stable source of revenue generated from sourcing business will provide a solid and broad base to develop the *Tianba* and *Harpo* brands

- Mr. Yang's experience in watch businesses in the PRC market

In addition to Mr. Yang's relevant experiences, one of our senior management members, Ms. Wu Yan (吳岩), also has experience in running the PRC Watch Business. For details of her working experience, please refer to the subsection headed "Senior management" under the section headed "Directors, senior management and employees" of this prospectus. As at the Latest Practicable Date, we have the sole and exclusive right to design, develop, manufacture, market and sell *Tianba* and *Harpo* watches in the PRC at our own established sales network consisting of 110 sales points in 54 cities in the PRC.

We will continue to invest in the building of the brand equity of *Tianba* and *Harpo* brands of watches through our own design capabilities, our established strengths in the sourcing business, as well as in marketing and through the set up of more sales points in the PRC.

Brands and Products

Tianba

The *Tianba* brand is a national watch brand which was introduced into the PRC watch market back in the 1980s. *Tianba* has achieved national recognition and acclaim. According to a watch industry report compiled by CSEIRC in May 2010, *Tianba* is one of the top five domestic PRC watch brands in terms of sales in value and in volume in 2009. In terms of sales in value and in volume, *Tianba* brand watches contributed to approximately 2.3% and 2.3% of the sales of the domestic PRC watch brands in the PRC watch market in 2009, respectively. However, according to the Euromonitor International Report on the PRC watch industry, among the various watch brands in the PRC retail market, a significant portion of the market is dominated by international watch brands. In 2009, domestic PRC watch brands contributed approximately 38.0% and international watch brands contributed approximately 62.0% to the top ten watch brands in the PRC in terms of market share (for details, please refer to the section headed "Industry Overview" in this prospectus).

To counter the challenge of foreign brands' competition and to maintain and improve our market position, our design team aims to design and create new product series under our unified brand image and style to suit the PRC local market.

As at the Latest Practicable Date, we are offering the following series of watches in the PRC:

- 英雄本色 (Hero series*) — quartz extra thin watches, emphasizing a distinctive and independent style (率性灑脱)
- 智者本色 (Sage series*) — mechanical watches, emphasizing a simplistic style (崇尚化繁為簡)
- 勇者本色 (Bravery series*) — sport watches, emphasizing an enduring and fearless style (堅強無畏)
- 名仕本色 (Prestige series*) — ornamented (jewelry) watches, emphasizing a classic and stately style (典雅莊重)

Harpo

HARPO

Our Group's strategy is to expand the PRC Watch Business in stages. We would focus on the marketing and sales of the *Tianba* brand and we would promote the *Harpo* brand later.

The price range of *Tianba* and *Harpo* watches is from a few hundred to a few thousand RMB. The main focus is more on watches below RMB1,000 since we target at selling these watches to the mass market. We adopt a uniform pricing strategy on the whole but there may be occasional discounts for some of the sales points to accommodate special or promotional events of the department stores. Since it became the owner of the *Tianba* and *Harpo* brands on 30 June 2010, Tianhaiba has been responsible for the warranties, defects, repairs and maintenance of the *Tianba* and *Harpo* watches purchased by customers. This includes the *Tianba* and *Harpo* watches sold by Ling Qiao prior to the acquisition of the PRC Watch Business by our Group. We have taken up the warranty for watches sold previously by Ling Qiao in order to enhance customers' confidence in the two brands. Our Directors have also assessed the potential liability involved in taking up the warranty for these watches and considered that the amount to be incurred, if any, would be insignificant relative to our total revenue derived from our PRC Watch Business. Since the acquisition of the PRC Watch Business by our Group and up to the Latest Practicable Date, the cost incurred for warranties, repair and maintenance of the *Tianba* and *Harpo* watches was immaterial to our Group. All *Tianba* and *Harpo* watches are warranted by Tianhaiba for a period of one year from the date of purchase. During the warranty period, watches can be repaired in one of our 14 maintenance centres free of charge, if they are proved to be defective in material or workmanship under normal use. Repairal upon expiration of warranty will be subject to service and repair charges.

Design and Development

We believe product design and development is a key factor in distinguishing our *Tianba* brand from the other brands in the market. Our design teams are stationed in Hong Kong and Shenzhen. Having accumulated many years of experience in dealing with international watch brand owners and representatives in our sourcing business, we are able to make use of that knowledge and experience in designing our *Tianba* watches for the PRC market. Our design team works closely with the sales and marketing teams in designing new products and in improving existing products. In creating new designs, our design team first develops preliminary concepts and ideas which are then refined through discussions with sales and marketing teams and by taking into account the reactions and sales feedback obtained by our sales and marketing teams from our customers and from other market information.

The development process of *Tianba* watches can be broadly divided into four stages:

Market analysis:	Product development theme are identified and confirmed by the marketing team and the senior management of Tianhaiba through analysis of the market information, sales feedback and industry environment
Design:	Product drawings are produced by the design team in accordance with the marketing theme and market analysis
Development:	The design team is responsible for producing 3-dimensional mock-up drawings and sample production
Product:	In accordance with the product designs, the sales and marketing teams will perform merchandising process including raw materials and components selections. The management team will determine the production volume of various products according to the feedback

Procurement and Production

Our trade knowledge on sourcing watch components is firmly established through our years of providing sourcing and procurement solutions for customers. The same process applies in sourcing for watch components for the PRC Watch Business.

From March to June 2010, the *Tianba* watches and *Harpo* watches we sold were purchased from Ling Qiao after which we made necessary adjustments. Ling Qiao is wholly-owned by Mr. Yang Sheng, the brother of Mr. Yang, and is therefore a connected person of our Company under the GEM Listing Rules. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus.

As at Latest Practicable Date, we have established an assembly line in our factory premises in Shenzhen. This assembly line was set up and run by Tianhaiba since 1 August 2010, and consists of three assembly workers, one quality control staff, one serviceman and one packaging staff, all of whom are our employees. It has the production capacity of around 6,300 pieces per month. As at the Latest Practicable Date, the assembly line is exclusively used for the assembly of *Tianba* and *Harpo* watches and the utilisation rate of the assembly line is approximately 76%. We may expand the assembly line according to customers' demand of our products in the future. Since the establishment of the said assembly line, all the *Tianba* and *Harpo* watches sold by us are assembled in our factory premises using components sourced by us from our suppliers. This assembly line has the capacity to assemble 75,600 watches a year. Our Directors believe that having our own assembly line enables us to closely monitor the quality control of our watches and to ensure production quality.

In view of the increasing labour costs as a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta region, it is our Company's intention to pass on the increased cost of production to the end customers by increasing the selling prices of our products in order to maintain the overall profit margin of our business.

Our total staff costs for the two years ended 31 December 2009 and six months ended 30 June 2010 were approximately HK$11.5 million, HK$12.0 million and HK$7.9 million respectively, representing approximately 5.8%, 7.3%, 9.4% of our total revenue respectively for the same periods. Staff costs were not a substantial driver to our revenue generation during the Track Record Period. As disclosed in the section headed "PRC regulatory overview' in this prospectus, the Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations, including but not limited to the Labour Contract Law in all material respects.

Marketing and sales

Our marketing and promotional strategy aims to enhance and reinforce the awareness of *Tianba* brand of watches in the PRC. We utilise various media channels, such as television commercials, print media, as well as outdoor advertisements in the PRC, to convey our brand image and product information to the market. We have recently placed advertisements on the billboards at various outdoor locations in the PRC, mainly outside shopping malls that enjoy high pedestrian and traffic flow. We advertised on television channels in the PRC. We also participated in the China Watch Fair in Shenzhen, the PRC.

Sales network

As at the Latest Practicable Date, our sales network comprises of 110 self-managed sales points, all located in department stores or shopping malls in the PRC. Our PRC Watch Business headquarter is located in Shenzhen.

Our Shenzhen headquarter is responsible for strategic business development, corporate image, marketing, public relations and financial management. It has set out operational policies and procedure handbook, which are required to be followed by all the sales points. The chief supervisor in our Shenzhen headquarter monitors the performance of each regional manager and report to the management of our PRC Watch Business on a daily basis, who would report to the Board on a timely basis.

In order to facilitate effective management of our sales points, we have divided our sales points into 19 regions and under a three-tier management structure. Sales personnel manage the daily operations of each sales point. A regional manager at each region supervises all sales points in his respective sales region. The regional managers report to the chief supervisor of the sales department in our Shenzhen headquarters on a monthly basis.

We operate our sales points in various department stores or shopping malls, all being Independent Third Parties based on the co-operation agreements entered into between us and the relevant department stores and shopping malls. Salient terms of the co-operation agreements are set out below:

- *Operating location*

  The department stores or shopping malls shall provide Tianhaiba an operating place as the sales point of the *Tianba* and *Harpo* watches.

- *Duration*

  The duration of the co-operation agreements entered into between us and the relevant department stores or shopping malls generally ranges from two months to one year subject to renewal upon expiration.

- *Pricing*

  Tianba and *Harpo* watches shall be sold according to the uniform sales price as provided by Tianhaiba.

- *Concession charges*

  Concession charges are calculated based on a pre-agreed percentage of the monthly revenue derived from sale of the *Tianba* and *Harpo* watches, or a fixed minimum sum, or both.

- *Sales personnel*

  Pursuant to the terms of a majority of the co-operation agreements, we shall employ our own sales personnel responsible for the daily operations of our sales points, while under the terms of the other agreements, the department stores or shopping malls shall provide us with sales personnel.

- *Promotion*

  Tianhaiba shall participate in promotional activities organized by the department stores or shopping malls. However, if Tianhaiba intends to initiate promotional activities for the *Tianba* and *Harpo* watches, approval from the department stores or shopping malls shall generally be required.

The sales receipts at our sales points are generally collected by the operators of the department stores or shopping malls on our behalf which will be settled with us subsequently after deducting concession charges from the sales proceeds (which usually equate to a pre-agreed percentage of the monthly sales made through the relevant sales points subject to a minimum amount as stated in some of the co-operation agreements). We will check with the department stores and shopping malls regarding the sales made at the relevant sales points on a daily basis to ensure correct sales amounts have been recorded by the department stores and shopping malls. Moreover, the department stores and shopping malls will issue a monthly sales report to us which enables us to cross check with the relevant monthly sales records maintained by us. Any discrepancies between our Group's sales records and that of the department stores or shopping malls are reconciled to ensure that the sales records maintained by us and the relevant department stores and shopping malls are consistent and correct. Revenue will be recognised when products are sold to the customers in the sales points. During the Track Record Period, we have not experienced any default in collecting sales proceeds from the department stores or shopping malls for our sales points.

The following map shows our sales network in the PRC as at the Latest Practicable Date:

Note: The numbers in brackets show the number of sales points established in the relevant provinces/cities within the PRC.

SUPPLIERS

Our suppliers include raw materials and components suppliers and contract manufacturers. For our watches, we purchase components including hands, cases, dials, crowns, movements and bands from our suppliers and outsource the production to our contract manufacturers. For our costume jewelries and display and packaging products, we purchase finished products from our contract manufacturers. Sometimes, we source certain raw materials or components from other suppliers for these two lines of products. Our top five suppliers including contract manufacturers for the two years ended 31 December 2009 and the six months ended 30 June 2010 collectively accounted for approximately 59.0%, 61.7% and 68.1%, respectively, of our Group's total cost of sales.

Three of our top five suppliers are connected persons of our Group according to the GEM Listing Rules. They are Pohint, Xunlong Factory and Guifeng.

Pohint, our contract manufacturer for supplying display and packaging products, is our Group's largest supplier. It is principally engaged in the business of manufacturing display and packaging products. It was established in 1987 and has maintained business relationship with us for 10 years. Total purchases from Pohint accounted for approximately HK$33.8 million, HK$45.2 million and

HK$20.3 million representing approximately 21.1%, 35.9% and 31.2% of our Group's total cost of sales and approximately 67.1%, 84.7% and 79.6% of our cost of sales of display and packaging products, for the two years ended 31 December 2009 and six months ended 30 June 2010 respectively. As Pohint is owned by family members of Mr. So Fai Hung, a former director of D&P who resigned in April 2010, it is a connected person of our Group according to the GEM Listing Rules. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus.

Xunlong Factory is our largest supplier for components of watches. It provides our Group with watch cases and stainless steel metal bands, glass as well as silver rings. It is principally engaged in the business of watch case and band manufacturing. Xunlong Factory was established in 2003 and has maintained business relationship with us for 7 years. The total purchases from Xunlong Factory accounted for approximately HK$22.9 million, HK$12.1 million and HK$9.1 million representing approximately 14.3%, 9.6% and 14.0% of our Group's total cost of sales, respectively and approximately 22.5%, 18.0% and 25.0% of our cost of sales of watches, for the two years ended 31 December 2009 and six months ended 30 June 2010, respectively. As Xunlong Factory is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang, it is a connected person of our Group under the GEM Listing Rules.

Guifeng was the only contract manufacturer for assembly of watches during the Track Record Period. It is principally engaged in the business of watch assembly. It was established in 2005 and has maintained business relationship with us for 5 years. Total purchases from Guifeng accounted for approximately HK$8.2 million, HK$6.0 million and HK$3.0 million representing approximately 5.1%, 4.8% and 4.7% of our Group's total cost of sales, respectively and approximately 7.4%, 8.3% and 8.7% of our cost of sales of watches for the two years ended 31 December 2009 and six months ended 30 June 2010 respectively. As the entire equity interest of Guifeng is held as to 80% by Ms. Yu Ling, wife of Mr. Yang and as to 10% by Mr. Yang, it is a connected person of our Group under the GEM Listing Rules.

Pohint, Xunlong Factory and Guifeng are the major suppliers and contract manufacturers for our sourcing business. For the two years ended 31 December 2009 and six months ended 30 June 2010, the total purchases from Pohint accounted for approximately HK$33.8 million, HK$45.2 million and HK$20.3 million, representing approximately 21.1%, 35.9% and 31.2% of our Group's total cost of sales respectively. For the same periods, the total purchases from Xunlong Factory accounted for approximately HK$22.9 million, HK$12.1 million and HK$9.1 million, representing approximately 14.3%, 9.6% and 14.0% of our Group's total cost of sales, respectively. The total purchases from Guifeng accounted for approximately HK$8.2 million, HK$6.0 million and HK$3.0 million, representing approximately 5.1%, 4.8% and 4.7% of our Group's total cost of sales respectively. Pohint, Xunlong Factory and Guifeng do not supply to us on an exclusive basis.

During the Track Record Period, apart from Xunlong Factory and Pohint, our Group has also engaged other Independent Third Parties for the supplies of watch components and display and packaging products. Our Group has maintained over 5 years of working relationship with some of these suppliers who have proven track record of quality supplies. For the two years ended 31 December 2009 and six months ended 30 June 2010, the total purchases from these Independent Third Parties suppliers accounted for approximately HK$38.0 million, HK$15.5 million and HK$14.7 million, representing approximately 23.8%, 12.3% and 22.5% of our Group's total cost of sales respectively.

Guifeng was our Group's only contract manufacturer for watch assembly during the Track Record Period. Our Company has, since September 2010, approved an additional Independent Third Party operating a factory in Shenzhen for the assembly of watches for our Group's sourcing business. This Independent Third Party contract manufacturer engages in the production of watch products, which includes the assembly of watches for various famous international brands that are similar to those being served by Guifeng. Since the relationship with this Independent Third Party contract manufacturer only started in September 2010, the total transaction amount since September 2010 and up to the Latest Practicable Date was insignificant. Given the standardised nature of the watch assembly process, the Directors do not expect to incur material additional costs or other difficulties in shifting the watch assembly processes to alternative contract manufacturers. In addition, the Directors consider that materials and components suppliers and contract manufacturers are readily available in the market and our Group should be able to find alternative suppliers in the event any suppliers or contract manufacturers should cease to provide their services to our Group.

Alternative suppliers supplying similar kinds of products or providing similar services at comparable prices as Pohint, Xunlong Factory and Guifeng to our Group are readily available in the market. As at the Latest Practicable Date, we have engaged two alternative suppliers in Guangdong, the PRC which are capable of supplying the same kind of products or providing the same services to our Group. One alternative supplier is for watch assembly and the other one is for display and packaging products. These alternative suppliers are Independent Third Parties. The quality of work and control over product confidentiality of these alternative suppliers is up to our standard. They are also engaged by other international customers.

For further details, please refer to the section headed "Connected Transactions and waiver" in this prospectus.

In view of the increasing labour costs as a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta region, it is our Company's intention to pass on the increased costs from the suppliers and contract manufacturers to the end customers by increasing the selling prices of the products in order to maintain the overall profit margin of the business.

Our total staff costs for the two years ended 31 December 2009 and six months ended 30 June 2010 were approximately HK$11.5 million, HK$12.0 million and HK$7.9 million, respectively, representing approximately 5.8%, 7.3%, 9.4% of our total revenue respectively for the same periods. Staff costs were not a substantial component of our cost of sales during the Track Record Period. As disclosed in the section headed "PRC regulatory overview" in this prospectus, the Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations, including but not limited to the New Labour Contract Law in all material respects.

Our Directors confirm that apart from the above, none of our Directors, their respective associates, or existing Shareholders, who owns more than 5% of our Company's issued share capital, has any interest in any of our Group's top five suppliers.

CUSTOMERS

In respect of our sourcing business, our customers are mainly brand owners and importers, some of whom have their sales and distribution network and onsell our products worldwide.

The following table sets forth the breakdown of our revenue by customer category:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Brand owners *(Note 1)*	133,976	67.3	94,295	57.3	38,715	49.0	50,103	61.4
Importers *(Note 2)*	59,797	30.0	66,456	40.4	38,851	49.2	30,991	38.0
Others	5,355	2.7	3,760	2.3	1,421	1.8	481	0.6
Total	199,128	100.0	164,511	100.0	78,987	100.0	81,575	100.0

Notes:

(1) A brand owner is an entity whose business involves the selling of products of its own brand name.

(2) An importer is an entity who does not own the brand of the goods it sells.

Some of our customers are introduced by overseas selling agents. The agency arrangements with the overseas selling agents are not exclusive to us and does not impose an obligation on us to contract with customers only through the overseas selling agents. Once the customers are introduced to us, we may work with the customers directly in daily operations whilst the overseas selling agents help us in maintaining customers relationship. For the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, approximately 10.6%, 13.9% and 12.3% of the revenue were generated through overseas selling agents. In respect of our PRC Watch Business, we sell our watches to retail customers directly through our sales points. Our PRC Watch Business comprises of retail customers whose expenditure at our sales points do not constitute a significant percentage of our revenue on an individual basis. Our top five customers, including watch and costume jewelry brand owners and display and packaging product importers, accounted for approximately 95.1%, 92.8% and 91.0% respectively of our Group's total revenue for the two years ended 31 December 2009 and the six months ended 30 June 2010. During the same periods, our Group's top three customers accounted for approximately 92.7%, 90.2% and 88.2% of our total revenue whereas our Group's single largest customer who is a watch brand owner accounted for approximately 54.4%, 40.8% and 44.8% respectively of our total revenue. Our largest customer is a brand founded in Europe and has established offices in the US and Hong Kong. Beside watches, this customer also sells costume jewelries and other accessories in its own worldwide distribution networks. We have maintained a good relationship with our largest customer for approximately 15 years. Our second largest customer imports display and packaging products. We have maintained a good relationship with our second largest customer for approximately 11 years. Our third largest customer is a brand founded in the US. This customer sells costume jewelries and a wide selection of other products which include, among others, watches and home decor. We have maintained a good relationship with our third largest customer for approximately 11 years. Most of our customers are regular customers who have established long term business relationship with us. As such, we do not require a deposit when a purchase order is placed with us. Credit terms granted to our major customers range from 45 to 60 days.

Customers *(Note 1)*	**Background**	**Major products purchased from our Group**	**Approximate years of relationship with our Group**	**Credit period granted**	**Percentage of total sales to respective customer relative to our total revenue**		
					For the year ended 31 December		**For the six months ended 30 June**
					2008	**2009**	**2010**
A	Customer A, which is our largest watch products customer, is an international design company founded in 1989 producing watches, earrings, bracelets, necklaces, rings, sunglasses and clocks. Customer A has offices in the US, Denmark and Hong Kong with market focus in the US, Europe and Asia Pacific region.	Watches	15	45 days	54.4%	40.8%	44.8%
B	Customer B, which is our largest display and packaging products customer, was the agent for several Hong Kong watch exporters. From year 2000, Customer B commenced trading for display and packaging products after acknowledging that the Group could source the right suppliers for them. They position themselves as a worldwide supplier of display and packaging products to brand owners and distribute their products mainly to the US.	Display and packaging products	11	60 days after shipment	28.8%	37.8%	33.8%

Customers *(Note 1)*	Background	Major products purchased from our Group	Approximate years of relationship with our Group	Credit period granted	Percentage of total sales to respective customer relative to our total revenue		
					For the year ended 31 December		For the six months ended 30 June
					2008	2009	2010
C	Customer C, which is our largest costume jewelry product customer, was founded in 1973 in the US. It holds one of the most recognisable brand names in the western accessories market. Its products include a wide selection of premium and aesthetically appealing products including buckets, jewelries, watches, accent trim and home décor. They position themselves as a long established distributor of costume jewelries in the western industry.	Costume jewelries	11	Ranged from 21 to 37 days	9.6%	11.6%	9.7%

Note:

(1) The Directors consider the identities of these customers are confidential and therefore the names of these customers are presented with these alphabets for illustration purpose.

We place great importance and attention in maintaining our design capability and providing technical support to our customers, which assist our customers to promptly identify and resolve their needs and concerns on design issues, technical matters and production feasibility of the proposed products. We are also conscious of the importance of our customers' intellectual properties and are committed to safeguard their valuable intellectual assets. We take measures to carefully segregate and safeguard the design, brand image and attributes of different customers, in terms of physical storage of the design drawings.

Our value added services to our customers by our established design and product development capabilities underpin our competitive strengths, in particular, in maintaining long-term relationship with the abovementioned customers.

Hana Time (Asia) Limited (a customer of our watch business), which was owned as to 50% by Ms. Fina Fung, the wife of Mr. Lam, until she disposed of her entire shareholdings to an Independent Third Party on 11 August 2010, was one of our top five customers in the year ended 31 December 2009. For the two years ended 31 December 2009 and the six months ended 30 June 2010, Hana Time (Asia) Limited accounted for approximately HK$2.7 million, HK$1.7 million and HK$0.5 million representing approximately 1.4%, 1.0% and 0.6% of our total sales respectively. Hana Time (Asia) Limited was a connected person of our Group according to the GEM Listing Rules. It has no dealings with our Group since April 2010 as we intend to focus on accounts which have better growth potential. Since Hana Time (Asia) Limited's contribution to our total sales of approximately 1.4%, 1.0% and 0.6% for the two years ended 31 December 2009 and six months ended 30 June 2010 respectively was insubstantial, the termination of sales to Hana Time (Asia) Limited would not have adverse impact on the Company. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus.

Our Directors confirm that save as aforesaid, none of our Directors or their respective associates, or existing Shareholders, who owns more than 5% of our Company's issued share capital immediately following completion of the Placing and the Capitalisation Issue, has any interest in any of our Group's top five customers.

COMPETITION

Sourcing and procurement is a fragmented industry and the entry barrier to the business of providing sourcing and procurement solutions is considered low. We believe we can provide value to our customers by our established design and product development capabilities, which underpins our competitive strengths. Our competitive edge may however be eroded in the circumstances when other sourcing business operators would be able to match our abovementioned qualities or provide similar solutions but undercut us on pricing. There is also no territorial limitation on where the sourcing business may be provided from. Our Directors believe there will be keen competitions in the sourcing business.

According to a watch industry report compiled by CSEIRC, *Tianba* is one of the top five domestic PRC watch brands in terms of sales in value and in volume in 2009. However, the PRC watch market is dominated by international watch brands, which contributed approximately 62.0% of the market share according to the PRC Watch Report compiled by the Euromonitor International (for details, please refer to the section headed "Industry Overview" in this prospectus).

The watch retail market in the PRC is characterised by a large number of players ranging from small, specialised retailers to well-known international brands. Consumers are therefore open to a large variety of brand options, small specialised retailers focus on particular product types or in a particular sector of the market whereas large retailers focus on the broad market and penetrate the market with their reputable histories and brand names. Our Directors believe they will face keen competitions from both domestic and foreign operators in the PRC watch retail business.

NON-COMPETITION UNDERTAKINGS

Each of our Directors has confirmed that save and except for his interests in our Company and its subsidiaries, he and his associate do not have any interest in a business which competes or may compete with our business nor do they have any conflicts of interests with our business.

Ling Qiao, from whom the *Tianba* and *Harpo* trademarks were acquired by our Group, and its owner, Mr. Yang Sheng, the cousin of Mr. Yang and Ms. Yu Ling, the wife of Mr. Yang have given non-competition undertakings to our Group on 20 December 2010 that they will not engage whether directly or indirectly in the business of sale of watches until cessation of our watch business.

INTERNAL CONTROL

We have adopted internal control procedures which cover our overall management financial control, risk management, financial budget and forecast, financial reporting procedures, management accounting information system, operational and financial controls.

Annual consolidated profit and cash flow forecasts were prepared by our Group's financial controller and our Directors. The annual profit forecast would be reviewed and approved by the Board and would be revised upon material changes to the business environment, such as opening of new sales points.

Consolidated financial and cash flow budget and forecasted income statements for our Group would be prepared frequently, on half yearly or quarterly basis for the understanding of the current business and monitoring of financial position and the implementation of future business planning of our Group.

Written commentaries such as variance analysis report would be prepared for management to take necessary follow up and subsequent remedial actions.

Management meetings would be held regularly by the respective product line managers, the financial controller and the Directors to evaluate business performance and to discuss future business strategy. Consolidated financial and cash flow budget and forecasted income statements for our Group would be discussed regularly in meetings.

We have prepared before the listing of our Group an operating and internal manual by consolidating our various previous manuals. The operating and internal manual incorporates key internal control procedures to achieve the objectives for (a) reliability of financial reporting; (b) compliance of applicable laws and regulations; (c) effectiveness and efficiency of operations; (d) risk management and (e) safeguarding of assets. Our Directors would ensure that written procedures would be continuously reviewed and regularly updated by our compliance officer, chief executive officers (both Hong Kong and PRC operations) and financial controller jointly on a quarterly basis in order to respond to changes in our Group's business and external environment. Our compliance officer will have access to external professionals retained by our Group from time to time if applicable, including the compliance advisor, external legal counsels, auditors and other advisors as necessary. We have engaged a legal advisor in Hong Kong and a legal advisor in the PRC upon Listing in respect of legal and regulatory compliance matters in Hong Kong and the PRC, respectively. We will consult the said legal advisors on legal issues relating to our business operations whenever necessary and will request them to provide us with updates on rules and regulations applicable to our business on a quarterly basis.

INVENTORY CONTROL

Raw materials, components and finished products for the sourcing business are sourced according to confirmed orders. We have not kept stock of costume jewelries and display and packaging products, their components or raw materials. We perform stock checks of watches in warehouse of our contract manufacturers.

For our PRC Watch Business, we have installed and implemented a proven stock control and logistic management system that is widely used by other watch distributors. It is a stock management software which allows us to oversee our sales business in our Shenzhen headquarter. In this software system, an inventory list for all the products in all the sales points is maintained. Information including the model number of watches, the number in stock and the price are available.

Our stock control management system also allows us to efficiently carry out stock replenishment at various sales points. When a particular model of watches is out of stock in one of our sales points, its availability in other sales points and current stock level can be checked from the inventory list in the management system. We would then be able to arrange the necessary stocks to be transferred to a sales point from another sales point, or from our Shenzhen headquarters as appropriate.

Our software system also generates useful statistics for our management's discussions. The sales performance in each sales point, in each sales region or even for each product can be compared and evaluated through the data supplied by the system.

The management reviews monthly reports on slow-moving inventories, discusses and assesses any appropriate method to enhance the marketability of these inventories in each sales point including enhancing promotions, offering greater discounts and, if necessary, the management may consider whether stock provision is required.

MANAGEMENT INFORMATION SYSTEMS

Our management information system is crucial to our efficient management. To enhance our internal controls, we have installed an enterprise resource planning system (the "ERP"), through which we can plan our procurement, inventory management, logistics, and sales and distributions. The Directors consider the ERP system enables our Group to closely monitor the key steps in making decisions based on real-time data and identify potential problems and make necessary adjustments in a timely manner. The ERP also enhances our Group's management and administration effectiveness, it promotes better communication among departments, facilitates order checking, inventory control and financial conduct. A pilot trial run for a three-month period has been implemented and the ERP is expected to be formally introduced in January 2011. To cope with our business expansion, we will continue to enhance our information management platform to assist us to effectively control and manage our operations.

INSURANCE

We maintain a range of insurance policies for our ongoing operations. We have not maintained any product liability insurance and business interruption insurance as we believe it is not the general industry practice in the PRC to carry out such insurance. During the Track Record Period and up to the Latest Practicable Date, we have not received any material claims from third parties in relation to the use of our products or third party liability. For details relating to risks relating to our insurance coverage, please refer to the section headed "Risk factors" of this prospectus.

ENVIRONMENTAL PROTECTION

The operation of our Group is subject to various national and local laws and regulations, including 《中華人民共和國環境保護法》(the Environmental Protection Law of the PRC*), 《建設項目環境保護管理條例》(the Administrative Regulations on Environmental Protection for Construction Project*) and 《中華人民共和國環境影響評價法》(the Environmental Impact Assessment Impact Law of the PRC*). The Group has conducted environmental feasibility studies before the commencement of construction of the production plants and have obtained 建設項目環境影響審查批覆 (the Examination and Approval of Environmental Impact about Construction Project*). The Group will conduct necessary environmental feasibility studies and submit to the relevant environmental authorities for approvals in accordance with the laws and regulations in the PRC for any future expansion or establishment of plants or equipment.

The cost of compliance with applicable environmental rules and regulations for the two years ended 31 December 2009 and six months ended 30 June 2010 were nil, approximately RMB7,800 and nil, respectively. The cost incurred in 2009 was a one-off expense in relation to the environment feasibility studies conducted by Tianhaiba prior to the commencement of business. The cost of compliance going forward is expected to be similar to the amounts spent during the year ended 31 December 2009.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Under the relevant PRC laws and regulations, we are required to contribute to a number of employee social insurance and housing provident fund schemes in respect of our employees. For further details, please refer to the paragraph headed "We may be subject to penalty owing to non-compliance of housing provident funds contributions requirement" under the section headed "Risk factors" and the paragraph headed "Social insurance and housing provident fund" under the section headed "Directors, senior management and employees" of this prospects.

In order to continuously improve our corporate governance and to prevent future non-compliance of housing provident fund contribution, we intend to adopt or have adopted the following measures:

(i) our Group has appointed three independent non-executive directors to the Board, among them, Mr. Cheung Chi Man, Dennis, being one of the independent non-executive Directors possesses experience in managing listed companies with operations in the PRC. His depth of experiences could assist us in the compliance with PRC laws and regulations on a continuous basis;

(ii) our Group has established an audit committee, comprising the three independent non-executive Directors, to independently monitor and review the financial reporting process and internal control system of our Group;

(iii) our Company's PRC Legal Advisor has provided a training for its executive Directors and senior management to comply with the housing provident fund regulations in the PRC; and

(iv) our Group will improve the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, operations, management, legal matters, finance and audit.

Based on the above, the Directors are of the view that the Company has taken reasonable steps to establish a proper internal control system to prevent future non-compliance of PRC laws and regulations by our Group.

INTELLECTUAL PROPERTY

Our intellectual property rights primarily consist of the trademarks we use in our PRC Watch Business and the domain names. For further details, please refer to the paragraph headed "Intellectual property" in the section headed "Further information about the business" in Appendix V to this prospectus.

On 30 June 2010, Tianhaiba entered into the Trademark Transfer Agreement with Ling Qiao to acquire from Ling Qiao the *Tianba* and *Harpo* trademarks at a consideration of RMB4,700,000 and the Inventory Transfer Agreement to acquire from Ling Qiao all its *Tianba* and *Harpo* inventory at a consideration of RMB5,800,000 (which was later revised to RMB5,654,400 by a supplemental agreement dated 15 July 2010).

Pending the approval by the PRC Trademark Office of the Trademark Transfer Agreement, Tianhaiba and Ling Qiao entered into the Trademark Licence Agreement on the same day whereby Ling Qiao granted to Tianhaiba with immediate effect a sole and exclusive right to use the *Tianba* and *Harpo* trademarks.

In July and August 2010, we submitted the Trademark Transfer Agreement to the PRC Trademark Office for approval and the Trademark Licence Agreement to the PRC Trademark Office for record respectively. On 30 August 2010, we received all relevant acceptance notices of trademark transfer issued by the PRC Trademark Office.

Our PRC Legal Advisor is of the opinion that the sole and exclusive right in the Trademark Licence Agreement to use the *Tianba* and *Harpo* trademarks is valid and enforceable and our Group will continue to enjoy the sole and exclusive right to use those trademarks even if the transfer of the two trademarks shall not be approved by the PRC Trademark Office. Our PRC Legal Advisor is further of the opinion that, subject to the PRC laws and procedures including payment of fees, there is no legal obstacle preventing the approval of the transfer of the trademarks. As at the Latest Practicable Date, the application for the transfer of the two trademarks have not been disapproved or objected to.

Apart from the above, we are applying for, registration of various *Tianba* and *Harpo* trademarks in Hong Kong. For details, please refer to the paragraph headed "Intellectual property" in the section headed "Further information about the business" in Appendix V to this prospectus.

We recognise the importance of protecting and enforcing our intellectual property rights. As at the Latest Practicable Date, we are not aware of any material infringement of our intellectual property rights, nor are we aware of any pending or threatened claims against us relating to the infringement of any intellectual property rights owned by third parties.

According to the legal opinion of our PRC Legal Advisor, pursuant to the Trademark Licence Agreement and applicable PRC trademark laws and regulations, in the event of any infringement of the *Tianba* and *Harpo* trademarks, Tianhaiba may request Ling Qiao to or Tianhaiba may independently, as sole and exclusive licencee, take legal actions or other measures to stop such infringement.

PROPERTIES

PRC

As at the Latest Practicable Date, we lease a factory premises in Shenzhen with terms expiring on 31 December 2014. The premises occupy a total gross floor area of approximately 1,430.40 sq.m. For further details, please refer to Appendix III to this prospectus. The landlords have obtained land use rights certificates and building ownership certificates for all of the above properties.

Tianhaiba entered into co-operation agreements with the proprietors of department stores and shopping malls in the PRC. Although the arrangements between Tianhaiba and the department stores and shopping malls include provision of counters by the department stores and shopping malls to Tianhaiba, the locations of counters in the department stores and shopping malls are not fixed and they can be adjusted by the department stores and shopping malls. The business between Tianhaiba and the department stores and shopping malls for sale of watches are by way of co-operations, that is, the department stores and shopping malls sell the products which are provided by Tianhaiba, and the receipts to customers are issued in the name of the department stores and shopping malls.

We are advised by our PRC Legal Advisor that the agreements which we entered into with department stores and shopping malls for using their counters as our sales points do not constitute property interest.

Hong Kong

Our Group owns properties at Henry Centre, No. 131 Woo Yi Hop Road, Kwai Chung, New Territories, Hong Kong with a total gross floor area of approximately 10,450 sq.ft. We also rent two properties in the same building with a total gross floor area of approximately 2,900 sq.ft. There properties are used as our workshop, showroom and offices.

Details as to our property interests are set out in Appendix III to this prospectus.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, our Directors confirm that neither our Company nor any of its subsidiaries were aware of any litigation, arbitration proceedings or claim of material importance pending or threatening against our Company or any of its subsidiaries or any of our Directors, that would have material adverse effect on our Group's financial condition or results of operation.

CONNECTED TRANSACTIONS

1. Discontinued Connected Transactions

Prior to the Latest Practicable Date, the Company had a number of transactions with persons who would be regarded as connected persons under the GEM Listing Rules. To minimise such transactions, the Company had discontinued the following transactions prior to the Latest Practicable Date.

Hana Time (Asia) Limited ("Hana"), which was owned as to 50% by Ms. Fina Fung (the wife of Mr. Lam) until she disposed of her entire shareholding in Hana to an Independent Third Party on 11 August 2010, was a customer of our watch business. For the two years ended 31 December 2009 and the six months ended 30 June 2010, the total amounts of sales to Hana were HK$2,728,000, HK$1,721,000 and HK$481,000 respectively as disclosed in Note 28 to the Accountants' Report set out in Appendix I to this prospectus. All the transactions with Hana were entered into on normal commercial terms and in the ordinary course and usual business of our Group. It has no dealings with our Group since April 2010. Since Hana's contribution to our total sales of approximately 1.4%, 1.0% and 0.6% for the two years ended 31 December 2009 and six months ended 30 June 2010 respectively was insubstantial, the termination of sales to Hana would not have adverse impact on the Group. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus.

Pursuant to a tenancy agreement entered into between Guifeng as principal tenant and Tianhaiba as sub-tenant on 26 August 2010, a portion of the property at 2nd Floor of Factory Building No. 6 at Donghai Science and Technology Industrial Park, No. 2 Shanzixia Road, Dakang Shequ, Henggang Jiedao, Longgang District, Shenzhen City, Guangdong Province, the PRC was sublet to Tianhaiba for a term commencing from 1 August 2010 to 31 October 2010 at a monthly rent of RMB2,500 (approximately HK$2,850) (exclusive of management fee, water, electricity and other outgoings).

2. Continuing Connected Transactions

Following the Listing, the following transactions will constitute continuing connected transactions of our Group subject to reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules:

Transactions with Guifeng

(a) *Tenancy agreement between Tianhaiba and Guifeng*

Background: On 26 August 2010, Tianhaiba as principal tenant and Guifeng as sub-tenant entered into a tenancy agreement whereby Tianhaiba sublet a portion of the property at 3rd Floor of Factory Building No. 6 at Donghai Science and Technology Industrial Park, No. 2 Shanzixia Road, Dakang Shequ, Henggang Jiedao, Longgang District, Shenzhen City, Guangdong Province, the PRC to Guifeng commencing from 1 August 2010 to 31 March 2011 at a monthly rent of RMB11,500 (approximately HK$13,110) (exclusive of management fee, water, electricity and other outgoings) for use as a factory.

Connected person: Guifeng is 80% owned by Ms. Yu Ling, the wife of Mr. Yang, a Director. As such, Ms. Yu Ling will become a connected person of our Company for the purpose of the GEM Listing Rules upon Listing.

Asset Appraisal Limited, our property valuer, is of the view that the terms and conditions of the tenancy agreement between Tianhaiba and Guifeng are on normal commercial terms and the terms are fair and reasonable.

Annual caps: The aggregate amounts of the rentals payable by Guifeng to our Group are RMB57,500 (approximately HK$65,550) and RMB34,500 (approximately HK$39,330) respectively for the two years ending 31 December 2011.

(b) *Outsourcing arrangement with Guifeng*

Background: Guifeng is the contract manufacturer for the assembly of watches for our sourcing business. It is one of our top five suppliers for the two years ended 30 December 2009 and six months ended 30 June 2010. Guifeng does not supply to us on an exclusive basis.

Connected person: Guifeng is 80% owned by Ms. Yu Ling, the wife of Mr. Yang, a Director. As such, Ms. Yu Ling will become a connected person of our Company for the purpose of the GEM Listing Rules upon Listing.

Historical transaction amount: For the two years ended 31 December 2009 and the six months ended 30 June 2010, the total amount of our Group's purchases from Guifeng were approximately HK$8,158,000, HK$5,987,000 and HK$3,035,000 respectively.

Current arrangement: On 21 December 2010, the Company and Guifeng entered into a master agreement whereby Guifeng agrees to carry out watch assembly work for our Group based on purchase orders placed by our Group from time to time for a term from 21 December 2010 until 31 December 2012.

Annual caps: The aggregate amounts of purchases by our Group from Guifeng are not expected to exceed HK$7,588,000, HK$8,346,000 and HK$9,181,000 respectively for the three years ending 31 December 2012. The annual caps are set on the basis of the total amounts paid to the Guifeng for the six months ended 30 June 2010, the orders on hand, and the expected orders for the year ending 31 December 2010, and our Group's expectation that a 10% annual growth rate for the transactions with Guifeng for these three years.

Supply arrangement with Xunlong Factory

Background: Xunlong Factory is a supplier of our Group for watch components including watch cases, stainless steel bands, glass and silver rings to our Group. It is one of our top three suppliers for the two years ended 30 December 2009 and six months ended 30 June 2010. Xunlong Factory does not supply to us on an exclusive basis.

Connected person: Xunlong Factory is wholly-owned by Mr. Yang Gang, Mr. Yang's cousin. As such, Mr. Yang Gang will become a connected person of our Company for the purpose of the GEM Listing Rules upon Listing.

Historical transaction amount: For the two years ended 31 December 2009 and the six months ended 30 June 2010, the total amounts of our Group's purchases from Xunlong Factory were approximately HK$22,903,000, HK$12,099,000 and HK$9,093,000 respectively.

Current arrangement: On 21 December 2010, the Company and Xunlong Factory entered into a master supply agreement whereby Xunlong Factory agrees to supply watch components including watch cases, stainless steel bands, glass and silver rings to our Group based on purchase orders placed by our Group from time to time for a term from 21 December 2010 until 31 December 2012.

Annual caps: The aggregate amount of purchases by our Group from Xunlong Factory is not expected to exceed HK$22,733,000 for each of the three years ending 31 December 2012. The annual caps are set on the basis of the total amounts paid to the Xunlong Factory for the six months ended 30 June 2010, the orders on hand, the expected orders for the year ending 31 December 2010, and our Group's expectation that about the same level of work with Xunlong Factory will be maintained for the three years ending 31 December 2012.

Supply arrangement with Pohint

Background: Pohint is a contract manufacturer of our Group for the supplies of display and packaging products. It is our largest supplier for the two years ended 30 December 2009 and the six months ended 30 June 2010. Pohint does not supply to us on an exclusive basis.

Connected person: Pohint is a company owned by the family members of Mr. So Fai Hung (a former director of D&P, who resigned in April 2010). Mr. So Fai Hung will become a connected person of our Company for the purpose of the GEM Listing Rules upon Listing.

Historical transaction amount: For the two years ended 31 December 2009 and the six months ended 30 June 2010, the total amounts of our Group's purchases from Pohint were approximately HK$33,751,000, HK$45,158,000 and HK$20,340,000 respectively.

Current arrangement: On 16 December 2010, the Company and Pohint entered into a master supply agreement whereby Pohint agrees to supply display and packaging products to our Group based on purchase orders placed by our Group from time to time for a term from 16 December 2010 until 30 April 2011.

Annual caps: As Mr. So Fai Hung, a former director of D&P who resigned in April 2010, will cease to be a connected person of the Company after April 2011, the determined maximum aggregate annual value for this continuing connected transaction is set for the two years ended 31 December 2011. The aggregate amounts of purchases by our Group from Pohint are not expected to exceed HK$49,674,000 and HK$54,641,000 respectively for the two years ending 31 December 2011. The annual caps are set on the basis of the total amounts paid to Pohint for the six months ended 30 June 2010, the orders on hand, the expected orders for the year ending 31 December 2010, and our Group's expectation that a 10% annual growth rate for the transactions with Pohint for these two years.

We presently intend to renew the above continuing connected transactions (except the supply arrangement with Pohint which will cease to the continuing connected transactions after April 2011) as appropriate.

3. Application For Waivers

Under Rule 20.35 of the GEM Listing Rules, the continuing connected transactions under "Continuing Connected Transactions" above would be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the non-exempt continuing connected transactions described above will continue immediately or very soon after the Placing, our Directors (including the independent non-executive Directors) consider that strict compliance with the reporting, announcement and independent Shareholders' approval requirements, as set out in Chapter 20 of the GEM Listing Rules immediately after the Placing would be unduly burdensome and impracticable. Accordingly, we have applied for and the Stock Exchange has granted us a waiver pursuant to Rule 20.42(3) of the GEM Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements in relation to the said non-exempt continuing connected transactions, subject to the following conditions:

(a) the transactions would not exceed the respective caps referred to above;

(b) the Company will comply with the annual review and reporting requirements under Rules 20.37 to 20.41 and Rules 20.45 to 20.46 of the GEM Listing Rules;

(c) the transactions are:

   (i) in the usual and ordinary course of the business of our Group;

   (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to our Group than terms available to or from (as appropriate) Independent Third Parties; and

   (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(d) details of these connected transactions in any financial year will be disclosed in our Company's annual report for that financial year and the auditors must provide a letter to the Board of Directors (with a copy provided to the Stock Exchange at least 10 business days prior to bulk printing of the Company's annual report), confirming that the continuing connected transactions:

   (i) have received the approval of the Board of Directors;

   (ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;

   (iii) have been entered into in accordance with the relevant agreement governing the transactions; and

   (iv) have not exceeded the respective annual caps disclosed in this prospectus or previous announcement(s).

(e) the independent non-executive Directors shall review annually these transactions and confirm in our Company's annual report that the connected transactions are conducted in the manner as stated in (c)(i), (ii) and (iii) above;

(f) the Company shall allow, and shall procure that the counterparty to the continuing connected transactions shall allow, the auditors sufficient access to its records for the purpose of reporting on the transactions as set out in Rule 20.39 of the GEM Listing Rules. The Board of Directors must state in the annual report whether the Company's auditors have confirmed the matters stated in Rule 20.38 of the GEM Listing Rules; and

(g) upon the expiry of the waiver granted, where necessary, the Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules.

In the event that any of the material terms of the agreements mentioned under "Continuing Connected Transactions" have been altered (unless as provided for under the terms of the relevant agreement or arrangement), or if the Group enters into any new agreement or arrangement in the future which will result in the annual caps referred to above being exceeded, the Company will re-comply with the provisions of Chapter 20 of the GEM Listing Rules.

4. Confirmations from the Directors and the Joint Sponsors

In the opinion of the Directors (including the independent non-executive Directors), the above connected transactions have been and shall be entered into under normal commercial terms and in the ordinary and usual course of business, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The respective proposed annual caps of the above connected transactions are also fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Joint Sponsors, after (i) reviewing the continuing connected transactions during the Track Record Period; and (ii) discussing with the Directors in relation to the commercial reasoning of the transactions, concur with the view of the Directors that the continuing connected transactions described above have been and shall be conducted in the ordinary and usual course of our Group's business and on normal commercial terms and that the terms of such transactions and the respective caps mentioned above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth information regarding members of the Board:

Name	Age	Position	Principal Responsibilities	Date of Appointment
Liu Tin Chak, Arnold (廖天澤)	57	Chairman, Executive Director, and compliance officer	Finance and overall management	9 July 2010
Lam Chi Wai, Peter (林志偉)	51	Executive Director, Chief Executive Officer (Hong Kong Operation)	Marketing	9 July 2010
Wong Yu Man, Elias (黃汝文)	45	Executive Director	Design	9 July 2010
Yang Yijun (楊一軍)	40	Executive Director, Chief Executive Officer (PRC Operation)	Overall management of PRC Watch Business	17 September 2010
Cheung Chi Man, Dennis (張志文)	43	Independent non-executive Director, chairman of audit committee	Overseeing the financial reporting and internal control principles of our Group	27 September 2010
Lui Tai Lok (呂大樂)	52	Independent non-executive Director	Overseeing the financial reporting and internal control principles of our Group	27 September 2010
Yip Kwok Kwan (葉國均)	61	Independent non-executive Director, chairman of remuneration committee	Overseeing the financial reporting and internal control principles of our Group	27 September 2010

Our Hong Kong legal advisor, Jennifer Cheung & Co., has provided training, to the executive Directors on 29 July 2010 and to the independent non-executive Directors on 7 September 2010, on related rules and regulations on directorship in Hong Kong listed companies.

Executive Directors

Liu Tin Chak, Arnold (廖天澤), aged 57, is an executive Director and the Chairman of our Board appointed on 9 July 2010. He is also the compliance officer of our Company appointed on 22 December 2010. He is the founder of our Group and is a director of all of our subsidiaries except Tianhaiba. He is responsible for finance and the overall management of our Group. He had over 16 years' corporate banking experience with a major international bank in Hong Kong and overseas. He was responsible for providing banking services including funding arrangement, trade finance and treasury operations. Over 8 years of his service was at managerial and executive level. Before founding our Group, he was a director and the vice chairman of Watary International Holdings Limited (then stock code 0305), an electronic handheld games manufacturer which also produced liquid crystal display watches and clocks, from August 1992 to May 1994. He was responsible for the strategic and financial planning of such company. He left Watary International Holdings Limited to further his career development by founding our Group in 1995. There was no disagreement between Mr. Liu and Watary International Holdings Limited.

Mr. Liu joined Golden Island (Management) Limited, a subsidiary of Culture Landmark Investment Limited (formerly known as United Power Investment Limited (友力投資(控股)有限公司)) (stock code 0674), which principally engaged in the business of investment holding, restaurant operations, general trading and properties leasing, as a director and then a general manager, and he was concurrently running the business of our Group from October 1997 to July 1999. He obtained a Diploma in Management Studies jointly from Hong Kong Management Association and Hong Kong Polytechnic in 1988 and a Master Degree in Business Administration from Macau University of Science and Technology (澳門科技大學) in 2002.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years. He has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

Lam Chi Wai, Peter (林志偉), aged 51, is an executive Director appointed on 9 July 2010. He is also known as Lam Chi Wai Michael. He is one of our Founding Shareholders and is a director of all of our subsidiaries except Tianhaiba. He is responsible for the overall sales and marketing of our Group. He started to be involved in the timepiece industry in 1989 when he joined Lewang Time Accessories Limited (利宏時興有限公司, then known as 利宏錶業有限公司) as a project manager. He then founded our Group in 1995 and has accumulated over 15 years of experience in sales and marketing since then. Mr. Lam graduated with a diploma in Business Administration from Hong Kong Shue Yan College (香港樹仁學院) (now Hong Kong Shue Yan University (香港樹仁大學)) in 1986. He is currently an affiliate member of the Chartered Institute of Marketing.

Mr. Lam has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years. He has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

Wong Yu Man, Elias (黃汝文), aged 45, is an executive Director appointed on 9 July 2010. He is one of our Founding Shareholders and is a director of EC Pacific and EC (Asia) and an alternate director of Goldnet. He is responsible for the overall design and development of watch, jewelry and display and packaging products of our Group. He has accumulated over 20 years of experience in product design and development. He started to be involved in the timepiece industry when he joined Sunciti Manufacturers Limited (新星工業有限公司) in 1984, where he was primarily responsible for producing technical drawings for watches until 1986. He was then responsible for designing watch appearances in Sunciti Manufacturers Limited from 1987 to 1989. Mr. Wong was employed as a technical engineer for watch design of Mass Target Limited and Victime Industries Limited in 1990 and 1991 respectively. From 1992 to 1995, Mr. Wong joined Ever Concept Limited (恒念有限公司) (formerly known as Ever Concept Product (恒念製品)), a watch manufacturing company, as a research and development manager. He then founded our Group in 1995. Mr. Wong attained a Certificate in Design (Jewelry) in Lee Wai Lee Technical Institute (李惠利工業學院) (now known as Hong Kong Institute of Vocational Education (Lee Wai Lee) (香港專業教育學院(李惠利)) in 1990.

Mr. Wong has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years. He has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

Yang Yijun (楊一軍), aged 40, is an executive Director appointed on 17 September 2010. He joined our Group in 2010. He was a high school graduate from high school of 句容縣郭莊中學 (Jurong City Guo Zhuang Village Secondary School*) in Jurong, the PRC in 1989. He was employed at 深圳市雅信錶業有限公司 from 1989 to 1994 as a production manager. He then joined 深圳市盛意隆錶業有限公司 as a general manager from 1995 to 1999. From 2000 to 2004, Mr. Yang joined 樂得利鐘錶有限公司 and served as the production manager. He was the general manager of Guifeng, where he was primarily responsible for supervising the overall production process as well as the strategic planning of the company, from 2005 to 2009. He has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. He is responsible for the overall management of our PRC Watch Business, including the supervision of assembly process and the sales and marketing of *Tianba* and *Harpo* watches. He is a standing committee member of the Shenzhen Watch & Clock Association (深圳市鐘錶行業協會).

Save as disclosed in the preceding paragraph and the sections headed "History and corporate structure" and "Connected transactions and waiver" in this prospectus, Mr. Yang and his wife, Ms. Yu Ling, does not have any past or present relationship with the Group, its shareholders, directors, senior management or any of their respective associates.

Mr. Yang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Cheung Chi Man, Dennis (張志文), aged 43, is an independent non-executive Director. He is an executive director, the chief financial officer and company secretary of Mongolia Investment Group Limited (stock code 402). He has been appointed as an executive director since October 2008. Mr. Cheung has over 15 years of experience in accounting and financial management. He was employed by Philip Morris Asia Incorporated as an accountant from September 1994 to April 1996. From April 1996 to November 2004, he was employed by Hewlett-Packard HK SAR Limited. His last position held was financial specialist and he was responsible for providing financial analysis on business of the company in regions including Hong Kong, Taiwan and Korea. He was employed as the chief financial officer of the China division of Midland Holdings Limited (stock code 1200) from November 2004 to November 2008. He obtained a bachelor degree in mechanical engineering from the University of London in 1990, a master degree in commerce from the University of New South Wales, Australia in 1992 and is a member of the Hong Kong Institute of Certified Public Accountants, Australian Society of Certified Practicing Accountants and the Taxation Institute of Hong Kong. Mr. Cheung has entered into a letter of appointment with our Company for an initial term of three years commencing on 27 September 2010. He is the chairman of our audit committee and a member of our remuneration committee.

Save as disclosed in the preceding paragraph, Mr. Cheung does not hold any other positions in the Company, any of its subsidiaries, or any other directorship in any other listed companies in Hong Kong or overseas in the last three years.

Mr. Cheung is not related to any other Directors, members of senior management or substantial or founding shareholders of our Company.

Lui Tai Lok (呂大樂), aged 52, is an independent non-executive Director. He is currently the Associate Dean of Faculty of Social Sciences and a professor at the Sociology Department at the University of Hong Kong. From 1981 to 1983, he was employed as a demonstrator at the Sociology Department at the University of Hong Kong. He then joined City Polytechnic (now known as the City University of Hong Kong) as a lecturer at the Department of Social Administration from 1986 to 1988. From 1988 to 2009, he taught at the Chinese University of Hong Kong. Professor Lui obtained a doctor of philosophy in sociology from the University of Oxford in 1991, a master degree of philosophy in sociology from the University of Oxford in 1985, a master degree in philosophy from the University of Hong Kong in 1984 and a bachelor degree in arts from the University of Hong Kong in 1981 respectively. Professor Lui has entered into a letter of appointment with our Company for an initial term of three years commencing from 27 September 2010. He is a member of our audit committee and remuneration committee.

Save as disclosed in the preceding paragraph, Professor Lui does not hold any other positions in our Company, any of its subsidiaries, or any other directorship in any other listed companies in Hong Kong or overseas in the last three years.

Professor Lui is not related to any directors, senior management or substantial or controlling shareholders of the Company.

Yip Kwok Kwan (葉國均), aged 61, is an independent non-executive Director. Mr. Yip has over 30 years of experience in the equity and debt markets in Asia. He was employed by DBS Bank Ltd., Singapore where he was responsible for managing the bank's investments in listed Singapore and Malaysia equities and Euro-dollar bonds, from 1974 to 1977. His last position held was investment analyst. From 1976 to 1986, he was employed by First Chicago Asia Merchant Bank Ltd., (FCAMB) Singapore and his last position held was managing director. He then joined First Chicago Hong Kong Limited from 1986 to 1991. His last position held was managing director and he headed its HK capital market operations covering the PRC and Korea. From January 1992 to December 1992, he served as a management consultant of Asian Financial Institutions Group Practice of McKinsey & Co. He joined DBS Securities (Hong Kong) Ltd from 1993 to 2002 and his last position was managing director. He was responsible for managing and developing its broking operations in Hong Kong. Mr. Yip was the managing director and head of equity capital markets of DBS Asia Capital Ltd., Hong Kong where he was employed from April 2002 to July 2005 and responsible for supervising operations in sponsorship and lead management of initial public offerings in Hong Kong. He has been the chief executive officer of UOB Asia (Hong Kong) Limited where he supervised its operations in sponsorship and lead management, of initial public offerings in Hong Kong, financial advisory services to Hong Kong listed companies, and merger and acquisition activities in the Asian regional market since July 2005. Mr. Yip is also an independent non-executive director of Hop Fung Group Holdings Limited (stock code 2320).

He obtained a bachelor's degree in Business Administration (Honours) from the University of Singapore (now National University of Singapore) in 1971. Mr. Yip has entered into a letter of appointment with our Company for an initial term of three years commencing on 27 September 2010. He is the chairman of our remuneration committee and a member of our audit committee.

Save as disclosed in the preceding paragraph, Mr. Yip does not hold any other positions in our Company, any of its subsidiaries, or any other directorship in any other listed companies in Hong Kong or overseas in the last three years.

Mr. Yip is not related to any directors, members of senior management or substantial or founding shareholders of our Company.

Our independent non-executive Directors provide advice to us on compliance, corporate governance, development and business strategies.

Save as disclosed in the paragraphs above, there are no other matters concerning all our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters which should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

Tam Chiu Ming, Tammy (談昭明), aged 45, is the general manager of our Company. She is the spouse of Mr. Tong Wai Kuen, Tony and joined our Group in March 1995. She monitors the administration of our Group. She has extensive working experience in shipping and merchandising. Before joining our Group, Ms. Tam worked in shipping and merchandising related areas in a number of companies. She was employed by Telco International Company as a merchandiser from June 1983 to October 1984. She then joined Carpet Suppliers when she served as a shipping clerk from March 1985 to May 1986. She was employed by Degas Investments Limited as a shipping clerk from January 1987 to April 1988. From April 1988 to May 1989, she was employed by Eric Beare Associates Limited as a sampling supervisor. She then joined Lewang Time Accessories Limited and served as a merchandiser from May 1989 to May 1990. From June 1990 to October 1994, she was employed by Degas Investments Limited, where she served as a shipping clerk from June 1990 to July 1991, then a department coordinator from July 1991 to July 1994, and subsequently an executive trainee from July 1994 to October 1994.

Tong Wai Kuen (唐偉權), aged 48, is the production manager of our Company. He is the spouse of Ms. Tam and was a director of EC Manufacturing until he resigned on 7 May 2010. He is responsible for overseeing the quality assurance and quality control of our watches since he joined our Group in 1995. He has over 20 years of experience in the watch industry. He joined Apexon Electronic Limited (雅信電子有限公司), a manufacturer of timepieces, as a production manager in 1989. He then joined Quartron Time Limited (確準錶業有限公司) in 1993, also as a production manager for one year before he joined our Group.

Cheng Man Wah (鄭文華), aged 29, is the financial controller of the Company. He joined our Group in January 2010 and is responsible for the financial reporting, financial planning and risk management of our Group. Mr. Cheng graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy degree in 2003 and has over 6 years of experience in finance, accounting and auditing. He worked for Golden Resources Development International Limited whose shares are listed on Stock Exchange (Stock code: 0677) from June 2008 to August 2009. Mr. Cheng worked for PricewaterhouseCoopers and an international accounting firm for over 3 years. He is a member of the Association of Chartered Certified Accountants.

Lee Ka Ho (李家豪), aged 30, is the accounting manager of our Group. He joined our Group in June 2010 and is responsible for overseeing the accounting operations in both Hong Kong and the PRC and consolidated financial reportings of our Group. Mr. Lee is a member of the Association of Chartered Certified Accountants. He has over 6 years of experience in accounting and auditing for Hong Kong listed companies and PRC companies and he worked in an international audit firm prior to joining our Group. Mr. Lee graduated from the Hong Kong Polytechnic University with major in Accounting in 2004.

Wu Yan (吴岩), aged 43, is the sales and marketing chief supervisor of Tianhaiba. She joined Tianhaiba in March 2010 and is responsible for sales and marketing of our watches. Ms. Wu graduated from 天津大學冶金分校 (Tianjin University Ye Jin Branch*) with a bachelor's degree in engineering in 1989. She has over 10 years of experience in the watch industry. She worked in 宜進利時計(深圳)有限公司 (Yi Jin Li Shi Ji (Shenzhen) Company Limited*) as supervisor of sales business for 8 years before joining Tianhaiba.

Huang Guorong (黃國榮), aged 44, is the assistant to chief manager (administration/market supervision/examination) of Tianhaiba. He joined Tianhaiba in March 2010 and is responsible for business management of Tianhaiba. He has over 20 years' experience in business management by holding managerial or supervisory positions in 句容市無線電配件廠 (Jurong Wireless Electronic Accessories Factory*) and 句容市郭莊鎮人民政府 (the People's Government of Guo Zhuang Village, Jurong City*).

COMPANY SECRETARY

Chan Sun Kwong (陳晨光), aged 44, is the company secretary of the Company appointed on 6 December 2010.

He has obtained the Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. He has over 20 years of auditing, accounting and company secretarial experience. He served as the company secretary of UDL Holdings Limited (stock code: 620) from January 1992 to September 1997 and the company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been operating an audit firm, Ken Chan & Co. since 1998 and continued as such as at the Latest Practicable Date. He was an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code 723) from February 2006 to January 2008. He also served as an independent non-executive director of Creative Energy Solutions Holdings Limited (stock code 8109) from July 2010 to November 2010. He served as the company secretary of Ming Hing Holdings Limited (now known as Mongolia Investment Group Limited) (stock code 402) from November 2005 to October 2006. He has been the company secretary and an executive director of Sam Woo Holdings Limited (stock code 2322) since March 2003 and has remained so as at the Latest Practicable Date.

He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE OFFICER

Mr. Liu is the compliance officer of our Company. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses in relation to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to us or executing their functions in relation to our operations.

The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by our Group to our Directors for each of the two years ended 31 December 2009 and six months ended 30 June 2010 were approximately HK$2.1 million, HK$2.4 million and HK$0.9 million respectively.

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind paid by our Group to its five highest paid individuals for each of the two years ended 31 December 2009 and six months ended 30 June 2010 were approximately HK$1.2 million, HK$1.2 million and HK$0.5 million respectively.

We regularly review and determine the remuneration and compensation package of our Directors and senior management by reference to, their respective responsibilities and the performance of our Group.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to the Group, and performance of our Group. Our Directors and senior management may also receive options to be granted under the Share Option Scheme.

OUR GROUP'S RELATIONSHIP WITH EMPLOYEES

We recognise the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. We continue to provide training to our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards. We also carry out regular assessment on the performance of our employees and review their salary annually. Our Directors believe that our Group has a good working relationship with our employees. Our Group also participates in the Mandatory Provident Fund Scheme as required under the relevant Hong Kong laws and regulations.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Under the relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees. Such schemes include social insurance contributions and housing provident fund contributions. Social insurance is provided for our employees including insurance for retirement, unemployment, sickness, maternity and injury. Based on (i) the return receipt issued by 深圳市社會保險基金管理局橫崗管理站 (Shenzhen Social Insurance Fund

Management Bureau, Henggang Division*) on 29 March 2010; (ii) the certificate issued by 深圳市社會保險基金管理局橫崗管理站 (Shenzhen Social Insurance Fund Management Bureau, Henggang Division*) on 20 September 2010 and (iii) the certificate issued by 深圳市龍崗區橫崗街道勞動管理辦 (Labour Management Office of Shenzhen Longgang District Henggang Street*) on 30 August 2010, our PRC Legal Advisor is of the opinion that we have complied with the PRC labour laws and regulations in respect of social insurance.

However, at as the Latest Practicable Date, we have not complied with the housing provident fund contribution requirements for our employees because (i) since the system for housing provident fund has been in place in Shenzhen in 1992, the number of participating enterprises and hence employees has been small; and (ii) the housing provident fund contribution requirements have not been made mandatory through enforcement by the local authority. According to 《深圳市住房公積金制度改革方案》 (Shenzhen Housing Provident Fund System Reform*), 深圳市住房公積金管理委員會 (Shenzhen Housing Provident Fund Management Committee*) and 深圳市住房公積金管理中心 (Shenzhen Housing Provident Fund Management Centre*, hereinafter referred to as "the Housing Provident Fund Management Centre") were established in December 2010. 《深圳市住房公積金管理暫行辦法》(Provisional Measures for Management of Shenzhen Housing Provident Fund*, hereinafter referred to as "the Measures"), which are the implementation rules for the Shenzhen housing provident fund reform, were promulgated on 30 November 2010 and have come into force on 20 December 2010. According to the Measures, a newly established entity shall register with Housing Provident Fund Management Centre within 30 days after its establishment while units which were established before the enforcement of the Measures shall register housing provident fund within the prescribed timeframe. Our Directors confirm that our Group will register housing provident fund according to the timeframe prescribed by the Housing Provident Fund Management Centre.

According to the verbal queries conducted by our PRC Legal Advisor at 深圳市社會保險基金管理局 (Shenzhen Social Insurance Fund Management Bureau*), the local authority in charge of the housing provident fund contribution, although the housing provident fund contribution is mandatory under PRC law, the housing provident fund contributions requirement has not been made mandatory through enforcement by the Shenzhen local authority before the Measures come in to force. For rectification of non-compliance of housing provident fund contribution, as aforementioned, the Group will register housing provident fund according to the timeframe prescribed by the Housing Provident Fund Management Centre and our Company's PRC Legal Advisor has provided a training for its executive Director and senior management to comply with housing provident fund regulations in the PRC. Up to the Latest Practicable Date, we had not received any material complaint from our employees for lack of contributions to housing provident fund and any notice, warning or penalty from the relevant authority in respect of the contributions to housing provident fund. Our PRC Legal Advisor is of the opinion that the possibility for our Group being legally liable for failure to contribute to the housing provident fund and the relevant authority imposing any penalty on our Group is very remote.

HUMAN RESOURCES

As at the Latest Practicable Date, we had approximately 247 employees, including a total of 50 full time employees located in Hong Kong and 197 employees in the PRC. The following table shows a breakdown of our employees by function as at the Latest Practicable Date:

Functions	Hong Kong
Management, finance, human resources and administration	15
Sales and marketing	18
Quality assurance	10
Design and development	7
Subtotal	50

Functions	PRC
Management, finance, human resources and administration	10
Sales and marketing	171
Quality assurance	12
Design and development	4
Subtotal	197
Total	247

During the Track Record Period, we had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff revenue or labor disputes. We believe that our employee relations are satisfactory in general. We believe that our management policies, working environment, career prospects and benefits extended to our employees have contributed to building a good employee relations and employee retention. We provide on-the-job training for our employees to equip them with the skills and knowledge relevant to their work.

We also participate in the mandatory provident fund scheme as required under the relevant Hong Kong laws and regulations, as well as the PRC government-sponsored social insurance system as required under the relevant PRC laws and regulations. The social insurance system in the PRC includes retirement, unemployment, sickness, maternity and injury for our employees. In addition, we also maintain medical and work related insurance schemes for our employees in Hong Kong and the PRC.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and render advice in respect of financial reporting; and oversee internal control procedures of our Group. At present, the audit committee of our Company consists of three members, namely Messrs. Cheung Chi Man, Dennis, Lui Tai Lok and Yip Kwok Kwan. Mr. Cheung Chi Man, Dennis is the chairman of the audit committee.

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with paragraph B1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Messrs. Yip Kwok Kwan, Cheung Chi Man, Dennis and Lui Tai Lok. Mr. Yip Kwok Kwan is the chairman of the remuneration committee.

COMPLIANCE ADVISOR

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed CIMB as our compliance advisor, who will have access to our Company's authorized representatives, executive Directors and other officers at all reasonable times. The compliance advisor will advise our Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. The material terms of the compliance advisor's agreement entered into between our Company and the compliance advisor are as follows:

(i) the compliance advisor's appointment is for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date (the "Term");

(ii) the compliance advisor shall provide our Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;

(iii) our Company agrees to indemnify the compliance advisor against all claims, actions, demands, liabilities, proceedings and judgments brought or established against, and all costs, charges and expenses suffered or incurred by the compliance advisor arising from or in connection with such appointment and/or the resignation or termination in relation thereto, unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands are determined by a final court of jurisdiction to have arisen solely as a result of willful default or gross negligence on the part of the compliance advisor; and

(iv) either our Company or CIMB may terminate the said appointment prior to expiry of the Term after first notifying the Stock Exchange of the intended termination and stating the reasons therefor and by giving not less than 14 business days' notice in Hong Kong in writing to the other.

SHARE CAPITAL

Our Company's share capital immediately following completion of the Placing and the Capitalisation Issue will be as follows:

Authorized share capital		*HK$*
1,000,000,000	Shares	100,000,000
Shares issued and to be issued, full paid or credited as fully paid:		*HK$*
100,000	Shares in issue	10,000
107,900,000	Shares to be issued under the Capitalisation Issue	10,790,000
42,000,000	Shares to be issued under the Placing	4,200,000
150,000,000	Total	15,000,000

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will rank equally in all respects with all Shares in issue, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus except in respect of the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue; and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by any applicable law or the Bye-laws to hold our next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed "Written resolutions of the sole shareholder of the Company dated 22 December 2010" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out under the paragraph headed "Repurchase by the Company of its own shares" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by any applicable law or the Bye-laws to hold our next annual general meeting; or

(iii) time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of the sole shareholder of the Company dated 22 December 2010" in Appendix V to this prospectus.

FOUNDING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue, the Founding Shareholders will together control the exercise of 72% of the voting rights at general meetings of our Company. Save and except for their respective interests in our Group through their shareholdings in Data Champion, none of the Directors, Founding Shareholders, Controlling Shareholders, substantial Shareholders or any of their respective associates has interests in any business which may, directly or indirectly, compete with our Group's business.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue but without taking into account any Shares which may be taken up under the Placing, the following persons will be directly or indirectly interested in 10% or more of the then issued share capital of our Company:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Data Champion	Beneficial owner	108,000,000	72
Mr. Liu *(Note)*	Corporate	108,000,000	72

Note: These Shares will be held by Data Champion. Mr. Liu, Mr. Lam, Mr. Wong and Ms. Tam have 47.6%, 23.8%, 23.8% and 4.8% interests in Data Champion respectively. Each of Data Champion, Mr. Liu, Mr. Lam and Mr. Wong is deemed to be a controlling shareholder under the GEM Listing Rules.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed under the paragraphs headed "Founding Shareholders" and "Substantial Shareholders" in this section above, no person will immediately following completion of the Placing and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Placing) be directly or indirectly interested in 5% or more of the then issued share capital of our Company.

UNDERTAKINGS

Pursuant to the GEM Listing Rules

Each of the Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Placing, it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange:

(a) at any time during the period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; or

(b) at any time during the six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder.

Pursuant to the Underwriting Agreement

Each of our Company, Data Champion and the Founding Shareholders has given certain undertakings in respect of our Shares to our Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters, details of which are set out under the paragraph headed "Undertakings" in the section headed "Underwriting" in this prospectus.

COMPETING BUSINESS

Save and except for their respective interests in our Company and its subsidiaries, each of our Directors confirms that he and his associates (including Data Champion) do not have any competing business with our Group. Moreover, pursuant to their service agreements, our executive Directors shall not at any time during his term of service with our Group and for a period of 12 months after the expiry or termination of his employment with our Company, without the prior written consent of our Board, be or become a director of any company (other than our Company or any other member of our Group) which competes with or is a competitor of our Group or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation which competes with or is a competitor of our Group.

INDEPENDENCE FROM OUR FOUNDING SHAREHOLDERS

Having considered the matters as described below, we believe that our Group is capable of carrying on its business independently of our Founding Shareholders and their respective associates after completion of the Placing.

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Three of our executive Directors are also our Founding Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that the Board as a whole, together with our senior management team, are able to perform the managerial role in our Group independently.

Operational Independence

Our Group is not operationally dependent on the Founding Shareholders, having independent access to sources of supplies/raw material, customers and independent production and operation capabilities.

Our Directors and senior management are responsible for the conduct of our business. We have established our own organization structure made up of functional departments, each with specific areas of responsibility. We have also established a set of internal controls to facilitate the effective operation of our business.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. All amounts due from and/or to our Founding Shareholders or their associates will be fully repaid or settled prior to the Listing Date. All outstanding securities, guarantees or indemnities given by our Founding Shareholders or their associates for the benefit of our Group will have been released by the Listing Date.

Having considered the above factors, our Directors consider that there is no financial dependence on our Founding Shareholders.

You should read the following discussion and analysis of our financial condition and our results of operations together with our audited combined financial statements for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus (collectively the "Financial Statements"). The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We report our financial results in two business segments as described below:

- *Sourcing business.* We have been providing sourcing and procurement solutions to our customers since 1995. Our product lines include watches, costume jewelries, and display and packaging products. We provide our customers with a wide range of sourcing management solutions including product design and product development, raw materials sourcing and production outsourcing; and procurement management services including quality assurance and quality control, logistics and delivery handling services. Finished products are mostly exported overseas.

- *PRC Watch Business.* We began selling watches in PRC under *Tianba* and *Harpo* brands since March 2010.

BASIS OF PREPARATION

Our Group, resulting from the Reorganization, is regarded as a continuing group. Accordingly, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, whichever was shorter. The combined statements of financial position of our Group as of 31 December 2008 and 2009 and 30 June 2010 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors affect the results of operations and financial condition of our Group:

Our ability to design and develop products acceptable to our customers

One of our Group's competitive strengths in carrying out sourcing business is our Group's ability to design and develop innovative and unique ideas which meet with our customers' commercial requirements and expectations. We would design for our customers or work and collaborate with them on the designs. We would also then source and procure the finished products for them. Our sourcing and procurement solutions are underpinned by our ability to understand and meet our customers' design requirements. It is important to our continual success that we are able to bring out designs and develop ideas which are appealing to and acceptable by our customers. However, there is no assurance that our Group is able to continue generating new ideas and designs that will meet with our customers' approval and preference.

Increases in the costs of raw materials, components and labour

For the two years ended 31 December 2009 and the six months ended 30 June 2010 respectively, cost of sales for watch products, accounted for approximately 61.7%, 47.9% and 50.9%, of our total cost of sales, respectively. Most of the raw materials and components for our costume jewelries and display and packaging products are provided by our contract manufacturers according to our quality assurance and quality control guidelines.

Furthermore, as a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta region, factories in the Pearl River Delta region have been facing increasing labour cost in recent years. Our contract manufacturers may shift their burden on increase of raw materials, components and labour costs to us in our outsourcing contracts. Our Group's profitability, financial condition and results of operations may be adversely affected if we cannot shift those costs resulting from increases in raw materials, components and labour costs to our customers.

We rely on certain major suppliers and contract manufacturers on supply of raw materials, components and finished goods

For the two years ended 31 December 2009 and the six months ended 30 June 2010, purchases from our top five suppliers (including contract manufacturers) accounted for approximately 59.0%, 61.7% and 68.1% respectively, of our total cost of sales. Purchases of display and packaging products from Pohint, which is one of our top five suppliers and also our largest supplier for display and packaging products, amounted to approximately HK$33.6 million, HK$45.1 million and HK$20.3 million, representing approximately 21.1%, 35.8% and 31.2% for our total cost of sales and approximately 66.9%, 84.6% and 79.6% of our total cost of sales of display and packaging products respectively, for the two years ended 31 December 2009 and the six months ended 30 June 2010. Xunlong Factory, which is wholly-owned by Mr. Yang Gang, a cousin of Mr. Yang, is our largest supplier for components of watches. Purchases of watches components from Xunlong Factory amounted to approximately HK$22.2 million, HK$10.9 million and HK$8.7 million, representing approximately 13.9%, 8.6%, and 13.3% of our total cost of sales and 22.5%, 18.0% and 25.0% of our cost of sales of watches, respectively for the two years ended 31 December 2009 and the six months ended 30 June 2010. For the same periods, Guifeng, which is owned as to 90% by Mr. Yang and his wife, is our only contract manufacturer for assembly of watches. Purchases of watches from Guifeng amounted to approximately HK$7.3 million, HK$5.0 million and HK$3.0 million representing 4.6%, 4.0%, and 4.6% of our total cost of sale and 7.4%, 8.3%, and 8.7% of our cost of sale of watches. All the above three suppliers are connected persons of the Company under the GEM Listing Rules. For further details, please refer to the section headed "Connected transactions and waiver" in this prospectus. None of our major suppliers (including contract manufacturers) has entered into any long term supply contracts with us and they do not supply to us on an exclusive basis. There can be no assurance that we will be able to continue to source the right suppliers or contract manufacturers to supply raw materials, components and finished goods. If any of our major suppliers or contract manufacturers cease to supply raw materials, components and finished goods for us and we are unable to find suitable alternative suppliers or contract manufacturers at comparable quality and prices within a reasonable period of time, our Group's operation may be adversely affected.

Our dependence on contract manufacturers for supplying finished products exposes us to a number of risks, any of which may have an adverse effect on our business, financial condition and results of operations:

- Our contract manufacturers may fail to meet their production deadlines, maintain our required quality standards or comply with our product specifications.

- We may not be able to source from our contract manufacturers finished products at commercially reasonable prices, as a result of which our costs of sales may also increase and our profitability may be adversely affected.

- Our contract manufacturers may experience transportation delays and interruptions when delivering products to us.

- Should our contract manufacturers experience unforeseen circumstances which may require us to look for alternative manufacturers, we may experience increased costs, disruptions in supply and reduced sales.

- Some of our contract manufacturers also manufacture for other companies that compete with us. There is no assurance that our contract manufacturers will allocate us with the required production capacity.

Relationship with customers

We rely on our major customers. For the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, sales to our top five customers accounted for approximately 95.1%, 92.8% and 91.0% of our total revenue, respectively, whereas sales to our largest customer accounted for approximately 54.4%, 40.8% and 44.8% of our total revenue, respectively during the same periods. We rely on our top three customers, who are respectively our largest customers for each of our three product lines. Our largest customer is a watch brand owner founded in Europe and has established offices in the US and Hong Kong. Besides watches, this customer also sells jewelries and other accessories in its own worldwide distribution networks. We have maintained a good relationship with our largest customer for approximately 15 years. Our second largest customer imports display and packaging products. We have maintained a good relationship with our second largest customer for approximately 11 years. Our third largest customer is a brand owner founded in the US. This customer sells costume jewelries and a wide selection of other products which include, among others, watches and home decor. We have maintained a good relationship with our third largest customer for approximately 11 years. For the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, our top three customers accounted for approximately 92.7%, 90.2% and 88.2% of our total revenue. For the same periods, our largest customer who is a customer for our watch products, accounted for approximately 91.7%, 88.0% and 93.0% respectively, of our revenue derived from the sales of watches (excluding revenue derived from PRC Watch Business); our second largest customer who is a customer for our display and packaging products, accounted for approximately 82.9%, 84.8% and 82.8% respectively of revenue derived from the sales of display and packaging products; our third largest customer, who is a customer for our costume jewelries, accounted for approximately 83.4%, 77.7% and 71.8% respectively of our revenue derived from the sales of costume jewelries. As at the Latest Practicable Date, none of our major customers has entered into any long term sales contracts with us. Although the major customers have not entered into long term sales contracts with the Group, the Group has continuously been trying to diversify its customer base by the introduction of new product varieties and offerings. There can be no assurance that our major customers will continue their purchases, if at all, from our Group at the current levels. We have, however, maintained close and long-term relationships with our customers, in particular our top three customers, and our Directors confirmed that there has been no indication from the top three customers that they would stop sourcing from the Company. All of our top three customers for the two years ended 31 December 2009 and six months ended 30 June 2010 have sourced products from us for eleven years or more.

Our profitability may be affected by change of product categories of our customers

Our Group may experience fluctuations in sales volume when our customers, in particular our largest customers in the respective lines of products in our sourcing business, switch their product categories. For our costume jewelries, there was a drop in sales volume from 548,981 units during the six months ended 30 June 2009 to 467,757 units for the six months ended 30 June 2010, representing a decrease of approximately 14.8%, primarily due to the decrease in number of orders placed by our largest costume jewelry product customer who had changed product categories during the period.

To the best knowledge of the Company, our customers update and revise their product categories on a periodical basis based on their own views on the market trend and their ultimate customers' preference. We may not be able to source all types of products of our customers. Therefore, when any customer changes its product category, it may also affect our sales volume and how well we are able to source the required products for the customer. If we fail to meet our customers' changed demands, our customers may reduce the size of orders or the number of products types placed with us, or cease to place orders with us. Any fluctuation in size and volume of purchase orders could materially and adversely affect our profitability and results of operations.

In addition, our major customers' businesses may be negatively impacted by any potential challenge to their brand portfolio, intellectual property management, product quality and sales strategy implementation, which, in turn, may adversely affect our sales. Any failure to maintain good business relationships with our major customers or any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.

Business environment and impact of the global economic crisis

The global capital and credit markets have experienced extreme volatility and disruption in recent years. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the United States mortgage market and a declining residential real estate market in the United States and elsewhere have contributed to market volatility and diminished expectations of growth for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment outside the PRC, have contributed to the global economic slowdown and a possible prolonged global recession. As a result, demand for our customers' products may decrease, thereby adversely affecting our business, financial condition and results of operations.

We may face competitions from other sourcing business operator

Sourcing and procurement is a fragmented industry and the entry barrier to the business of providing sourcing and procurement solutions is considered low. We believe we can provide value to our customers by our established design and product development capabilities, which underpins our competitive strengths. Our competitive edge may however be eroded in circumstances when other sourcing business operators are able to match our abovementioned qualities or provide similar businesses but undercut us on pricing. There is also no territorial limitation on where the sourcing and procurement solutions may be provided from. Our competitors may choose to work from lower costs areas where labour and living costs are much lower than those in Hong Kong and the PRC.

Our PRC Watch Business, financial condition, results of operations and prospects may be adversely affected by infringement of intellectual property rights, counterfeiting or imitation of products

Our principal intellectual property rights include trademarks for our *Tianba* and *Harpo* brand of watches. We are in the process of registering these trademarks for our brand of watches in countries and regions including the PRC and Hong Kong. Our intellectual property rights may be subject to various forms of infringement.

According to Article 52 of《中華人民共和國商標法》(the Trademark Law of the People's Republic of China*), any of the following acts shall be an infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical or similar to a registered trademark in respect of the same or similar goods without the authorization from the trademark registrant; (2) selling goods that infringe the exclusive right to use a registered trademark; (3) counterfeiting, or making, without authorization, the device of a trademark registered by a third party, or selling such counterfeit device; (4) replacing a third party's registered trademark, without authorization, and selling goods bearing such a replaced trademark; (5) causing, in other respects, prejudice to the exclusive right of a third party to use a registered trademark. The Directors confirm that our Group has not encountered any trademark infringement issues in the past.

Protections offered by the trademark laws in the PRC and other jurisdictions where we have registered our trademarks may not be easily enforceable and the protections laid down in law may not be effective. As a result, our efforts to enforce or defend our trademark rights may require significant attention from our management and may be costly. If we are unable to adequately protect or safeguard our trademark rights, our business, financial condition, results of operations and prospects may be adversely affected.

Foreign exchange rate

The value of Renminbi against other currencies may be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi in the local market. Under the current unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of Renminbi to Hong Kong and US dollars have generally been stable. However, with effect from 21 July 2005, the PRC Government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 23 September 2005, the PRC Government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of Hong Kong dollars and US dollars against Renminbi will further fluctuate. In the event of significant changes in the exchange rates of Hong Kong and US dollars against Renminbi, to the extent we decide to convert Renminbi to Hong Kong dollars for purposes of making dividend payments, the Hong Kong dollar value of any dividend payments in foreign currencies may be adversely affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our financial condition and results of operations as included in this prospectus is based on the Financial Statements prepared in accordance with the significant accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus, which conform with HKFRSs. Accounting methods, assumptions and estimates that underlie the preparation of the Financial Statements affect our financial condition and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our Financial Statements. We believe that the following accounting policies involve the most significant accounting judgments and estimates used in the preparation of our Financial Statements.

Significant accounting policies

Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over our Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. On subsequent disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

Other intangible asset

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided to write off the cost less their residual values, using straight-line method, over their estimated useful lives. Land and buildings classified as finance leases are depreciated over the unexpired term of the leases. Other items are depreciated at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Plant and machinery	20%
Motor vehicles	20%–30%

The assets' residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impairment of non-financial assets

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets including property, plant and equipment and other intangible assets with finite useful life are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

Financial assets

Financial assets of our Group are classified into financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, our Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any interest earned on these financial assets. Interest earned is recognised in accordance with our Group's policy on interest income.

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 are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of our Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When our Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Financial liabilities

Our Group's financial liabilities include bank loans and overdrafts, trade and other payables and derivatives. They are included in line items in the statement of financial position as borrowings under current or non-current liabilities, derivative financial instruments or trade and other payables.

Financial liabilities are recognised when our Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with our Group's accounting policy for borrowing costs. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(i) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(ii) *Trade and other payables*

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iii) *Derivatives*

Derivatives including separated embedded derivatives are measured at fair value.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when our Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of our Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of applicable value-added tax, rebates and discounts. Provided it is probable that the economic benefits will flow to our Group and the revenue and other income can be measured reliably, revenue and other income is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis by reference to the principal outstanding and the effective interest method.

Freight income is recognised when the relevant service are rendered.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if our Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by our Group under leases which transfer to our Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to our Group are classified as operating leases. Operating lease rental payments are charged directly to profit or loss on an accruals basis. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Accounting for income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and our Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

Critical estimate and judgment made in applying accounting policies

In the process of applying our Group's accounting policies, the management has made certain judgments and estimations which have significant effect on amounts recognised in the financial information.

Impairment of non-financial assets

Our Group assesses impairment at each reporting date by evaluating conditions specific to our Group that may lead to impairment of assets. When an impairment triggering event exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by our Group.

Impairment of receivables

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgment is required in assessing the ultimate realisation of these receivables which is based on the aging of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required.

Inventory valuation method

In determining the amount of allowance required for obsolete and slow-moving inventories, our Group would assess realisability of the inventories and our Group may make reference to the ageing analysis of the inventories. A considerable amount of judgement and estimate is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Fair value of financial instruments

The fair values of the financial instruments are determined by using valuation techniques. Our Group uses its judgement to select an appropriate valuation method and makes assumption that are mainly based on market conditions existing at the issue date and each reporting date. The valuation model requires the input of subjective assumptions. Changes in subjective input assumptions can materially affect the fair value estimate.

Estimates of current tax and deferred tax

Our Group is subject to tax in different tax jurisdictions. Significant judgement and estimate is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Merger accounting

The Reorganisation has been accounted for using merger accounting and we have exercised significant judgement in determining that the subsidiaries now comprising the Group have been under common control of the Founding Shareholders on collective basis as a result of unwritten agreements between them.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of results of operations

The following table summarizes our Group's combined revenue and results for the Track Record Period prepared on the basis set out in the audited financial statements set forth in the Accountants' Report contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	199,128	164,511	78,987	84,214
Cost of sales	(159,658)	(125,907)	(60,721)	(65,118)
Gross profit	39,470	38,604	18,266	19,096
Other income	1,387	2,657	2,354	646
Selling and distributing expenses	(2,955)	(2,509)	(1,337)	(1,122)
Administrative expenses	(17,240)	(17,517)	(7,818)	(11,069)
Other expenses				
Fair value loss on financial instruments	(4,378)	(63)	(1,108)	—
Others	(2,464)	(310)	(233)	(1,486)
Finance costs	(209)	(67)	(48)	(17)
Profit before income tax	13,611	20,795	10,076	6,048
Income tax expense	(2,223)	(3,229)	(1,851)	(1,434)
Profit/Total comprehensive income for the year/period	11,388	17,566	8,225	4,614
Attributable to:				
Owners of the Company	10,524	16,498	7,497	4,288
Non-controlling interests	864	1,068	728	326
	11,388	17,566	8,225	4,614
	HK cents	*HK cents*	*HK cents*	*HK cents*
Earnings per share for profit attributable to owners of the Company — Basic	9.7	15.3	6.9	4.0

Description of selected combined statement of comprehensive income line items

Revenue

Our Group's revenue represents the amounts received and receivable from sales of goods. Our revenue can be analyzed by business, products, geographical regions, and also by customer category.

Revenue by business

Our Group principally engaged in the provision of sourcing business and began the PRC Watch Business in March 2010. The following table sets forth the revenue of our business segments for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Sourcing Business *(Note 1)*								
— Watches	114,399	57.4	71,790	43.6	28,106	35.6	38,769	46.0
— Display and packaging	68,950	34.6	73,246	44.5	41,089	52.0	34,346	40.8
— Costume jewelries	15,779	8.0	19,475	11.9	9,792	12.4	8,460	10.1
Subtotal	199,128	100.0	164,511	100.0	78,987	100.0	81,575	96.9
PRC Watch Business	—	—	—	—	—	—	2,639	3.1
Total	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Note:

(1) Our Group operates its sourcing business in Hong Kong.

Sourcing business

We offer three major types of product lines include watches, costume jewelries, and display and packaging products. The finished products are mostly exported overseas.

Revenue generated from the sourcing and procurement of watches increased to approximately HK$38.8 million for the six months ended 30 June 2010, representing approximately 46.0% of our Group's revenue from approximately HK$28.1 million for the six months ended 30 June 2009. However, revenue of sourcing and procurement of display and packaging products decreased to approximately HK$34.3 million for the six months ended 30 June 2010, representing approximately 40.8% of Group's revenue, from approximately HK$41.1 million for the six months ended 30 June 2009. While revenue from the sourcing and procurement of costume jewelries decreased to approximately HK$8.5 million, representing approximately 10.1% of Group's revenue, for the six months ended 30 June 2010 from HK$9.8 million for the six months ended 30 June 2009. Revenue generated from the sourcing and procurement of watches increased primarily due to increase in orders from customers as a result of gradual recovery of global economy. Decrease in revenue for the sourcing and procurement of display and packaging products primarily due to decrease in demand and delay in shipment from our major customers. Decrease in revenue from the sourcing and procurement of costume jewelries was due to the decrease in amount of orders placed by our largest costume jewelry product customer who had changed product categories during the period.

For the year ended 31 December 2009, the breakout of global financial crisis in 2008 pushed down the revenue from the sourcing and procurement of watches from approximately HK$114.4 million for the year ended 31 December 2008 to approximately HK$71.8 million for the year ended 31 December 2009, representing approximately 43.6% of our Group's revenue, as a result of the decrease in demand in markets in USA and Europe. Sales of watches to our largest customer which is a watch brand owner had decreased from approximately HK$104.9 million for the year ended 31 December 2008 to approximately HK$63.2 million for the year ended 31 December 2009. Slight increase in sales from display and packaging products to approximately 44.5% of our Group's revenue for the year ended 31 December 2009 primarily due to increased advertising and promotional expenses spent by our major customers to improve the display and packaging with an aim to attract more sales during the downturn of economy. Revenue from the sourcing and procurement of costume jewelries increased by approximately 23.4% from approximately HK$15.8 million for the year ended 31 December 2008 to approximately HK$19.5 million for the year ended 31 December 2009 was mainly due to increased revenue from a new customer for costume jewelries introduced by one of our overseas selling agents and stable demand from our largest costume jewelries product customer.

For the year ended 31 December 2008, revenue was substantially derived from the sourcing and procurement of watches, which accounted for approximately 57.4% of our Group's revenue. We also derive our revenue from the sourcing and procurement of displaying and packaging products and costume jewelries, which accounted for approximately 34.6% and 8.0%, respectively.

The following table sets forth the sales volume and the average selling price on the products of our sourcing business for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	(units)	*(HK$ per unit)*	*(units)*	*(HK$ per unit)*	*(units)*	*(HK$ per unit)*	*(units)*	*(HK$ per unit)*
Product category:								
Watches	958,706	119.3	570,954	125.7	202,971	138.5	327,640	118.3
Display and packaging:								
Packaging boxes	196,430	36.6	314,264	31.0	237,220	32.5	119,500	29.0
Retail display units	223,178	276.7	193,685	327.9	87,769	380.2	80,839	382.1
Costume jewelries	848,651	18.6	990,180	19.7	548,981	17.8	467,757	18.1
	2,226,965		2,069,083		1,076,941		995,736	

Watches — The fluctuations of sales volume were primarily attributable to the demand from our largest watch product customer, the sales quantity of which amounted to approximately 89.4%, 85.7%, 82.3% and 94.5% of the total sales volume of watches for the two years ended 31 December 2008 and 2009 and the six months ended 2009 and 2010, respectively. The decrease in the sales volume of our watches from 958,706 units for the year ended 31 December 2008 to 570,954 units for the year ended

31 December 2009 was primarily due to the decrease in demand from such largest watch product customer following the downturn of economy in 2009. Still, the average selling price increased by 5.4% for the year ended 31 December 2009 was due to introduction of new models of watches with higher selling prices from our largest watch product customer in 2009. As the global market conditions improved in 2010, our largest watch product customer increased the number of orders to meet the increased market demand, particularly in the US and Europe markets, for the six months ended 30 June 2010 compared to the same period in 2009. As such, the sales volume rebounded from 202,971 units for the six months ended 30 June 2009 to 327,640 units for the six months ended 30 June 2010. The average selling price decreased by approximately 14.5% in the six months ended 30 June 2010 as compared to the same period of 2009 was due to our largest watch product customer's orders mainly comprised relatively lower-priced product range.

Display and packaging products — For the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, the average selling prices of packaging boxes were approximately HK$36.6 per unit, HK$31.0 per unit, HK$32.5 per unit and HK$29.0 per unit, respectively, while the average selling prices of retail display units were approximately HK$276.7 per unit, HK$327.9 per unit, HK$380.2 per unit and HK$382.1 per unit, respectively. The fluctuations of the average selling prices for packaging boxes and retail display units depend on the quality of materials used and complexity of designs and pre-packaging requirements as requested by our customers. In terms of sales volume, it fluctuated, particularly for packaging boxes, during the Track Record Period. Demand for packaging boxes depends on the inventory policy of our customers and the popularity of the items that the boxes hold in the market, whereas the demand for retail display unit will depend on the promotion program and spending budget of our customers. For the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, the sales volume of packaging boxes was 196,430 units, 314,264 units, 237,220 units and 119,500 units, respectively. The significant decrease in sales volume of packaging boxes by approximately 49.6% from 237,220 units for the six months ended 30 June 2009 to 119,500 units for the six months ended 30 June 2010 was mainly due to decrease in demand and delay in shipment schedule for the packaging boxes from our major customers. On the other hand, the sales volume of retail display units was relatively stable during the Track Record Period.

Costume jewelries — The fluctuation of sales volume were partially attributable to the demand from our largest costume jewelry product customer, the sales quantity of which amounted to approximately 56.0%, 50.9%, 52.3% and 33.6% of the total sales volume of costume jewelry for the two years ended 31 December 2008 and 2009 and the six months ended 2009 and 2010, respectively. Despite of the global financial crisis started in 2008, the Directors believe that sales volume was not negatively affected was primarily due to the combined effect of (i) increase of orders from new customers introduced by one of our overseas selling agents; (ii) sustainable demand for such costume jewelries that were reasonably priced during the economic downturn in 2009; and (iii) the stable demand during 2008 and 2009 from our largest costume jewelry product customer, the sales volume of which amounted to 475,567 units and 503,569 units for the two years ended 31 December 2008 and 2009, respectively. However, the drop of sales volume from 548,981 units during the six months ended 30 June 2009 to 467,757 units for the six months ended 30 June 2010, representing a decrease of approximately 14.8%, was primarily due to the decrease in number of orders placed by our largest costume jewelry product customer who had changed product categories during the period. To the best knowledge of the Company, this customer updates and revises its product category on a periodical basis based on its own view on the market trend to cope with its ultimate customers' preference. In some occasions, we may not be able to source all products requested from this customer. Therefore, when this customer changes its product category, it may also affect our sales volume depending on our ability to source the required products for this customer. In this regard, the sales volume with such customer dropped from 287,149 units for the six months ended 30 June 2009 to 157,251 units for the six months ended 30 June 2010 since it intended to trim down the product range to achieve a higher operational efficiency during the period. Whilst we are not able to control how the customer revises its product category, we strive to improve our sourcing capability to be able to produce a wider range of costume jewelry products. Our effort was proven by the stabilized sales volume with this customer during the third quarter of 2010, which increased to 107,234 units when compared to 82,460 units during the third quarter of 2009. The average selling price maintained a relatively stable level throughout the Track Record Period.

PRC Watch Business

We have been selling watches since March 2010 under *Tianba* and *Harpo* brands at the sales points in the PRC. For the six months ended 30 June 2010, revenue from our PRC Watch Business was approximately HK$2.6 million, representing approximately 3.1% of our Group's revenue. The sales volume amounted to 5,832 units and the average selling price was HK$452.4 during the six months ended 30 June 2010.

Revenue by geographical locations

The table below shows the breakdown of our Group's revenue by geographical locations based on shipment destination instructed by customers during the Track Record Period:

	Year ended 31 December				**Six months ended 30 June**			
	2008		**2009**		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Hong Kong	27,826	14.0	22,806	13.9	8,901	11.3	9,484	11.3
PRC, excluding Hong Kong	—	—	—	—	—	—	2,639	3.1
USA	91,087	45.7	67,315	40.9	31,399	39.7	35,655	42.3
Europe								
— Denmark	39,864	20.0	19,014	11.6	7,147	9.0	11,526	13.7
— France	4,912	2.5	12,893	7.8	7,308	9.3	4,411	5.2
— Italy	6,092	3.1	6,086	3.7	3,564	4.5	3,041	3.6
— Others *(Note 1)*	15,748	7.9	21,254	12.9	11,991	15.2	9,394	11.2
Asia *(Note 2)*	4,404	2.2	7,636	4.6	4,348	5.5	2,305	2.8
Others *(Note 3)*	9,195	4.6	7,507	4.6	4,329	5.5	5,759	6.8
Total	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Notes:

(1) Others in Europe principally include the Netherlands, Austria, Turkey and United Kingdom.

(2) Asia principally includes Singapore, Japan, Korea, Saudi Arabia, Israel and Russia but excludes Hong Kong.

(3) Others principally include South America, Panama, Australia and South Africa.

The geographical locations of sales are determined based on the shipment destination of the goods sold which are instructed by our customers. As illustrated in the above table, USA was our Group's principal market during the Track Record Period. For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, sales to USA accounted for approximately 45.7%, 40.9%, and 42.3% of our Group's revenue respectively, while sales to Europe accounted for approximately 33.5%, 36.0%, and 33.7% of our Group's revenue during the same period respectively. The sales to USA decreased by 26.1% from HK$91.1 million for the year ended 31 December 2008 to HK$67.3 million for the year ended 31 December 2009, and the sales to Europe decreased by 11.1% from approximately HK$66.6 million for the year ended 31 December 2008 to approximately HK$59.2 million for the year ended 31 December 2009. The significant decrease in sales to USA and Europe for the year ended 31 December 2009 was primarily due to the decrease in orders from some of our major customers and weak consumer market in USA and Europe resulting from the outbreak of global financial crisis in late 2008. The sales to Denmark dropped significantly from approximately HK$39.9 million for the year ended 31 December 2008 to approximately HK$19.0 million for the year ended 31 December 2009 was largely attributable to the decrease in sales of watches to our largest watch products customer by approximately HK$20.6 million, representing a drop of approximately 54.5%. The sales to France increased during the year ended 31 December 2009 as compared to the same period in 2008 was due to the increase in sales by approximately HK$7.7 million to our largest display and packaging products customer. Further, the sales to other European countries increased by approximately HK$5.5 million during the year ended 31 December 2009 as compared to the same period in 2008 was mainly attributable to the increase in sales to the Netherlands, Austria and Turkey. Sales to Hong Kong were relatively stable during the Track Record Period, representing approximately 14.0%, 13.9%, and 11.3% of our Group's revenue respectively. Sales to Asia increased by approximately HK$3.2 million from approximately HK$4.4 million for the year ended 31 December 2008 to approximately HK$7.6 million for the year ended 31 December 2009 whereas decreased to approximately HK$2.3 million for the six months ended 30 June 2010 from approximately HK$4.3 million for the six months ended 30 June 2009.

Revenue by customer category

The following table sets forth the breakdown of our revenue by customer category:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Brand owners *(Note 1)*	133,976	67.3	94,295	57.3	38,715	49.0	50,103	59.5
Importers *(Note 2)*	59,797	30.0	66,456	40.4	38,851	49.2	30,991	36.8
Others	5,355	2.7	3,760	2.3	1,421	1.8	3,120	3.7
Total	199,128	100.0	164,511	100.0	78,987	100.0	84,214	100.0

Notes:

(1) A brand owner is an entity whose business involves the selling of products of its own brand name.

(2) An importer is an entity who does not own the brand of the goods it sells.

The fluctuation of sales to brand owners throughout the Track Record Period was largely in line with the fluctuation of sales to one of our largest customers which contributed approximately HK$108.3 million, HK$67.2 million, and HK$37.7 million in revenue respectively, representing approximately 54.4%, 40.8%, and 44.8% of our total revenue for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively. Our sales to brand owners decreased by approximately HK$39.7 million to approximately HK$94.3 million for the year ended 31 December 2009 from approximately HK$134.0 million for the year ended 31 December 2008, primarily due to the decrease in number of orders from our major brand owners operating in USA and Europe where the consumer markets were weak as a result of global financial crisis in 2008. For the six months ended 30 June 2010, our sales to brand owners increased primarily due to the increase in demand from our major brand owner following the recovery of economy since the second half of 2009.

Our sales to another one of our largest customers, an importer, amounted to approximately HK$57.3 million, HK$62.1 million and HK$28.4 million respectively, representing approximately 28.8%, 37.8% and 33.8% respectively of our total revenue for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010. Our sales to importers increased by approximately HK$6.7 million to approximately HK$66.5 million for the year ended 31 December 2009 from approximately HK$59.8 million for the year ended 31 December 2008 primarily due to increased advertising and promotional expenses spent by our major customers to improve the display and packaging with an aim to attract more sales during the downturn of economy.

Others primarily include trading companies and retail customers for the PRC Watch Business.

Cost of sales

During the Track Record Period, cost of sales primarily consists of cost of inventories and concession charges. Concession charges equate to a pre-agreed percentage of the monthly sales made through the relevant sales points subject to a minimum amount as stated in some of the co-operation agreements. During the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, cost of sales amounted to approximately HK$159.7 million, HK$125.9 million, and HK$65.1 million. Cost of inventories are our main cost of sales, accounting for approximately 99.1%, 99.8%, and 98.7% of our total cost of sales for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, respectively. The Group recorded concession charges of approximately HK$0.8 million during the six months ended 30 June 2010 as a result of the commencement of PRC Watch Business in March 2010.

The following table sets forth the cost of sales of our business segments for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Sourcing Business:								
Watches	98,572	61.7	60,347	47.9	23,823	39.2	33,155	50.9
Display and packaging	50,268	31.5	53,314	42.4	30,647	50.5	25,546	39.3
Costume jewelries	10,818	6.8	12,246	9.7	6,251	10.3	4,890	7.5
PRC Watch Business	—	—	—	—	—	—	1,527	2.3
Overall	159,658	100	125,907	100	60,721	100	65,118	100

The proportion of each product line in cost of sales relative to total cost of sales was largely consistent with the proportion of revenue contributed by each product line relative to total revenue. For instance, the revenue generated from sourcing and procurement of watches was approximately 57.4%, 43.6% and 46.0% of the total revenue for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively. The cost of sales for watches was approximately 61.7%, 47.9% and 50.9% of the total cost of sales for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively. Hence, the fall in the percentage of cost of sales for watches in proportion of total cost of sales for the year ended 31 December 2009 was mainly attributable to the drop in revenue of watches in proportion of the total revenue during the same year.

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Cost of raw materials purchased	91,499	57.3	55,734	44.3	21,787	35.9	30,293	46.5
Cost of finished goods purchased	59,871	37.5	65,200	51.8	36,678	60.4	31,095	47.8
Processing fee	6,802	4.3	4,722	3.7	2,093	3.4	2,873	4.4
Concession charges	—	—	—	—	—	—	767	1.2
Others	1,486	0.9	251	0.2	163	0.3	90	0.1
	159,658	100	125,907	100	60,721	100	65,118	100

The proportion of cost of raw materials purchased relative to total cost of sales was largely consistent with the proportion of revenue contributed by watches which was approximately 57.4%, 43.6% and 46.0% of the total revenue for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively. On the other hand, the proportion of cost of finished goods purchased relative to total cost of sales was largely consistent with the proportion of revenue contributed by display and packaging and costume jewelries which in aggregate was approximately 42.6%, 56.4% and 50.9% of the total revenue for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively. The processing fee paid to contract manufacturers mainly for the assembly of watches was relatively stable except that the fall from approximately HK$6.8 million for the year ended 31 December 2008 to approximately HK$4.7 million for the year ended 31 December 2009 was attributable to the decrease in sales of watches.

Gross profit margin

	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
	%	*%*	*%* (unaudited)	*%*
Sourcing Business:				
Watches	13.8	15.9	15.2	14.5
Display and packaging	27.1	27.2	25.4	25.6
Costume jewelries	31.4	37.1	36.2	42.2
PRC Watch Business	—	—	—	42.1
The Group's overall gross profit margin	19.8	23.5	23.1	22.7

The overall gross profit margins of our sourcing business maintained a stable level during the Track Record Period. Gross profit margin is normally affected by (1) whether we are able to increase our average selling price of our product, for instance, new models normally command higher selling prices and (2) whether we are able to contain our cost of sales and pass on any increase in cost to our customers. The gross profit margins of our watches and costume jewelries increased during the Track Record Period mainly attributable to introduction of new types of watches with higher gross profit margins being sold in 2009 in watches business and continuing improvement in our design and product development for costume jewelries business.

We began to sell our watches in the PRC in March 2010. For the six months ended 30 June 2010, the gross profit margin of our PRC Watch Business was approximately 42.1%.

Other income

During the Track Record Period, other income mainly consisted of interest income from bank balance and investment in financial instruments and fair value gain on financial instruments. Financial instruments which were bought as part of the treasury function to improve return on surplus cash, mainly represented equity-linked notes (the "Notes"), dual currency investments (the "DCI"), strip of TT bullish and USDCNY linked forward. For further details, please refer to the section headed "Financial Instruments" under this section of this prospectus.

The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market currency and interest rates.

Selling and distribution expenses

During the Track Record Period, selling and distribution expenses mainly comprise shipping expenses, agency fee paid to our overseas selling agents for successful business obtained. For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, our selling and distribution expenses accounted for approximately 1.5%, 1.5%, and 1.3% of our Group's revenue, respectively. Shipping expenses accounted for the majority of our selling and distribution expenses, representing approximately 61.6%, 44.5%, and 48.6% of our Group's selling and distribution costs for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, respectively.

Administrative expenses

During the Track Record Period, the administrative expenses were the major expenditure item of our Group. The administrative expenses consisted primarily of salaries and related costs, directors' remuneration and depreciation. For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, salaries and related costs accounted for the largest component of our administrative expenses, representing approximately 54.4%, 55.1%, and 63.4% of our Group's administrative expenses respectively. For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, directors' remuneration accounted for approximately 12.1%, 13.5%, and 7.9% of our Group's administrative expenses respectively.

Other expenses

During the Track Record Period, other expenses mainly consisted of exchange difference, fair value loss on financial instrument and impairment on trade and other receivables. The exchange loss suffered for the year ended 31 December 2008 mainly arose from the weakening of Australian Dollars

("AUD") and Canadian Dollars ("CAD") against HK$ in the form of AUD and CAD deposits held by our Group. Financial instruments mainly represent the Notes, the DCI, strip of TT bullish and USDCNY linked forward. For further details, please refer to the section headed "Financial instruments" under this section of this prospectus.

Finance costs

During the Track Record Period, finance costs consisted primarily of interest on bank borrowings. The interest rates applicable to our Group ranged from 3.58% to 5.50% per annum for bank loans and 13.0% per annum for bank overdrafts during the Track Record Period.

Income tax expense

During the Track Record Period, taxation represents tax calculated at the statutory rate on the pre-tax income as adjusted for non-deductible expenses, income not subject to tax and temporary difference such as tax losses of subsidiaries. Provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period. Our Group acquired a PRC entity, Tianhaiba, in February 2010 which is subject to PRC corporate income tax at the tax rate of 25%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison of the six months ended 30 June 2010 and 2009

Revenue

Our revenue increased by approximately HK$5.2 million from approximately HK$79.0 million for the six months ended 30 June 2009 to approximately HK$84.2 million for the six months ended 30 June 2010, representing an increase of approximately 6.6%, as compared to the same period in 2009, as a result of the factor, described below:

	Six months ended 30 June			
	2009		**2010**	
	HK$'000 (unaudited)	*%*	*HK$'000*	*%*
Sourcing Business				
— Watches	28,106	35.6	38,769	46.0
— Display and packaging	41,089	52.0	34,346	40.8
— Costume jewelries	9,792	12.4	8,460	10.1
Subtotal	78,987	100.0	81,575	96.9
PRC Watch Business	—	—	2,639	3.1
Total	78,987	100.0	84,214	100.0

- *Sourcing business.* Revenue of the sourcing business increased by approximately 3.3% to approximately HK$81.6 million for the six months ended 30 June 2010 from approximately HK$79.0 million for the six months ended 30 June 2009. The increase was mainly driven by the increase in revenue from sourcing and procurement of watches.

  — *Watches:* Revenue from the sourcing and procurement of watches increased by approximately HK$10.7 million from approximately HK$28.1 million for the six months ended 30 June 2009 to approximately HK$38.8 million for the six months ended 30 June 2010, representing an increase of approximately 38.1%. The fluctuations in revenue from the sourcing and procurement of watches were mainly driven by our largest watch product customer during the Track Record Period which contributed to the most significant portion of the revenue for watches. Sales to our largest watch product customer amounted to approximately HK$104.9 million, HK$63.2 million and HK$36.0 million for the two years ended 31 December 2009 and for the six months ended 30 June 2010, representing approximately 91.7%, 88.0% and 93.0% of our sales of watches (excluding revenue derived from PRC Watch Business) for the two years ended 31 December 2009 and for the six months ended 30 June 2010, respectively. The increase in revenue from the sourcing and procurement of watches for the six months ended 30 June 2010 was mainly due to the increase in orders from our largest watch customer to meet the increased market demand, especially in the US and Europe, following the recovery of economy since the second half of 2009.

  — *Display and packaging products:* Revenue from the sourcing and procurement of display and packaging products decreased by approximately HK$6.8 million from approximately HK$41.1 million for the six months ended 30 June 2009 to approximately HK$34.3 million for the six months ended 30 June 2009, representing a decrease of approximately 16.5%. The decrease was mainly due to decrease in demand and delay in shipment schedule from our major customers for the six months ended 30 June 2010 compared with the same period in 2009.

  — *Costume jewelries:* Revenue from the sourcing and procurement of costume jewelries decreased by approximately HK$1.3 million from approximately HK$9.8 million for the six months ended 30 June 2009 to approximately HK$8.5 million for the six months ended 30 June 2010, representing a decrease of approximately 13.3%. The fluctuations in revenue from the sourcing and procurement of costume jewelries were mainly driven by our largest costume jewelry product customer during the Track Record Period which contributed to the most significant portion of the revenue for costume jewelries. Sales to our largest costume jewelry product customer amounted to approximately HK$13.2 million, HK$15.1 million and HK$6.1 million, representing approximately 83.4%, 77.7% and 71.8% of our sales of costume jewelries for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010, respectively. Such decrease was attributable to the decrease in amount of orders placed by our largest costume jewelry product customer who had changed product categories during the period.

- *PRC Watch Business.* We have derived our revenue from the PRC Watch Business since March 2010. Revenue of our PRC Watch Business was approximately HK$2.6 million, representing approximately 3.1% of the Group's total revenue during the six months ended 30 June 2010. The sales volume amounted to 5,832 units and the average selling price was approximately HK$452.4 during the same period.

Cost of sales

Cost of sales increased by approximately HK$4.4 million from approximately HK$60.7 million for the six months ended 30 June 2009 to approximately HK$65.1 million for the six months ended 30 June 2010, representing an increase of approximately 7.2%. Such increase in cost of sales was attributable to the increase in revenue for the six months ended 30 June 2010. In addition, the Group also recorded concession charges at approximately HK$0.8 million during the six months ended 30 June 2010 as a result of the commencement of the PRC Watch Business in March 2010.

Gross profit

Our Group maintained a stable gross profit margin for the six months ended 30 June 2010 as compared with that in the six months ended 30 June 2009.

	Six months ended 30 June			
	2009		**2010**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)			
Sourcing Business				
— Watches	4,283	15.2	5,614	14.5
— Display and packaging	10,442	25.4	8,800	25.6
— Costume jewelries	3,541	36.2	3,570	42.2
PRC Watch Business *(Note)*	—	—	1,112	42.1
Overall	18,266	23.1	19,096	22.7

Note: The Group commenced the PRC Watch Business in March 2010.

- *Sourcing business.* Gross profit of our sourcing business maintained at a stable level of HK$19.1 million, representing a gross profit margin of approximately 22.7% for the six months ended 30 June 2010 as compared to approximately HK$18.3 million, representing a gross profit margin of approximately 23.1% for the six months ended 30 June 2009. Although revenue from the sourcing and procurement of costume jewelries decreased by approximately 13.3% for the six months ended 30 June 2010 as compared to the same period in 2009, the gross profit margin for costume jewelries increased from approximately 36.2% for the six months ended 30 June 2009 to approximately 42.2% for the six months ended 30 June 2009. Our ability to increase in gross margin in costume jewelries is mainly attributable to our continuous improvement in our design and product development. On the other hand, gross profit in watches slightly decreased due to increase in cost of raw materials resulting from the increase in purchase prices of the components of watches (e.g. movement) and the cost of materials for making the case and band (e.g. steel) for the six months ended 30 June 2010. As a result, overall gross profit in our sourcing business slightly decreased.

- *PRC Watch Business.* Gross profit of our PRC watch business amounted to approximately HK$1.1 million, representing a gross profit margin of approximately 42.1%.

Other income

Other income decreased significantly by approximately HK$1.8 million from approximately HK$2.4 million for the six months ended 30 June 2009 to approximately HK$0.6 million for the six months ended 30 June 2010, representing a decrease of approximately 75.0%, primarily as a result of decrease in interest income of approximately HK$1.6 million. Decrease in interest income was mainly due to redemption of all DCI, details have been disclosed under the paragraph headed "Financial instruments" in this section, held by our Group during the six months ended 30 June 2010.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK$0.2 million from approximately HK$1.3 million for the six months ended 30 June 2009 to approximately HK$1.1 million for the six months ended 30 June 2010. The decrease in selling and distribution expenses in the six months ended 30 June 2010 was mainly attributable to the decrease in agency fee by approximately HK$0.2 million as a result of decrease in sales referred by our sales agents during the period.

Administrative expenses

Administrative expenses increased by approximately HK$3.3 million from approximately HK$7.8 million for the six months ended 30 June 2009 to approximately HK$11.1 million for the six months ended 30 June 2010, representing an increase of approximately 42.3%, primarily as a result of increase in salaries and related costs by approximately HK$2.7 million due to (i) increase in staff cost following the establishment of sales network of the PRC Watch Business and expansion of our HK head office; and (ii) salary increment following the recovery of economy.

Other expenses

Other expenses increased by approximately HK$0.2 million from approximately HK$1.3 million for the six months ended 30 June 2009 to approximately HK$1.5 million for the six months ended 30 June 2010, representing an increase of approximately 15.4%. Our Group recorded a fair value loss for its investment in financial instruments amounting to approximately HK$1.1 million for the six months ended 30 June 2009 whereas a fair value gain of approximately HK$0.5 million was recognized for those investments during the six months ended 30 June 2010. All the financial instruments were settled as at 30 June 2010. Details have been disclosed under the paragraph headed "Financial instruments" in the section. In addition, our Group recorded expenses in relation to the Listing of approximately HK$1.5 million during the six months ended 30 June 2010.

Finance costs

Finance costs decreased by approximately 60.0% from approximately HK$0.05 million for the six months ended 30 June 2009 to approximately HK$0.02 million for the six months ended 30 June 2010, primarily due to decrease in bank borrowings.

Profit before income tax

Profit before income tax decreased by approximately 40.6% from approximately HK$10.1 million for the six months ended 30 June 2009 to approximately HK$6.0 million for the six months ended 30 June 2010, primarily attributable to (i) decrease in interest income as a result of redemption of DCI; (ii) increase in administrative expenses in particular the staff costs resulting from the establishment of sales network of the PRC Watch Business and expansion of our HK head office; and (iii) portion of the Listing costs charged as expense during the period.

Income tax expense

Income tax expense decreased by approximately 26.3% from approximately HK$1.9 million for the six months ended 30 June 2009 to approximately HK$1.4 million for the six months ended 30 June 2010. Our effective income tax rate, calculated as our Group's income tax expense divided by profit before income tax, increased from approximately 18.4% for the six months ended 30 June 2009 to approximately 23.7% for the six months ended 30 June 2010. The decrease in income tax expense was mainly due to the decrease in profit while the increase in effective income tax rate, due primarily to the Listing costs recognised as expenses during the six months ended 30 June 2010 are non-deductible expense and tax losses incurred by Tianhaiba was not recognised as deferred tax asset. Despite our Group is subject to PRC enterprise income tax at the tax rate of 25% since its acquisition of Tianhaiba, no provision for PRC enterprise income tax has been made as Tianhaiba did not generate any taxable profits arising in the PRC for the six months ended 30 June 2010.

Profit for the period

Our net profit decreased by approximately 43.9% from approximately HK$8.2 million for the six months ended 30 June 2009 to approximately HK$4.6 million for the six months ended 30 June 2010. Such decrease in profit for the six months ended 30 June 2010 was attributable to (i) the commencement of PRC Watch Business since March 2010 which suffered a loss of approximately HK$1.0 million for the period ended 30 June 2010; (ii) portion of the Listing costs of approximately HK$1.5 million charged as expense during the period; and (iii) decrease in interest income of approximately HK$1.6 million as a result of redemption of DCI. Our net profit margin decreased from approximately 10.4% for the six months ended 30 June 2009 to approximately 5.5% for the six months ended 30 June 2010, as a result of the increase in administrative expenses.

Comparison of the years ended 31 December 2009 and 2008

Revenue

Our revenue decreased by approximately HK$34.6 million from approximately HK$199.1 million for the year ended 31 December 2008 to approximately HK$164.5 million for the year ended 31 December 2009, representing a decrease of approximately 17.4%. Such decrease was mainly attributable to the decrease in revenue from the sourcing and procurement of watches and other factors described below.

	Year ended 31 December			
	2008		2009	
	HK$'000	*%*	*HK$'000*	*%*
Sourcing Business				
— Watches	114,399	57.4	71,790	43.6
— Display and packaging	68,950	34.6	73,246	44.5
— Costume jewelries	15,779	8.0	19,475	11.9
Subtotal	199,128	100.0	164,511	100.0
PRC Watch Business (Note)	—	—	—	—
Total	199,128	100.0	164,511	100.0

Note: The Group commenced the PRC Watch Business in March 2010.

The fluctuations in revenue from the sourcing and procurement of watches were mainly driven by our largest watch product customer during the Track Record Period which contributed to the most significant portion of the revenue for watches. Sales to our largest watch product customer amounted to approximately HK$104.9 million, HK$63.2 million and HK$36.0 million for the two years ended 31 December 2009 and for the six months ended 30 June 2010, representing approximately 91.7%, 88.0% and 93.0% of our sales of watches (excluding revenue derived from PRC Watch Business) for the two years ended 31 December 2009 and for the six months ended 30 June 2010, respectively. Revenue from the sourcing and procurement of watches decreased by approximately HK$42.6 million from approximately HK$114.4 million for the year ended 31 December 2008 to approximately HK$71.8 million for the year ended 31 December 2009, representing a decrease of approximately 37.2%. The decrease in revenue from the sourcing and procurement of watches for the year ended 31 December 2009 was mainly due to the decrease in orders from our largest watch product customers reflecting a slow-down of domestic watch industry as a result of global financial crisis in 2008. Particularly in the US market, sales of watches to our largest watch product customer decreased by approximately 30.5% from approximately HK$47.8 million for the year ended 31 December 2008 to approximately HK$33.2 million for the year ended 31 December 2009. The sales of watches to our largest watch product customer with shipments to USA amounted to approximately 89.5%, 89.6%, 82.9% and 91.5% of our total sales of watches with shipments to USA for the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

Revenue from the sourcing and procurement of display and packaging products increased by approximately HK$4.2 million from approximately HK$69.0 million for the year ended 31 December 2008 to approximately HK$73.2 million for the year ended 31 December 2009, representing an increase of approximately 6.1%. The increase in revenue from the sourcing and procurement of display and packaging products was mainly due to (i) the increase of price charged for the increased complexity of the designs and pre-packaging requirements of display and packaging products as requested by our customers and (ii) our customers increased their advertising and promotional expenses to improve the display and packaging with an aim to attract more sales during the downturn of economy.

The fluctuations in revenue from the sourcing and procurement of costume jewelries were mainly driven by our largest costume jewelry product customer during the Track Record Period which contributed to the most significant portion of the revenue for costume jewelries. Sales to our largest costume jewelry product customer amounted to approximately HK$13.2 million, HK$15.1 million and HK$6.1 million, representing approximately 83.4%, 77.7% and 71.8% of our sales of costume jewelries for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2010, respectively. Revenue from the sourcing and procurement of costume jewelries increased by approximately HK$3.7 million from approximately HK$15.8 million for the year ended 31 December 2008 to approximately HK$19.5 million for the year ended 31 December 2009, representing an increase of approximately 23.4%, primarily attributable to (i) the revenue from new customers introduced by one of our overseas selling agents of approximately HK$2.6 million; (ii) sustainable demand for such costume jewelries that were reasonably priced during the economic downturn in 2009; and (iii) the stable demand during 2008 and 2009 from our largest costume jewelry product customer, the sales volume of which amounted to 475,567 units and 503,569 units for the two years ended 31 December 2008 and 2009, respectively.

Cost of sales

Cost of sales decreased by approximately HK$33.8 million from approximately HK$159.7 million for the year ended 31 December 2008 to approximately HK$125.9 million for the year ended 31 December 2009, representing a decrease of approximately 21.2%. Such decrease in cost of sales was attributable to the decrease in revenue for the year ended 31 December 2009.

Gross profit

The overall gross profit margin increased from approximately 19.8% for the year ended 31 December 2008 to approximately 23.5% for the year ended 31 December 2009, mainly as a result of the increase in gross profit margin of watches and costume jewelries.

	Year ended 31 December			
	2008		2009	
	HK$'000	*%*	*HK$'000*	*%*
Sourcing Business				
— Watches	15,827	13.8	11,443	15.9
— Display and packaging	18,682	27.1	19,932	27.2
— Costume jewelries	4,961	31.4	7,229	37.1
PRC Watch Business(Note)	—	—	—	—
Overall	39,470	19.8	38,604	23.5

Note: The Group commenced the PRC Watch Business in March 2010.

The gross profit margin of our watches increased from approximately 13.8% for the year ended 31 December 2008 to approximately 15.9% for the year ended 31 December 2009, primarily due to introduction of new types of watches with higher gross profit margin during the year ended 31 December 2009. The gross profit margin of our costume jewelries increased from approximately 31.4% for the year ended 31 December 2008 to approximately 37.1% for the year ended 31 December 2009, primarily due to increased selling price to major customers as a result of our continuing improvement in our design and product development. The gross profit margin of our display and packaging products slightly increased from approximately 27.1% for the year ended 31 December 2008 to approximately 27.2% for the year ended 31 December 2009, which is relatively stable.

While display and packaging products maintained a steady gross profit margin level for each of the two years ended 31 December 2008 and 2009.

Other income

Other income mainly represents bank interest income. Other income increased significantly by approximately HK$1.3 million from approximately HK$1.4 million for the year ended 31 December 2008 to approximately HK$2.7 million for the year ended 31 December 2009, representing an increase of approximately 92.9%, primarily as a result of increase in interest income of HK$0.7 million. Increase in interest income was mainly due to the increase in investment in interest-bearing financial instruments, namely DCI, during the year ended 31 December 2009. DCI held by our Group as at 31 December 2008 and 2009 amounted to approximately HK$9.5 million and HK$14.0 million respectively with interest rate of 6.0% to 8.0% p.a. and 4.0% p.a. for the year ended 31 December 2008 and 2009, respectively. Details have been disclosed under the paragraph headed "Financial instruments" in this section.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK$0.5 million from approximately HK$3.0 million for the year ended 31 December 2008 to approximately HK$2.5 million for the year ended 31 December 2009, representing a decrease of approximately 16.7%. The decrease was primarily due to a decrease of approximately 38.6% in shipping expenses as a result of decrease in sales from the sourcing and procurement of watches.

Administrative expenses

Administrative expenses increased by approximately HK$0.3 million from approximately HK$17.2 million for the year ended 31 December 2008 to approximately HK$17.5 million for the year ended 31 December 2009, representing an increase of approximately 1.7%, primarily due to increase of approximately HK$0.3 million in directors' remuneration.

Other expenses

Other expenses decreased significantly by approximately HK$6.4 million from approximately HK$6.8 million for the year ended 31 December 2008 to approximately HK$0.4 million for the year ended 31 December 2009, representing a decrease of approximately 94.1%. During the year ended 31 December 2008, our Group recorded an exchange loss of HK$1.4 million, fair value loss on financial instruments of approximately HK$4.4 million and impairment on receivable of approximately HK$1.1 million, which represented long outstanding amounts that the Directors considered uncollectible. Our Group recorded an exchange gain of approximately HK$0.4 million for the year ended 31 December 2009, while impairment on receivable reduced to approximately HK$0.2 million and fair value loss on financial instruments reduced to approximately HK$0.06 million as a result of appreciation of the market price of financial instruments under the economic recovery in the second half of 2009. Details have been disclosed under the paragraph headed "Financial instruments" in the section.

Finance costs

Finance costs decreased by approximately 65.0% from approximately HK$0.2 million for the year ended 31 December 2008 to approximately HK$0.07 million for the year ended 31 December 2009, primarily due to decrease in bank borrowings.

Profit before income tax

Profit before income tax increased by approximately 52.9% from approximately HK$13.6 million for the year ended 31 December 2008 to approximately HK$20.8 million for the year ended 31 December 2009. The increase was primarily attributable to the improved gross profit margin in the sourcing and procurement of costume jewelries and watches in the second half year of 2009 and the decrease in fair value loss on financial instruments.

Income tax expense

Income tax expense increased by approximately 45.5% from approximately HK$2.2 million for the year ended 31 December 2008 to approximately HK$3.2 million for the year ended 31 December 2009. Our effective income tax rate, calculated as our Group's income tax expense divided by profit before income tax, decreased from approximately 16.2% for the year ended 31 December 2008 to approximately 15.4% for the year ended 31 December 2009. The increase in income tax expense was mainly due to the increase in profit while the decrease in effective income tax rate, due primarily to the fair value gain arising from holding of financial instruments by certain group entities which is non-taxable income.

Profit for the year

Due to the factors described above, our net profit increased by approximately 54.4% from approximately HK$11.4 million for the year ended 31 December 2008 to approximately HK$17.6 million for the year ended 31 December 2009. Our net profit margin increased from approximately 5.7% for the year ended 31 December 2008 to approximately 10.7% for the year ended 31 December 2009, as a result of the growth in net profit as described above and higher profit margin on certain types of watches.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

Our operations are funded through a combination of cash generated from our operations and bank borrowings. Our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group during the Track Record Period. As of 30 June 2010, our material sources of liquidity are bank balances and cash of approximately HK$29.8 million.

Net current assets

Details of our Group's current assets and liabilities as of respective dates of the combined statements of the financial position are extracted as follows:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK\$'000	*HK\$'000*	*HK\$'000*
Current assets			
Inventories	9,208	1,442	13,848
Trade receivables, prepayments and deposits	25,343	21,614	29,668
Prepaid tax	379	309	379
Amounts due from other related parties	50	547	—
Financial assets at fair value through profit or loss	11,839	13,983	—
Derivatives financial instruments	51	22	—
Pledged bank deposits	1,283	—	—
Bank balances and cash	16,274	15,215	29,797
	64,427	53,132	73,692
Current liabilities			
Trade and other payables	28,618	18,595	42,995
Dividend payables	—	250	369
Amounts due to directors	962	—	—
Amounts due to other related parties	56	—	—
Provision for income tax	887	3,168	4,561
Derivative financial instruments	666	—	—
Borrowings	1,475	55	57
	32,664	22,068	47,982
Net current assets	31,763	31,064	25,710

Our Group had net current assets of approximately HK$31.8 million, HK$31.1 million and HK$25.7 million as at 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

Our Group maintained stable net current assets for the two years ended 31 December 2008 and 2009. As of 31 December 2009, our Group's current assets of approximately HK$53.1 million mainly consisted inventories of approximately HK$1.4 million, trade receivables, prepayments and deposits of approximately HK$21.6 million, financial assets at fair value through profit or loss of approximately HK$14.0 million and bank balances and cash of approximately HK$15.2 million. Our Group's current liabilities of approximately HK22.1 million mainly consisted of trade and other payables of approximately HK$18.6 million and provision for income tax of approximately HK$3.2 million.

Our net current assets decreased from approximately HK$31.1 million as of 31 December 2009 to HK$25.7 million as of 30 June 2010, primarily due to the increase in trade payables from approximately approximately HK$15.7 million as of 31 December 2009 to approximately HK$23.6 million as of 30 June 2010; combined with the decrease in financial assets at fair value through profit and loss as a result of redemption of all financial instruments during the six months ended 30 June 2010. The effect of such decrease was partially offset by the acquisition of inventories from Ling Qiao in June 2010, the increase in purchases of raw materials for the sourcing and procurement of watches as a result of the increase of sales generated from the sourcing and procurement of watches and the increase of trade receivables; reflecting principally an increase in sales of our watches.

As at 31 October 2010, being the latest practicable date such information was available to us, the unaudited net current assets of our Group increased from approximately HK$25.7 million as at 30 June 2010 to approximately HK$31.4 million as at 31 October 2010.

As at 31 October 2010, our Group's unaudited current assets of approximately HK$91.2 million mainly consisted of inventories of approximately HK$18.7 million, trade receivables, prepayments and deposits of approximately HK$38.1 million and bank balances and cash of approximately HK$34.0 million. Our Group's current liabilities of approximately HK$59.8 million mainly consisted of trade and other payables of approximately HK$53.4 million and provision for income tax of approximately HK$5.8 million.

The increase in net current assets was primary due to increase in trade receivables, prepayments and deposits from approximately HK$29.7 million as of 30 June 2010 to approximately HK$38.1 million as of 31 October 2010. The increase in trade receivables principally reflected an increase in sales during the second half of year 2010 compared with the six months ended 30 June 2010.

Cash flows

Overview

The following table shows the changes in cash flow of our Group during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	14,409	19,224	13,021	4,618
Net cash (used in)/generated from investing activities	(9,654)	(1,201)	8,083	14,248
Net cash used in financing activities	(4,657)	(17,843)	(5,192)	(4,284)
Net increase in cash and cash equivalents	98	180	15,912	14,582
Cash and cash equivalents at beginning of year/period	14,937	15,035	15,035	15,215
Cash and cash equivalents at end of year/period	15,035	15,215	30,947	29,797

Operating activities

Our Group derived its cash inflow from operating activities principally from the receipts of payments for the provision of sourcing and procurement solutions and sale of its products. Its cash outflow from operating activities is principally for purchases of inventories.

For the six months ended 30 June 2010, our Group had net cash generated from operating activities of approximately HK$4.6 million while the profit before income tax for the same period was approximately HK$6.0 million. The difference of approximately HK$1.4 million was primarily due to the increase in inventories of approximately HK$12.4 million and increase in trade receivables, prepayment and deposits of approximately HK$8.0 million, partially offset by the increase in trade and other payables of approximately HK$17.5 million. The increase in trade receivables was mainly due to increase in sales of watches. Increase in prepayments and deposits mainly arise from the increase in amount of deposit paid for purchase of raw materials. Inventory increased due to increase in purchases to meet the increase in sales of watches, while trade and other payables increased due to the amount payable to Ling Qiao for the acquisition of inventories.

For the year ended 31 December 2009, our Group had net cash generated from operating activities of approximately HK$19.2 million while the profit before income tax for the same year was approximately HK$20.8 million. The difference of approximately HK$1.6 million was primarily due to the decrease in trade and other payables of approximately HK$10.0 million, partially offset by an decrease in trade receivables, prepayments and deposits of approximately HK$3.5 million and a decrease in inventories of approximately HK$7.7 million, coupled with the adjustments of interest income and tax paid for the year ended 31 December 2009. The decrease in trade receivables, prepayments and deposits was mainly attributable to the lower level of trade receivables as a result of the decrease in overall sales. Inventory decreased mainly due to decrease in purchases following the decrease in sales of watches, and trade and other payables decreased due to prompt settlement of trade payables made by the Group as a result of increased cash inflow generated primarily from profit before tax for the year ended 31 December 2009.

For the year ended 31 December 2008, our Group had net cash generated from operating activities of approximately HK$14.4 million while the profit before income tax for the same year was approximately HK$13.6 million. The difference of approximately HK$0.8 million was primarily due to the decrease in inventories of approximately HK$1.3 million and fair value loss on financial instruments of HK$4.4 million, partially offset by an increase in trade receivables, prepayments and deposits of approximately HK$3.9 million, coupled with the adjustments of depreciation of property, plant and equipment and income tax paid for the year ended 31 December 2008.

Investing activities

During the Track Record Period, cash generated from investing activities primarily arose from the redemption of financial instruments and interest received. Cash used in investing activities primarily related to acquisition of financial instruments and purchase of property, plant and equipment.

For the six months ended 30 June 2010, our Group had net cash generated from investing activities of approximately HK$14.2 million, which was primarily due to the net cash inflow arising from acquisition and redemption of financial instruments of approximately HK$14.5 million as a result of the redemption of financial instruments since the Company ceased to invest in such financial instrument.

For the year ended 31 December 2009, our Group had net cash used in investing activities of approximately HK$1.2 million, which was primarily due to the net cash outflow arising from acquisition and redemption of financial instruments of approximately HK$2.8 million and purchase of property, plant and equipment of approximately HK$1.6 million. These cash outflows were partially offset by interest received of approximately HK$1.9 million and decrease in pledged bank deposits of approximately HK$1.3 million.

For the year ended 31 December 2008, our Group had net cash used in investing activities of approximately HK$9.7 million, which was primarily due to the net cash outflow arising from acquisition and redemption of financial instruments of approximately HK$9.8 million and purchase of property, plant and equipment of approximately HK$1.0 million. These cash outflows were partially offset by interest received of approximately HK$1.2 million.

Financing activities

During the Track Record Period, cash used in financing activities primarily consisted of payment of dividend and repayment of borrowings while cash mainly generated from issuance of shares.

For the six months ended 30 June 2010, our Group had net cash used in financing activities of approximately HK$4.3 million, which was primarily attributable to the payment of dividend of approximately HK$4.1 million and acquisition of non-controlling interests of EC Manufacturing Limited and Ampress Packaging Asia Limited of approximately HK$1.2 million, partially offset by issuance of shares of approximately HK$1.0 million.

For the year ended 31 December 2009, our Group had net cash used in financing activities of approximately HK$17.8 million, which was primarily attributable to the payment of dividend of approximately HK$18.2 million, partially offset by proceeds from borrowings of approximately HK$0.7 million for mortgage loan in relation to the acquisition of office premise in Hong Kong.

For the year ended 31 December 2008, our Group had net cash used in financing activities of approximately HK$4.7 million, which was primarily attributable to the payment of dividend of approximately HK$4.2 million and repayment of borrowings of approximately HK$0.5 million.

Working capital

Taking into account the estimated net proceeds from the Placing and internally generated fund, our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

We strive to manage our cash flow to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations and proceeds from the Placing, we may consider, if necessary, to obtain bank borrowings to fund our working capital requirement.

We also maintain a prudent capital expenditure policy that our capital expenditure plan must be approved by our corporate headquarters and implemented according to our business plan and cash flow situation.

We expect to finance our operations through a combination of cash generated from operations, proceeds from the Placing and when necessary, bank borrowings.

Financial ratios analysis

Set out below are certain major financial ratios of our Group:

	At 31 December		At 30 June
	2008	2009	2010
Trade receivables turnover days *(Note 1)*	43.4	44.4	51.8
Trade payables turnover days *(Note 2)*	60.0	45.5	66.2
Inventory turnover days *(Note 3)*	21.1	4.2	38.9
Return on equity *(Note 4)*	29.6%	46.2%	11.6%
Gearing ratio *(Note 5)*	2.3%	1.1%	0.8%
Current ratio *(Note 6)*	2.0	2.4	1.5
Quick ratio *(Note 7)*	1.7	2.3	1.2
Return on assets *(Note 8)*	14.9%	27.7%	5.0%

Notes:

(1) Trade receivables turnover days equals to the closing net trade receivables of the period divided by the revenue for the period, multiplied by 365 days in respect of year periods, or 183 days for the six-month period in 2010.

(2) Trade payables turnover days equals to the closing trade payables of the period divided by the cost of sales for the period, multiplied by 365 days in respect of year periods, or 183 days for the six-month period in 2010.

(3) Inventory turnover days equals to the closing inventories of the period divided by the cost of sales for the period, multiplied by 365 days in respect of year periods, or 183 days for the six-month period in 2010.

(4) Return on equity equals to net profit attributable to the Company's shareholders divided by equity attributable to the Company's shareholders and multiplied by 100%. The return on equity ratio as of 30 June 2010, which comprised profit derived from a six-month period, is not comparable with the ratio as of 31 December 2008 and 31 December 2009, which comprised profit derived from a 12-month period.

(5) Gearing ratio equals total debts for the period, divided by total assets for the period and multiplied by 100%. Debts are defined to include both current and non-current borrowings.

(6) Current ratio equals to total current assets divided by total current liabilities.

(7) Quick ratio equals to total current assets subtracting stock balance; then divided by total current liabilities.

(8) Return on assets equals to net profit attributable to the Company's Shareholders divided by total assets and multiplied by 100%.

Analysis on trade receivables

The following table sets forth the ageing analysis (based on due date) of our Group's trade receivables that were past due as at the respective dates during the Track Record Period but are not considered as impaired:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Not past due	19,340	17,225	20,435
1–30 days past due	3,412	2,321	3,149
31–60 days past due	362	328	168
61–90 days past due	386	83	31
Over 90 days past due	186	74	44
Total	23,686	20,031	23,827

In general, our Group has a policy of allowing an average credit period of 45 to 60 days to its major customers.

Trade receivables net of impairment provision as at 31 December 2009 were approximately HK$20.0 million, representing a decrease of approximately 15.4% as compared with that as at 31 December 2008. Trade receivables as at 30 June 2010 were approximately HK$23.8 million, representing an increase of approximately 19.0% as compared with that as at 31 December 2009.

Our Group reviews receivables for evidence of impairment on both an individual and collective basis. We also monitor the ageing status of our trade receivables and payment history, subsequent settlement, on-going business relationships and financial condition of our customers. Our Group makes specific provision for bad and doubtful debts when there is objective evidence that we will not be able to collect the amounts due.

Trade receivables that were neither past due nor impaired relate to a number of customers that had a good track record of credit with our Group. Our Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Provision for impairment on trade receivables was made when the amounts were due from customers experiencing financial difficulties that were in default or delinquency of payments. Write-offs are established when events or changes in circumstances indicate that trade receivables are no longer deemed to be collectible. Subsequent recoveries of the amounts previously written off are recognised as a reversal to the provision account. The table below sets out, for the periods indicated, movement in the provision for impairment on trade receivables:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year/period	20	979	1,029
Bad debt recovery	(20)	(160)	(9)
Impairment loss recognised	979	234	—
Amounts written-off	—	(24)	—
Balance at the end of the year/period	979	1,029	1,020

As of 31 December 2008, 2009 and 30 June 2010, we provided provision for impairment on trade receivables of approximately HK$1.0 million, HK$1.0 million and HK$1.0 million, respectively, representing approximately 4.0%, 4.9% and 4.1% of our Group's trade receivables, respectively. For each of the two years ended 31 December 2008, 2009 and six months ended 30 June 2010, our trade receivables that were due over 90 days for which no impairment was recorded amounted to HK$0.2 million, HK$0.07 million and HK$0.04 million, respectively.

Trade receivables turnover days during the Track Record Period ranged from approximately 43 days to approximately approximately 52 days which fall within our Group's normal credit period. The increase in trade receivables turnover days from approximately 44 days for the year ended 31 December 2009 to approximately 52 days for the six months ended 30 June 2010 was primarily due to a sales transaction with our largest display and packaging products customer of approximately HK$6 million made with our largest display and packaging product customer just prior to the period ended 30 June 2010 and settlement was made subsequent to the period end. The trade receivables turnover days would be approximately 41 days when such sales transaction is excluded, and it is considered similar to the level as of 31 December 2008 and 2009.

Of the HK$23.8 million trade receivables as of 30 June 2010, approximately HK$23.6 million were subsequently settled up to 31 October 2010.

Analysis on prepayments and deposits

Prepayments and deposits, of approximately HK$1.7 million as at 31 December 2008, approximately HK$1.6 million as at 31 December 2009 and approximately HK$5.8 million as at 30 June 2010, respectively, mainly represented deposit and prepayment for the purchases as required by suppliers and rental deposits. Prepayments and deposits as at 30 June 2010 increased by approximately HK$4.2 million as compared with that as at 31 December 2009.

Sourcing business

Prepayments and deposits of approximately HK$4.3 million as at 30 June 2010 mainly represented deposits paid to suppliers for the purchase of raw materials and finished goods. The increase was primarily attributable to the increase in purchase following increased orders placed by customers during the six months ended 30 June 2010 as a result of the growth of revenue generated from the sourcing business.

PRC Watch business

Prepayments and deposits of approximately HK$1.5 million as at 30 June 2010 mainly represented deposits paid to suppliers of watches and prepaid value added tax for purchases.

Inventories analysis

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,707	1,132	5,685
Finished goods	5,501	310	8,163
Total	9,208	1,442	13,848

We had inventories of approximately HK$9.2 million, HK$1.4 million and HK$13.8 million as at 31 December 2008, 31 December 2009 and 30 June 2010, respectively. The value of our inventories accounted for approximately 14.3%, 2.7% and 18.8% of our total current assets for each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, respectively.

Our inventories decreased by approximately 84.3% for the year ended 31 December 2009 compared to the year ended 31 December 2008, primarily due to the hold-up of certain inventories as requested by a major customer which involved in the sourcing and procurement of watches segment in the second half of the year ended 31 December 2008 after the breakout of global financial crisis in 2008. Shipments to such major customer were made subsequent to the year ended 31 December 2008. For the year ended 31 December 2009, the Company adopted a strategy in maintaining a lower inventory level by shipping more goods to our major customers by the end of 2009 for better financial management and inventory control. As a result, we were able to keep a relatively low inventory level. Based on the closing balance of inventories as at the respective period ends, inventory turnover days decreased from approximately 21 days for the year ended 31 December 2008 to approximately 4 days for the year ended 31 December 2009.

The increase in inventories by approximately HK$12.4 million for the six months ended 30 June 2010 as compared to that for the year ended 31 December 2009 was primarily due to the acquisition of inventories, amounting to HK$5.5 million, from Ling Qiao in June 2010 and the growth of sourcing and procurement of watches resulting in certain level of stock required to be maintained as at 30 June 2010 for the shipments subsequent to 30 June 2010. There are usually more shipments made for Christmas and Thanksgiving prior to year end. This can also explain the increase in inventory turnover days to approximately 23 days (after taken out the effect of the acquisition of inventories from Ling Qiao) for the six months ended 30 June 2010 from approximately 4 days for the year ended 31 December 2009.

We do not have a general provisioning policy for inventories, but make assessments on provisions on a case-by-case basis. We made no provisions for inventories during the Track Record Period.

Of the HK$13.8 million of inventories as of 30 June 2010, approximately HK$8.9 million were subsequently consumed or sold during the four months ended 31 October 2010. The low subsequent usage was mainly attributable to the acquisition of inventories from Ling Qiao on 30 June 2010. The Group started to keep inventories for the PRC watch business to ensure and maintain adequate level of inventories for the sales points and to obtain latest market trends and demands.

As at 31 October 2010, inventories of *Tianba* and *Harpo* watches contributed to approximately 33.9% of the total inventories.

Trade and other payables analysis

Trade payables

Set out below is the ageing analysis of our Group's trade payables, based on due date, as at the respective dates during the Track Record Period:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Not yet due	8,477	5,777	14,243
0–30 days past due	8,499	5,712	6,509
31–60 days past due	6,602	3,751	2,382
61–90 days past due	1,407	100	61
Over 90 days past due	1,260	346	374
Total	26,245	15,686	23,569

Trade payables as at 31 December 2009 were approximately HK$15.7 million, representing a decrease of approximately 40.1% compared with that as at 31 December 2008, primarily due to prompt settlements made by our Group as a result of prompt receipts of trade receivables from our major customers.

Trade payables as at 30 June 2010 were approximately HK$23.6 million, representing an increase of approximately 50.3% compared with that as at 31 December 2009, primarily due to increase in purchase of raw materials for the sourcing and procurement of watches as a result of the increase in sales generated from the sourcing and procurement of watches and also due to more purchases of inventories for expansion.

Trade payables turnover days were approximately 60 days, 46 days and 66 days for the year ended 31 December 2008, 2009 and the six months ended 30 June 2010, respectively. These turnover days were higher than the supplier's credit period of 30 days primarily due to (i) the long business relationship established with the suppliers who allow a more flexible settlement period; and (ii) the timeliness of settlement of trade payables depending on the receipts of trade receivables. The trend of trade payables turnover days was therefore approximately in line with that of trade receivable revenue days. The drop in trade payables turnover days for the year ended 31 December 2009 was mainly due to quicker settlements made by our Group as a result of increased cash inflow generated primarily from profit before tax for the year ended 31 December 2009.

Of the HK$23.6 million of trade payables as of 30 June 2010, approximately HK$23.6 million were subsequently settled up to 31 October 2010.

Other payables and accruals

Other payables and accruals mainly include deposits received from customers and accrued staff costs and other payables. Set out below is the breakdown of other payables and accruals during the Track Record Period.

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Deposits received	1,049	1,033	1,984
Other payables and accruals:			
Accrued staff costs	991	817	691
Accrued audit and tax service fee	158	1,059	965
Accrued professional fee for the Listing	—	—	1,963
Payable to Ling Qiao for acquisition of trademark and inventories	—	—	12,566
Others	175	—	1,257
Subtotal	1,324	1,876	17,442
Total	2,373	2,909	19,426

Deposits received mainly represented sales deposits received from our customers, normally we would received 30% deposits when orders received and the remaining balance were fully settled before goods delivery to customers (other than major customers with credit terms). Increase mainly due to more deposits received from the sourcing and procurement of watches by the end of 30 June 2010.

The decrease in accrued staff costs as of 31 December 2009 as compared to 31 December 2008 was primarily due to the drop in discretionary bonus as a result of the decline in profit of the Group during the year ended 31 December 2009. The accrued staff costs as of 30 June 2010 was lower than the level as of the two years ended 31 December 2008 and 2009 since the accrual of discretionary bonus has not been made during the six months ended 30 June 2010. Discretionary bonus would be determined towards the end of a year. The increase in accrued audit fee by approximately HK$0.9 million as of 31

December 2009 as compared to 31 December 2008 was due to the change of auditors for the engagement of the Listing of the Company. Other payables as of 30 June 2010 of approximately HK$1.2 million represented an advance from Mr. Yang for the Group's normal business operation and the balance was settled as at 30 September 2010.

Of the HK$17.4 million other payables and accruals as of 30 June 2010, approximately HK$9.2 million were subsequently settled as at 31 October 2010. The remaining outstanding balance mainly represented the outstanding consideration payable to Ling Qiao for the acquisition of the Trademarks and inventories which are expected to be fully settled upon the receipt of certain required documents from the PRC Trademark Office according to the Trademark Transfer Agreement, and upon the receipt of the value added tax invoices from Ling Qiao according to the Inventory Transfer Agreement respectively. As at the Latest Practicable Date, amount of HK$4.6 million were settled for the consideration payable. We expect to repay the remaining payable when we receive the required documents or value added tax incomes pursuant to the Trademark Transfer Agreement and Inventory Transfer Agreement.

Provision for income tax

Income tax payable mainly represented the provision for taxation for relevant tax jurisdiction.

Income tax payable increased significantly by approximately 257.2% from approximately HK$0.9 million as at 31 December 2008 to approximately HK$3.2 million as at 31 December 2009. The increase was primarily due to the fact that the Group was able to hold over the 2009 provisional tax of Ampress Packaging which is a major profit-making subsidiary.

Income tax payable increased continuously by approximately 44.0% from approximately HK$3.2 million as at 31 December 2009 to approximately HK$4.6 million as at 30 June 2010. Such increase was mainly due to the fact that the tax filing in respect of year 2009 was not yet completed as at 30 June 2010 and thus no relevant tax payment has yet been made.

Return on equity

For each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, the return on equity ratio of our Group was approximately 29.6%, 46.2% and 11.6% respectively. The fluctuations in return on equity ratio during the Track Record Period were primarily due to changes in the net profit with the reasons discussed above. The return on equity ratio as of 30 June 2010 is not comparable with the ratio as of 31 December 2009 because the former was calculated with reference to the profit derived from a six-month period whereas the latter was calculated with reference to the profit derived from a 12-month period.

Gearing ratio

For each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, the gearing ratio of our Group was approximately 2.3%, 1.1% and 0.8% respectively. Our gearing ratio decreased during the Track Record Period primarily due to the repayment of bank overdraft.

Current ratio

For each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, the current ratio of our Group was approximately 2.0, 2.4 and 1.5, respectively. Our current ratio increased to 2.4 as of 31 December 2009 from 2.0 as of 31 December 2008 primarily due to the increased settlement of trade and other payables made as of 31 December 2009. On the other hand, a higher level of trade payables as at 30 June 2010 due to more purchases were made for the increase in sales orders, increase in deposits received from customers and consideration payable to Ling Qiao in relation to the acquisition of inventories of watches under *Tianba* and *Harpo* brands and the trademarks of these two brands resulted in the drop of current ratio as of 30 June 2010.

Quick ratio

For each of the two years ended 31 December 2008 and 2009 and six months ended 30 June 2010, the quick ratio of our Group was approximately 1.7, 2.3 and 1.2, respectively. Our quick ratio increased to approximately 2.3 as of 31 December 2009 from approximately 1.7 as of 31 December 2008 was primarily due to the increased settlement of trade and other payables made as of 31 December 2009 as a result of better financial management and inventory control of the Group during 2009 as described under the section headed "Inventory analysis" in this section.

The decrease in quick ratio to approximately 1.2 during the six months ended 30 June 2010 was mainly due to a higher level of trade payables as more purchases were made for the increase in sales orders; increase in deposits received from customers, and consideration payable to Ling Qiao in relation to the acquisition of inventories of watches under *Tianba* and *Harpo* brands and the trademarks of these two brands.

Return on assets

The increase in the return on assets from approximately 14.9% during the year ended 31 December 2008 to 27.7% during the year ended 31 December 2009 was resulted from a decrease in the Group's total assets as compared with the growth of its net profit. This was because inventories for a major customer were held up in the second half of the year ended 31 December 2008 after the breakout of global financial crisis in 2008. Shipments to such major customer was made subsequent to the year ended 31 December 2008. During the year ended 31 December 2009, in view of the decrease in demand for the sourcing and procurement of watches, the Company intended to maintain a lower inventory level by shipping more goods to the Group's major customer by the end of 2009 for better financial management and inventory control. As a result, the Group was able to keep a relatively low inventory level. The return on assets as of 30 June 2010 is not comparable with the ratio as of 31 December 2009 because the ratio as at 30 June 2010 used profit derived from a six-month period and as at 31 December 2010 the ratio used profit derived from a 12-month period.

Contingent liabilities

Our Group did not record any contingent liabilities during the Track Record Period. As at the Latest Practicable Date, our Group does not have any contingent liabilities.

FINANCIAL INSTRUMENTS

Our Group primarily enters into financial instruments as part of the treasury function to improve return on surplus cash. The financial instruments are stated at fair value. The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market currency and interest rates.

In the opinion of our Directors, our investment strategy during the Track Record Period was to invest in short-term (less than 5 years) financial instruments when there was surplus fund in view of the low interest rate environment. We currently do not hold any of these financial instruments and do not intend to invest such financial instruments in the foreseeable future.

Prior approval by our Directors is required for all such investment.

Financial assets at fair value through profit or loss

The following table shows the financial assets at fair value through profit or loss during the Track Record Period:

	At 31 December		**At 30 June**
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Equity-linked notes	2,290	—	—
Dual currency investments	9,549	13,983	—
Total	11,839	13,983	—

The Notes were purchased by our Group in 2007 with notional amounts of US$100,000/ US$200,000 and maturity in 2009. The Notes bear interest which is determined based on the market prices of the underlying shares on settlement date and it could be nil. The Notes will be settled either by cash or by delivery of the underlying shares depending on the market prices of the underlying shares at maturity date. The Notes are subject to early redemption by the counterparties when the market prices of the underlying shares rise/fall to pre-determined price levels on the respective determination dates.

The DCI will be settled either at the principal currency or the alternative currency, depending on the exchange rate of the currencies prevailing, at the redemption date. Interest rate of the DCI outstanding at the end of each reporting period ranged from 4.0% to 8.0% per annum during the Track Record Period.

Major terms of the DCI at the end of each reporting period during the Track Record Period are as follows:

Notional amount	Interest rates	Currency pair	Maturity date/ period of contracts
As at 31 December 2008			
1 AUD contract with notional amount of AUD540,000	6.0% p.a	AUD/US$	December 2008 to January 2009
2 CAD contracts with notional amount of CAD518,000 per contract	6.2%–8.0% p.a.	CAD/US$	December 2008 to January 2009
As at 31 December 2009			
1 US$ contract with notional amount of US$505,000	4.0% p.a.	US$/AUD	December 2009 to January 2010
2 CAD contracts with notional amount of CAD1,400,000 in total	4.0% p.a.	CAD/AUD	December 2009 to January 2010
As at 30 June 2010			
N/A	N/A	N/A	N/A

As at 31 December 2008 and 2009, the fair value of the financial assets at fair value through profit or loss were approximately HK$11.8 million and HK$14.0 million, respectively. As at 30 June 2010, all the financial assets at fair value through profit or loss were redeemed upon maturity. Our Group thereafter has not invested in these financial instruments.

Derivative financial instruments

The derivative financial instruments comprise the following forward foreign exchange contracts during the Track Record Period:

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Assets:			
Strip of TT bullish structure contracts	51	22	—
Liabilities:			
USDCNY linked forward contract	666	—	—

The notional amount of the strip of TT bullish structure contracts varies from US$10,000 to US$250,000. The contract period is one year in general. The amount to be settled by our Group on maturity date depends on the exchange rate of US$ against HK$ on the maturity date. The contracts would knock out when the pre-set conditions occur which are affected by the fluctuation of HK$ against US$.

The USDCNY linked forward contract was entered into by our Group in 2008 with notional amounts of US$250,000/US$500,000 and maturity in 2009. The forward contract is settled on monthly basis throughout the contract period. The amount to be settled/received by our Group depends on the exchange rate of US$ against RMB on the settlement date. The notional amount used for calculating the amount of settlement also depends on the exchange rate of US$/RMB on a particular settlement date. The contract would knock out when the pre-set conditions occur which are affected by the fluctuation of RMB against US$.

As at 31 December 2008 and 2009, the fair value of the derivative financial instruments — asset were approximately HK$0.05 million and HK$0.02 million, respectively and the fair value of the derivative financial instruments — liabilities were approximately HK$0.7 million and Nil, respectively. As at 30 June 2010, all the derivative financial instruments were redeemed upon maturity. Our Group thereafter has not invested in these derivative financial instruments.

As at the Latest Practicable Date, the Directors confirm that our Group has not entered into any hedging or speculative trading activities.

FOREIGN CURRENCY RISK

The Group's exposures to currency risk arise from its overseas sales, which are primarily denominated in US$ which are not the functional currency of the Company and other operating Group companies. Since HK$ is pegged with US$, the Directors consider that the Group's exposure on currency risk is not significant. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CREDIT RISK

The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and delegated a team, which reports to the Board of Directors and is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts.

The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Further quantitative disclosures in respect of the Group's exposure of credit risk arising from trade and other receivables are set out in note 17 to the Accountants' Report set out in Appendix I to this prospectus.

STATEMENT OF INDEBTEDNESS

Our Group had unutilised bank facilities of HK$106.5 million as at 31 December 2008. As at 31 December 2009 and 30 June 2010, our Group had available facilities amounting to HK$676,000 and HK$649,000 respectively, which had been fully utilised while our Group did not have any unutilised bank facilities. The significant drop in available bank facilities subsequent to 31 December 2008 was because the facilities contracts with the banks were not renewed upon expiry after 2008 since the management considered the facilities were no longer necessary for the Group after assessing the Group's cash position required for the Group's operation.

At the close of business on 31 October 2010, being the latest practicable date in relation to this indebtedness statement prior to the printing of this prospectus, our Group had total debt of HK$0.6 million which represented a bank loan only. The bank loan which was secured by certain of our Group's properties and guarantee provided by our directors, Mr. Liu, Mr. Wong and Mr. Lam, was fully repaid in November 2010.

Disclaimers

Save as disclosed above, and apart from intra-group liabilities, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at 31 October 2010.

The Directors confirm that, up to the Latest Practicable Date, there have been no material adverse changes in the Group's indebtedness and contingent liabilities since 31 October 2010.

CAPITAL EXPENDITURE

The following table sets out our capital expenditures during the Track Record Period:

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and machinery	1,043	1,585	482
Intangible asset	—	—	5,575
Total	1,043	1,585	6,057

Our total capital expenditure increased significantly from approximately HK$1.6 million for the year ended 31 December 2009 to approximately HK$6.1 million for the six months ended 30 June 2010. Such increase was primarily due to acquisition of *Tianba* and *Harpo* trademarks from Ling Qiao during June 2010.

Planned capital expenditure

We expect our capital expenditures for each of the two years ending 31 December 2011 and 2012 to be HK$2.8 million for the purchase of new computer hardware and software to implement enterprise resources planning system and other set up expenditures. We intend to finance these capital expenditures primarily through the Listing proceeds.

As we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our production capacities, actual expenditures may differ significantly from our current plans. Our planned capital expenditure projects may also change due to changes in business plans such as potential acquisitions, individual project progress, market conditions and outlook. Further, our ability to obtain sufficient funding for our planned capital expenditure projects in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other jurisdictions in which we operate.

OPERATING LEASE COMMITMENTS

Future minimum rental payable under non-cancellable operating lease in respect of land and buildings are as follows:

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Within one year	197	236	239
Within two and five years	42	31	636
Total	239	267	875

Our Group leases certain properties under operating leases. The leases run for an initial period of one to four years, with options to renew the lease terms at the expiry dates or at days as mutually agreed between our Group and the respective landlords. None of these leases includes any contingent rentals.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, the directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For analysis of related party transactions, please refer to the Accountants' Report to our Group as contained in Appendix I to this prospectus in addition to the other transactions detailed elsewhere in this prospectus.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements save as disclosed under section headed "Operating lease commitments" of the prospectus.

DIVIDEND POLICY

For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, our Group declared dividends of approximately HK$4.2 million, HK$18.4 million and HK$4.2 million respectively to our then shareholders. The payment and the amount of any future dividends will depend on the results of our operations, cash flow, financial condition, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of any future dividends will be subject to our discretion.

Dividends may be paid out of our Group's distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our Group operations. There can be no assurance that our Group will be able to declare or distribute any dividend in the amount set out in any of its plans or at all. Our Group's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Group in the future.

Subject to the factors described above, our Group currently intends to recommend at the next annual shareholders meeting of our Group an annual dividend of approximately 10% to 30% of its net profit available for distribution to Shareholders.

NO INTERRUPTION

The Directors confirm that there was no interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months prior to the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asset Appraisal Limited, an independent property valuer, has valued the property interests of our Group as at 30 November 2010. Texts of its letter, summary of valuation and valuation certificate issued by Asset Appraisal Limited are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation of the net book value of our Group's property interests as at 30 June 2010 with the valuation of such interests as at 30 November 2010 as stated in Appendix III to this prospectus.

	HK$'000
Net book value of the property interests of our Group as at 30 June 2010	4,367
Less: Depreciation for the five months ended 30 November 2010	78
Net book value at 30 November 2010 (unaudited)	4,289
Valuation surplus as at 30 November 2010	6,421
Valuation as at 30 November 2010 as per Appendix III to this prospectus	10,710

NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of our Group attributable to the owners of the Company as if the Placing had taken place on 30 June 2010. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of this hypothetical nature, it may not give a true picture of our financial positions had the Placing been completed on 30 June 2010 or at any future dates.

	Audited combined net tangible assets of our Group attributable to owners of the Company as of 30 June 2010	**Estimated net proceeds from the Placing**	**Unaudited pro forma net tangible assets**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on 42,000,000 Placing Shares at the Placing Price of HK$1.10 per Share	31,458	30,230	61,688	41.1
Based on 42,000,000 Placing Shares at the Placing Price of HK$0.80 per Share	31,458	18,071	49,529	33.0

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as of 30 June 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the owners of the Company of HK$37,033,000 with adjustments for the goodwill and other intangible assets of HK$5,575,000 in aggregate.

(2) The estimated net proceeds from the Placing are based on the Placing Price of HK$0.80 per Placing Share (low end) or HK$1.10 per Placing Share (high end) after deducting the estimated underwriting fees and other related expenses.

(3) The unaudited pro forma net tangible assets per Share is calculated based on 150,000,000 Shares in issue immediately following the completion of the Placing and Capitalisation Issue.

(4) The unaudited pro forma net tangible assets and the unaudited pro forma net tangible assets per Share have not taken into account the special dividend declared for payment to eligible Shareholders amounting to HK$9,896,000, which was paid on 19 November 2010, 2 December 2010, and 14 December 2010. The unaudited pro forma net tangible assets per Share would have been reduced to HK26.4 cents per Share, based on the Placing Price of HK$0.80 per Placing Share, or to HK34.5 cents per Share, based on the Placing Price of HK$1.10 per Placing Share, after taking into account the payment of the special dividend in the sum of HK$9,896,000.

(5) No adjustment has been made to the unaudited pro forma net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2010.

(6) With reference to the valuation of our Group's property interests as at 30 November 2010 conducted by Asset Appraisal Limited, details of the valuation are set out in Appendix III to this prospectus, there was a revaluation surplus of our Group's property interests of approximately HK$6,421,000. Our Group will not incorporate the revaluation surplus in its financial statements as according to our Group's relevant accounting policy, those properties are stated at cost less accumulated depreciation and impairment rather than at revalued amounts. If the valuation surplus was recorded in our Group's financial statements, additional annual depreciation of approximately HK$270,000 would have been incurred.

DISTRIBUTABLE RESERVES

As at 30 June 2010, being the date of our latest audited financial statements, the Company had distributable reserves of approximately HK$37 million available for distribution to the Shareholders.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of our Group since 30 June 2010, being the date to which the latest audited financial statements of our Group were made up.

BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are to consolidate and strengthen our current sourcing business and to develop our PRC Watch Business. We aim to achieve these objectives through the following principal strategies:

Strengthening our current sourcing business capabilities

We believe our Group has set the correct cornerstones upon which our successful sourcing business may grow. We will further develop our capabilities in product designs and development by investing in advanced equipment to meet our customers' needs on more advanced and sophisticated product. We will strengthen our design team and sales and marketing teams by engaging additional staff. We will acquire computer software programs as well as machineries which will help produce for us the advanced technical and engineering drawings, as well as mock-up samples for our new products. We will introduce internal training programs for our existing and new staff so that they will gain a deeper knowledge of our product lines and how to present the features and functionalities of our products to our customers. We will continue sourcing and procuring a bigger pool of reliable and trustworthy suppliers and contract manufacturers for future business expansion.

Cross-selling of our products and broadening our client bases

We excel in identifying our customers' needs and we source and procure the suitable products for them. We have a strong ability in identifying the synergies between different existing products. Our largest customer who is a watch brand owner and has initially placed with us orders for watches only, has also been placing with us orders for display and packaging products for over five years. Another customer, who is also one of our top five customers, initially placed with us orders for watches and watch heads. In 2000, it started to place with us orders for costume jewelries and as our business relationship continued, it has become our largest customer for our costume jewelries. We will further develop on this ability and cross-sell our services and products among customers of our various products. We believe the way to develop this capability is to upgrade the knowledge of our staff members in our design team and sales and marketing teams through our product enhancement induction courses, so that they will understand the business potentials that we may achieve by reminding our customers of their varying needs and by cross-selling different product lines to our customers to meet those needs. We consider our existing three product lines, being watches, costume jewelries and packaging and display products, are complementary to each other. A watch can also be a costume or premium item and display and packaging product can help bring out an item as well as giving it a defined brand image.

It has always been our firm belief that our Group will do better if we are able to identify our customers' needs for them. We also believe that our customers will appreciate us more when we not only source and procure products they asked for but also provide them with product solutions and product enhancement ideas. We are determined to position ourselves as a sourcing business manager of complementing products and to broaden the marketability of our products with enlarged client bases.

In addition, we are exploring co-operation and collaboration opportunities with other prominent consumer product and service providers in the PRC to source and produce for them premium and gift items which may carry their logos for promotion and marketing purpose. We believe this market segment is becoming more significant when the PRC market becomes more and more consumers driven and oriented.

Expanding our PRC Watch Business

The sales network expansion plan for our PRC Watch Business lays down a target of 150 sales points by end of 2011. To implement such an expansion plan, our latest strategy is to launch an average of four new models of watches each month in order to enrich our product range and selection offers to our retail customers. We leverage on our experience in sourcing and procurement of watches and packaging and display for our brand owners to create a niche market in the middle price range of PRC watches focusing on originality in designs, craftsmanship and functionality matching a modern lifestyle.

According to the watch industry report compiled by CSEIRC, "*Tianba*" is amongst the top 5 domestic PRC watch brands in 2009. In terms of sales in value and in volume, *Tianba* watches contributed approximately 2.3% and 2.3% of the sales of the domestic PRC watch brands in the PRC watch market in 2009 respectively. Leveraging on its brand recognition in the market, in addition to expanding our retail sales network, we are seeking distribution channels to sell our "*Tianba*" watches to PRC corporate customers on a bulk basis. We believe this bulk purchase market by PRC corporate customers offer huge potential as it is customary for PRC corporations to give branded or premium products as gifts to their business partners such as customers and suppliers and/or as rewards for their employees' good performance.

Enhancing brand equity of *Tianba* watches in the PRC

We shall continue to strive for product quality in both functionality and new design features to uphold the brand image of *Tianba*. Furthermore, our co-operation and collaboration with other prominent consumer product and service providers mentioned in the previous paragraphs will raise the recognition and image of our brands. Concurrent with the above, we shall continue our direct media marketing campaigns and also explore celebrity sponsorship and endorsement to enhance brand equity of *Tianba*. Our current focus is on enhancing the *Tianba* brand. As at the Latest Practicable Date, we are offering 英雄本色 (Hero series*), 智者本色 (Sage series*), 勇者本色 (Bravery series*), and 名仕本色 (Prestige series*) which cover a wide range of watch wearing. Our strategy is to expand the PRC Watch Business in stages. We do not wish to emphasize promotion of the *Harpo* brand for the foreseeable future as we would like to focus on developing the *Tianba* brand of watches. Once a solid foundation is established in *Tianba*, we shall commence the building of the *Harpo* brand according to the then defined brand image and style.

Enhancing our level of inventory

The Directors consider a small stock of inventory, in particular plastic raw materials and watch movements, may be beneficial to the Group as it could ensure more steady and punctual supply of components at times of business growth, capture the possible business opportunities, and offer more varieties for our potential and existing customers.

IMPLEMENTATION PLANS

In order to adopt the following implementation plans with respect to the Group's operations and to achieve the objectives along with strategies set out in those plans, the Directors have drawn up detailed implementation plans and expected timetable as set out below. The Group's implementation plan is based on certain bases and assumptions as set out in the paragraph headed "Bases and assumptions" below. Given that the Group operates in a dynamic market which is subjected to rapid changes in the macroeconomic environments and consumer preferences in different markets, all of which are difficult to predict or are beyond the Group's control, the plan set out below only reflects the present intentions of the Group and may be adjusted in the future in accordance with changes in market conditions. There is no assurance that the Group's business plans will materialize in accordance with the estimated time frame and that the Group's business plans will be accomplished at all.

The Directors will use their best endeavors to anticipate future changes in the market, take measures and be flexible so that the Group may stay ahead of or react timely and appropriately to such changes.

For the period from the Latest Practicable Date to 30 June 2011

Strengthening our current sourcing business capabilities	● Evaluate the designs of the Group's existing product series ● Commence human resources deployment, including start the recruitment process and staff training ● Purchase of new computer hardware and software to implement enterprise resources planning system ● Establish plan to purchase machinery and advanced equipment for product and design development ● Purchase machinery and advanced equipment for product and design development in the second quarter of year 2011 ● Enhance our Group's corporate profile, in particular to participate in shows, events, exhibitions, and fairs ● Evaluate and update websites for the Group and distribute corporate brochure and marketing materials
Cross-selling of our products and broadening our client bases	● Establish plan to increase product range to capture expanding customer base ● Evaluate and establish plan to improve the effectiveness of the current communication channels with existing customers ● Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions ● Evaluate current product range and enhance product mix ● Study the market trends in the existing markets based on the information gathered from customers feedback, internet, and shows and exhibitions attended
Expanding our PRC Watch Business	● Evaluate current product range and product mix ● Launch an average four new models of watches each month to enrich our product range and maintain market competitiveness

	• Evaluate the performance, including monthly revenue and profitability of each sales network continuously • Update with latest amendments on the regulatory requirements in the PRC continuously • Seek distribution channels to sell our "*Tianba*" watches in the bulk purchase market
Enhancing brand equity of *Tianba* watches in the PRC	• Study the market trends in the existing markets based on the information gathered from customers feedback and survey, internet, market statistics and shows and exhibitions attended • Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions in the PRC • Conduct study on the method of advertisement in multi media, including magazines, newspapers and television broadcasting • Negotiate with the relevant advertisement company in relation to the advertisement events • Organize and launch marketing campaigns including television broadcasting
Enhancing our level of inventory	• Evaluate the level of inventory currently maintained for plastic raw materials and watch movements • Evaluate the level and secure stable supply of key production components and raw materials

For the six months ending 31 December 2011

Strengthening our current sourcing business capabilities	• Strengthen the designs of the Group's existing product series • Recruit additional professional with relevant experience/qualifications and/or supporting staff • Provide training to staff member • Purchase of additional computer hardware and associated software • Implement and maintain the enterprise resources planning system • Purchase additional machinery and advanced equipment for product and design development in the third quarter of year 2011 • Enhance our Group's corporate profile, in particular to participate in shows, events, exhibitions, and fairs • Evaluate and update websites for the Group and distribute corporate brochure and marketing materials
Cross-selling of our products and broadening our client bases	• Increase product range to capture expanding customer base • Strengthen the effectiveness of the current communication channels with existing customers

	• Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions • Expand current product range and enhance product mix • Update with market trends in the existing markets based on the information gathered from customers feedback, internet, and shows and exhibitions attended
Expanding our PRC Watch Business	• Expand current product range and product mix • Launch an average four new models of watches each month to enrich our product range and maintain market competitiveness • Evaluate the performance, including monthly revenue and profitability of each sales network continuously • Strengthen the profitability and monthly revenue of each sales network • Update with latest amendments on the regulatory requirements in the PRC continuously
Enhancing brand equity of *Tianba* watches in the PRC	• Develop distribution channels to sell our "*Tianba*" watches in the bulk purchase market • Update with market trends in the existing markets based on the information gathered from customers feedback and survey, internet, market statistics and shows and exhibitions attended • Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions in the PRC • Conduct study on the method of advertisement in multi media, including magazines, newspapers and television broadcasting • Negotiate with the relevant advertisement company in relation to the advertisement events • Advertising in multi media, including magazines, newspapers and television broadcasting
Enhancing our level of inventory	• Evaluate the level of inventory currently maintained for plastic raw materials and watch movements • Maintain small stock of inventory and secure stable supply of key production components and raw materials

For the six months ending 30 June 2012

Strengthening our current sourcing business capabilities	• Strengthen the designs of the Group's existing product series • Recruit additional professional with relevant experience/qualifications and/or supporting staff • Provide training to staff member • Purchase of additional computer hardware and associated software • Maintain the enterprise resources planning system

	● Purchase additional machinery and advanced equipment for product and design development, if necessary ● Enhance our Group's corporate profile, in particular to participate in shows, events, exhibitions, and fairs ● Evaluate and update websites for the Group and distribute corporate brochure and marketing materials
Cross-selling of our products and broadening our client bases	● Increase product range to capture expanding customer base ● Strengthen the effectiveness of the current communication channels with existing customers ● Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions ● Expand current product range and enhance product mix ● Update with market trends in the existing markets based on the information gathered from customers feedback, internet, and shows and exhibitions attended
Expanding our PRC Watch Business	● Expand current product range and product mix ● Launch an average four new models of watches each month to enrich our product range and maintain market competitiveness ● Evaluate the performance, including monthly revenue and profitability of each sales network continuously ● Strengthen the profitability and monthly revenue of each sales network ● Update with latest amendments on the regulatory requirements in the PRC continuously ● Develop distribution channels to sell our "*Tianba*" watches in the bulk purchase market
Enhancing brand equity of *Tianba* watches in the PRC	● Update with market trends in the existing markets based on the information gathered from customers feedback and survey, internet, market statistics and shows and exhibitions attended ● Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions in the PRC ● Conduct study on the method of advertisement in multi media, including magazines, newspapers and television broadcasting ● Negotiate with the relevant advertisement company in relation to the advertisement events ● Advertising in multi media, including magazines, newspapers and television broadcasting
Enhancing our level of inventory	● Evaluate the level of inventory currently maintained for plastic raw materials and watch movements ● Maintain small stock of inventory and secure stable supply of key production components and raw materials

For the six months ending 31 December 2012

Strengthening our current sourcing business capabilities	● Strengthen the designs of the Group's existing product series ● Recruit additional professional with relevant experience/ qualifications and/or supporting staff ● Provide training to staff member ● Purchase of additional computer hardware and associated software ● Maintain the enterprise resources planning system ● Purchase additional machinery and advanced equipment for product and design development, if necessary ● Enhance our Group's corporate profile, in particular to participate in shows, events, exhibitions, and fairs ● Evaluate and update websites for the Group and distribute corporate brochure and marketing materials
Cross-selling of our products and broadening our client bases	● Increase product range to capture expanding customer base ● Strengthen the effectiveness of the current communication channels with existing customers ● Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions ● Expand current product range and enhance product mix ● Update with market trends in the existing markets based on the information gathered from customers feedback, internet, and shows and exhibitions attended
Expanding our PRC Watch Business	● Expand current product range and product mix ● Launch an average four new models of watches each month to enrich our product range and maintain market competitiveness ● Evaluate the performance, including monthly revenue and profitability of each sales network continuously ● Strengthen the profitability and monthly revenue of each sales network ● Update with latest amendments on the regulatory requirements in the PRC continuously ● Develop distribution channels to sell our "*Tianba*" watches in the bulk purchase market
Enhancing brand equity of *Tianba* watches in the PRC	● Update with market trends in the existing markets based on the information gathered from customers feedback and survey, internet, market statistics and shows and exhibitions attended ● Continued to diversify our customer base leveraging on the information gathered from internet, shows and exhibitions in the PRC ● Conduct study on the method of advertisement in multi media, including magazines, newspapers and television broadcasting

	• Negotiate with the relevant advertisement company in relation to the advertisement events • Advertising in multi media, including magazines, newspapers and television broadcasting
Enhancing our level of inventory	• Evaluate the level of inventory currently maintained for plastic raw materials and watch movements • Maintain small stock of inventory and secure stable supply of key production components and raw materials

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the Group's business objective depends on the following assumptions:

— there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in the Hong Kong, the PRC, or other countries in which the Group operates and intends to operate;

— the Group will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objectives relate;

— there will be no material change in the base or rates of tax in the PRC, Hong Kong or in any other countries in which any member of the Group operates, carries on business, are incorporated, or to which it exports or goods supplied by it are exported or from which it imports or sources supplies;

— the Placing will be completed in accordance with and as described in the section headed "Structure and conditions of the Placing" in this prospectus;

— there will be no material change in interest rates or exchange rates from those currently prevailing;

— the Directors' and key senior management's continued involvement in the development of the Group's existing and new business and the Group will be able to retain its key management and personnel;

— there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group's business and operating activities; and

— the Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

REASONS FOR PLACING AND USE OF PROCEEDS

The Directors believe that the Listing will enhance the Group's profile, strengthen the competitiveness and financial position of the Group, and provide the Group with additional working capital to implement the future plans set out in the paragraphs headed "Business objectives and strategies" and "Implementation plan" above.

The net proceeds from the Placing, after deducting underwriting fees and estimated expenses payable by our Company in connection therewith, are estimated to be approximately HK$24.1 million, assuming the Placing Price of HK$0.95 per Share, being the mid-point of the proposed Placing Price range of HK$0.80 to HK$1.10 per Share. We intend to use such net proceeds as follows:

- Approximately 58.5% of the net proceeds, or approximately HK$14.1 million, for the corporate expansion of our Group, of which:

  (a) approximately HK$5.8 million for exploring new business opportunities in relation to our sourcing business and broadening of client base and variety of product mix by strengthening our Group's management and sales and marketing teams for our sourcing business, including but not limited to additional staff recruitment and training, and participation in various trade fairs, shows and exhibitions;

  (b) approximately HK$3.0 million to strengthen our product design and development capabilities by acquiring new computer hardware and software for product design and development for approximately HK$2.5 million, including but not limited to computer numerical controlled ("CNC") machines, and staff recruitment and training for our design and development team for approximately HK$0.5 million;

  (c) approximately HK$4.0 million for system and efficiency enhancement through investment in internal control and management information system, including but not limited to additional staff recruitment and training, risk and inventory management, implementation of enterprise resources planning system; and

  (d) approximately HK$1.3 million for improving corporate image after the Listing, including but not limited to marketing campaign as well as participating in industry exhibition;

- Approximately 33.2% of the net proceeds, or approximately HK$8.0 million, for expanding our PRC Watch Business, of which:

  (a) approximately HK$4.5 million for strengthening our brand promotional and marketing efforts in the PRC, part of which may, depending on business and market circumstances, be used for promoting and marketing the PRC Watch Business and financing the operations of such activities; and

  (b) approximately HK$3.5 million for the expansion of the Group's operations in the PRC, including office relocation and expansion, staff recruitment, and expansion and enhancement of our sales network;

- The remaining of the net proceeds, or approximately HK$2.0 million, towards working capital and other general corporate purposes.

The implementation of our future plans for the period from the Latest Practicable Date to 31 December 2012 will be funded by net proceeds as follows:

	From Latest Practicable Date to 30 June 2011	Six months ending 31 December 2011	Six months ending 30 June 2012	Six months ending 31 December 2012	Total
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Sourcing and procurement business:					
Exploring new business opportunities and broadening of client base and variety of product mix	1.9	1.9	1.0	1.0	5.8
— *strengthening our current sourcing business capabilities*	*1.3*	*1.3*	*0.6*	*0.6*	*3.8*
— *cross-selling of our products and broadening our client bases*	*0.4*	*0.4*	*0.2*	*0.2*	*1.2*
— *enhancing our level of inventory*	*0.2*	*0.2*	*0.2*	*0.2*	*0.8*
Product design and development	0.8	0.8	0.7	0.7	3.0
— *strengthening our current sourcing business capabilities*	*0.8*	*0.8*	*0.7*	*0.7*	*3.0*
System and efficiency enhancement	1.0	0.9	1.1	1.0	4.0
— *strengthening our current sourcing business capabilities*	*0.7*	*0.7*	*0.9*	*0.8*	*3.1*
— *enhancing our level of inventory*	*0.3*	*0.2*	*0.2*	*0.2*	*0.9*
Corporate image improvement	0.4	0.4	0.3	0.2	1.3
— *cross-selling of our products and broadening our client bases*	*0.4*	*0.4*	*0.3*	*0.2*	*1.3*
Sub-total: Sourcing and procurement business	**4.1**	**4.0**	**3.1**	**2.9**	**14.1**
PRC Watch Business:					
Brand building	1.5	1.5	0.8	0.7	4.5
— *enhancing brand equity of Tianba watches in the PRC*	*1.5*	*1.5*	*0.8*	*0.7*	*4.5*
Expansion of Tianhaiba operations in the PRC	0.8	0.7	1.0	1.0	3.5
— *expanding our PRC Watch Business*	*0.8*	*0.7*	*1.0*	*1.0*	*3.5*
Sub-total: PRC Watch	**2.3**	**2.2**	**1.8**	**1.7**	**8.0**
Total	**6.4**	**6.2**	**4.9**	**4.6**	**22.1**

The balance of approximately HK$2.0 million will be used as general working capital of our Group.

If the Placing Price is set at the high-end or low-end of the proposed Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK$6.1 million. We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

To the extent that the net proceeds of the Placing 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 licensed banks and/or financial institutions in Hong Kong.

SOLE BOOKRUNNER

CIMB Securities (HK) Limited

JOINT LEAD MANAGERS

CIMB Securities (HK) Limited
Gransing Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by way of Placing. The Underwriters have agreed, severally but not jointly, subject to the terms and conditions in the Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Placing Shares.

The Underwriting Agreement is subject to various conditions, which include, but without limitation, (i) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and (ii) the agreement of the Placing Price being entered into on or before the Price Determination Date.

Grounds for termination

The obligations of the Underwriters to subscribe for, or procure subscribers for, the Placing Shares are subject to termination. The Underwriters shall be entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by CIMB (for itself and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "Termination Time") if prior to the Termination Time,

(a) there comes to the notice of the Joint Lead Managers or any of the Underwriters:

(i) any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement or any other provisions of the Underwriting Agreement by any party thereto other than the Underwriters which, in any such cases, is considered, in the sole opinion of CIMB, to be material in the context of the Placing; or

(ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole opinion of CIMB, to be material in the context of the Placing; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole opinion of CIMB, a material omission in the context of the Placing; or

(v) any event, act or omission which gives or is likely to give rise to any liability of our Company and any of our executive Directors and the covenantors under the Underwriting Agreement arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement; or

(vi) any breach by any party to the Underwriting Agreement other than the Underwriters of any provision of the Underwriting Agreement which, in the sole opinion of CIMB, is material; or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the US, BVI, Bermuda, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group which is material to the conditions, business affairs, profits, losses or the financial or trading position of our Group as a whole or otherwise material in the context of the Placing; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any material change in local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the conditions of Hong Kong, the PRC, the US or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in all forms of taxation or exchange control (or the implementation of any exchange control) in BVI, Bermuda, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction which is material to the business of our Group; or

(vi) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US, the European Union (or any member thereof) or any of the jurisdictions in which our Group conducts business on Hong Kong or the PRC which is material to the conditions, business affairs, profits, losses or the financial or trading position of our Group as a whole or otherwise material in the context of the Placing; or

(vii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out,

which, in the sole opinion of CIMB:

(a) is or will be, or is very likely to be adverse, in any material respect, to the business, financial or other condition or prospects of our Group; or

(b) has or will have or is very likely to have a material adverse effect on the success of the Placing or the level of the Placing Shares being applied for or accepted, the distribution of the Placing Shares or the demand or the market price of our Shares following the Listing; or

(c) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Placing as a whole.

For the above purpose:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(b) any normal fluctuations in the Hong Kong, the PRC, the US or international equity securities or other financial markets shall not be construed as events or series of events affecting market conditions referred to above.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Placing Price payable for the Placing Shares in accordance with the terms of the Underwriting Agreement, out of which the Underwriters may pay any sub-underwriting or placing commission in connection with the Placing. The Joint Sponsors will also receive a documentation fee. The aggregate fees, together with the underwriting commission, listing fees, legal and other professional fees, printing, translation and other fees and expenses relating to the Placing, are estimated to be approximately HK$16.0 million, assuming the Placing Price of HK$1.10 per Placing Share, being the high-end of the indicative range of the Placing Price between HK$0.80 to HK$1.10, which will be payable by us.

Undertakings

Pursuant to the Underwriting Agreement, each of our Founding Shareholders and Data Champion has undertaken to and covenanted with our Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters that he/she/it shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

(a) save as provided in Rule 13.18 of the GEM Listing Rules, in the period commencing on the date of this prospectus and ending on the date which is 6 months from the Listing Date (the "First Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the "Relevant Securities");

(b) save as provided in Rule 13.18 of the GEM Listing Rules, during the six-month period commencing on the expiry date of the First Six-Months Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Founding Shareholders and Data Champion taken together, would cease to be the controlling shareholders (as defined in the GEM Listing Rules) of our Company; and

(c) in the event of any such sale, transfer or disposal of the Relevant Securities or any such interest referred to in paragraphs (a) and (b) above, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares.

Pursuant to the Underwriting Agreement, each of our Founding Shareholders and Data Champion has also undertaken to and covenanted with our Company, the Joint Sponsors, the Joint Lead Managers and the Underwriters that during the relevant periods specified in paragraphs (a) and (b) above:

(i) if and when he/she/it or the registered owner pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/she/it must immediately inform our Company, the Joint Sponsors and the Joint

Lead Managers (for themselves and on behalf of the Underwriters) in writing of such pledge and charge, the number of the Relevant Securities so being pledged or charged and other details as required by Rule 17.43(1) to (4) of the GEM Listing Rules; and

(ii) having pledged or charged any interest in the Relevant Securities, if and when he/she/it becomes aware that any pledgee or chargee thereof has disposed of or intends to dispose of such interest in the Relevant Securities, immediately inform our Company in writing of such disposal or such intention of disposal and the number of the Relevant Securities affected.

Our Company has irrevocably and unconditionally undertaken to the Joint Sponsors and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and each of our Founding Shareholders and Data Champion has also irrevocably and unconditionally undertaken to the Joint Sponsors and the Joint Lead Managers (for themselves and on behalf of the Underwriters) to procure our Company, that, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of all the Underwriters) and subject always to the requirements of the Stock Exchange, save for the Placing Shares, the Shares to be issued under the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any consolidation or sub-division of Shares, neither our Company nor any of our subsidiaries from time to time shall:

(a) allot and issue or agree to allot and issue any share in our Company or any of our subsidiaries from time to time or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire any securities of our Company or any of our subsidiaries from time to time during the First Six-Month Period (except to members of our Group);

(b) issue any share or securities in our Company or any of our subsidiaries from time to time or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our subsidiaries from time to time or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares or securities during the six-month period commencing on the expiry date of the First Six-Month Period so as to result in our Founding Shareholders and Data Champion taken together ceasing to be the controlling shareholders (as defined in the GEM Listing Rules) of our Company or our Company ceasing to hold a controlling interest of 30% or more in any subsidiary (within the meaning under Rule 17.27(2) of the GEM Listing Rules) of our Group; or

(c) during the First Six-Month Period purchase any Share or securities of our Company.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Sponsors will receive a documentation fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" in this section above.

We have appointed, before the Listing Date, CIMB as our compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save as disclosed in the preceding paragraphs, none of the Joint Sponsors, the Joint Lead Managers and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Placing.

JOINT SPONSORS' INDEPENDENCE

Each of CIMB and Access Capital satisfies the independence criteria applicable to sponsors as required under Rule 6A.07 of the GEM Listing Rules.

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% transaction levy imposed by the SFC make up the total price payable on subscription. As the Shares will be traded in board lots of 4,000 Shares each, the total amount payable on subscription for each board lot of 4,000 Placing Shares based on the Placing Price of HK$1.10 per Placing Share is HK$4,444.35.

CONDITIONS OF THE PLACING

The Placing will be conditional upon:

- the Stock Exchange granting the listing of, and permission to deal in, on GEM, Shares in issue and to be issued under the Placing and the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme;

- the agreement on the Placing Price between our Company and CIMB (for itself and on behalf of the Underwriters) being entered into on or before the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of a waiver of any condition(s)) and not being terminated in accordance with the terms and conditions of the Underwriting Agreement,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be published by our Company on the GEM website on the next Business Day following such lapse.

THE PLACING

Our Company is offering 42,000,000 Placing Shares at the Placing Price, representing in aggregate 28% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue.

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement and the Placing Price having been fixed by agreement between our Company and CIMB (for itself and on behalf of the Underwriters) on the Price Determination Date). Pursuant to the Placing, it is expected that the Underwriters, on behalf of our Company, will conditionally place the Placing Shares at the Placing Price (plus a 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee) with selected professional and institutional or other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

BASIS OF ALLOCATION

Allocation of Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to buy further Shares or hold or sell their Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid and board shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public shareholders.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

LISTING DATE

Assuming that the Placing becomes unconditional, it is expected that dealings in our Shares on the GEM will commence at 9:30 a.m. (Hong Kong time) on 26 January 2011.

DETERMINATION OF PLACING PRICE

The Placing Price is expected to be fixed by agreement between our Company and CIMB (for itself and on behalf of the Underwriters) on the Price Determination Date, which is currently scheduled to be on or before 18 January 2011. If CIMB (for itself and on behalf of the Underwriters) and our Company are unable to reach agreement on the Placing Price by the Price Determination Date (or such later date as may be agreed by our Company and CIMB (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will lapse.

The Placing Price will not be more than HK$1.10 per Share and is expected to be not less than HK$0.80 per Share unless otherwise announced.

An announcement of the Placing Price and the level of interest for the Placing are expected to be published on the GEM website at *www.hkgem.com* and our Company's website at *www.hklistco.com/8265* on or about 25 January 2011. If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the GEM website at *www.hkgem.com* and our Company's website at *www.hklistco.com/8265* a notice of the change and if applicable the revised date.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Dealings in the Shares on GEM are expected to commence at 9:30 a.m. on Wednesday, 26 January 2011. Shares will be traded in board lots of 4,000 each.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong:

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Telefax: (852) 2815 2239

29 December 2010

The Directors
Powerwell Pacific Holdings Limited
CIMB Securities (HK) Limited
Access Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding Powerwell Pacific Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2008 and 2009 and 30 June 2010, together with explanatory notes thereto (the "Combined Financial Statements"), for inclusion in the prospectus of the Company dated 29 December 2010 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing (the "Placing").

The Company was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") as set out in the section headed "Corporate reorganisation" in Appendix V to the Prospectus, the Company has since 20 December 2010 become the holding company of the subsidiaries now comprising the Group which is principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country/ Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities	Name of the auditors for 2008 and 2009
Interests held directly					
Powerwell Pacific Limited ("Powerwell Pacific")	British Virgin Islands ("BVI") 8 August 2008	800 ordinary shares issued at US$1 each	100%	Investment holding	Not applicable
Good Destination Co., Ltd. ("Good Destination")	BVI 18 September 2000	4 ordinary shares of US$1 each	100%	Investment holding	Not applicable
Goldnet Holdings Group Limited ("Goldnet BVI")	BVI 8 August 2008	100 ordinary shares issued at US$1 each	100%	Investment holding	Not applicable
Goldnet Holdings Group Limited ("Goldnet HK")	Hong Kong 8 October 2009	100 ordinary shares of HK$1 each	100%	Investment holding	Not applicable
Interests held indirectly					
Display & Packaging Limited (formerly known as Display & Packaging.com Limited)	Hong Kong 7 February 2001	300,000 ordinary shares of HK$1 each	100%	Trading of display and packaging materials and products	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
EC Manufacturing Limited	Hong Kong 19 June 1998	10,000 ordinary shares of HK$1 each	100%	Manufacturing of handmade watch sample and supply of watch accessories	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Prestige Corporation Limited	Hong Kong 15 June 2001	10,000 ordinary shares of HK$1 each	100%	Trading of watches and accessories	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
EC (Asia) Limited	Hong Kong 21 February 1995	500,000 ordinary shares of HK$1 each	100%	Trading of watches and accessories	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants

Name	Country/ Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities	Name of the auditors for 2008 and 2009
Ampress Pacific Limited	Hong Kong 22 August 1996	10,000 ordinary shares of HK$1 each	100%	Trading of display and packaging products	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Ampress Packaging Limited	Hong Kong 3 April 1998	100,000 ordinary shares of HK$1 each	90%	Trading of display and packaging products	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Richmind International Investment Limited ("Richmind")	Hong Kong 9 December 1998	100,000 ordinary shares of HK$1 each	100%	Holding of properties	2008: Ken Chan & Co. Certified Public Accountants 2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
EC Pacific Limited	Hong Kong 6 November 2008	500,000 ordinary shares of HK$1 each	100%	Trading of watch and accessories	2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Ampress Merchandising Limited	Hong Kong 6 November 2008	100,000 ordinary shares of HK$1 each	100%	Trading of watches, costume jewelries and accessories	2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Ampress Packaging Asia Limited	Hong Kong 6 November 2008	500,000 ordinary shares of HK$1 each	100%	Trading of display and packaging products	2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
Powerwell Finance Limited	Hong Kong 6 November 2008	500,000 ordinary shares of HK$1 each	100%	Trading of investment	2009: Grant Thornton (now known as JBPB & Co) Certified Public Accountants
深圳市天海霸鐘錶有限公司 (Shenzhen Tianhaiba Watches Company Limited*) ("Tianhaiba")	People's Republic of China ("PRC") 23 June 2009	Renminbi ("RMB") 13,035,000	100%	Sales of watches in the PRC	Not applicable

* Tianhaiba was established on 23 June 2009 as a PRC domestic enterprise and was converted into a wholly foreign-owned enterprise upon acquisition by the Group on 1 February 2010 (note 27).

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statement have been prepared for the Company since the date of its incorporation as it was newly set up and has not been involved in any business transaction other than the Reorganisation.

No audited financial statements have been prepared for the Powerwell Pacific, Good Destination and Goldnet BVI since their respective dates of incorporation as they are incorporated in a country where they are not subject to statutory audit requirements. Audited financial statements have not yet been prepared for Goldnet HK and Tianhaiba since these subsidiaries were newly set up during the Relevant Periods.

The Combined Financial Statements have been prepared by the directors of the Company based on the financial statements of the companies now comprising the Group (the "Underlying Financial Statements") on the basis set out in note 2 to the Combined Financial Statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Combined Financial Statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules").

RESPONSIBILITY

The directors of the respective companies now comprising the Group are responsible for the preparation and true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. The directors of the Company are responsible for the preparation and the true and fair presentation of the Combined Financial Statements in accordance with HKFRSs and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules, and the contents of this Prospectus in which this report is included. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements and the Combined Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our examination, on the Combined Financial Statements and to report our opinion to you.

BASIS OF OPINION

As a basis for forming an opinion on the Combined Financial Statements, we have carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as we consider necessary in accordance with the Auditing Guideline – Prospectuses and the Reporting Accountant (Statement 3.340) issued by HKICPA. For the purpose of this report, all adjustments as we considered necessary have been made to the Combined Financial Statements.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Combined Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, for the purpose of this report, the Combined Financial Statements, prepared on the basis as set out in note 2 to the Combined Financial Statements and in accordance with the accounting policies set out in note 3 to the Combined Financial statements, give a true and fair view of the state of affairs of the Group as at 31 December 2008 and 2009 and 30 June 2010 and of the Group's results and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information including the Group's combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flow for the six months ended 30 June 2009, together with the notes therein (the "Comparative Financial Information") for 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 HKICPA. Our review consists of making enquires, primarily of persons responsible for financial accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information. 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 Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Combined Financial Statements.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December		For the six months ended 30 June	
		2008	2009	2009	2010
		HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*5*	199,128	164,511	78,987	84,214
Cost of sales		(159,658)	(125,907)	(60,721)	(65,118)
Gross profit		39,470	38,604	18,266	19,096
Other income	*5*	1,387	2,657	2,354	646
Selling and distribution expenses		(2,955)	(2,509)	(1,337)	(1,122)
Administrative expenses		(17,240)	(17,517)	(7,818)	(11,069)
Other expenses					
Fair value loss on financial instruments		(4,378)	(63)	(1,108)	—
Others		(2,464)	(310)	(233)	(1,486)
Finance costs	*8*	(209)	(67)	(48)	(17)
Profit before income tax	*7*	13,611	20,795	10,076	6,048
Income tax expense	*9*	(2,223)	(3,229)	(1,851)	(1,434)
Profit/Total comprehensive income for the year/period		11,388	17,566	8,225	4,614
Profit/Total comprehensive income for the year/period attributable to:					
Owners of the Company		10,524	16,498	7,497	4,288
Non-controlling interests		864	1,068	728	326
		11,388	17,566	8,225	4,614
		HK cents	*HK cents*	*HK cents*	*HK cents*
Earnings per share for profit attributable to owners of the Company — Basic	*11*	9.7	15.3	6.9	4.0

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At 30 June
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*13*	6,081	6,372	6,360
Goodwill	*14*	—	—	230
Other intangible assets	*15*	—	—	5,345
		6,081	6,372	11,935
Current assets				
Inventories	*16*	9,208	1,442	13,848
Trade receivables, prepayments and deposits	*17*	25,343	21,614	29,668
Prepaid tax		379	309	379
Amounts due from related parties	*18*	50	547	—
Financial assets at fair value through profit or loss	*19*	11,839	13,983	—
Derivative financial instruments	*20*	51	22	—
Pledged bank deposits	*21*	1,283	—	—
Bank balances and cash	*21*	16,274	15,215	29,797
		64,427	53,132	73,692
Current liabilities				
Trade and other payables	*22*	28,618	18,595	42,995
Dividend payables		—	250	369
Amounts due to directors	*23*	962	—	—
Amounts due to other related parties	*23*	56	—	—
Provision for income tax		887	3,168	4,561
Derivative financial instruments	*20*	666	—	—
Borrowings	*24*	1,475	55	57
		32,664	22,068	47,982
Net current assets		31,763	31,064	25,710
Total assets less current liabilities		37,844	37,436	37,645
Non-current liabilities				
Borrowings	*24*	156	621	592
Net assets		37,688	36,815	37,053
EQUITY				
Share capital	*25*	10	10	16
Reserves	*26*	35,583	35,727	37,017
Equity attributable to the Company's owners		35,593	35,737	37,033
Non-controlling interests		2,095	1,078	20
Total equity		37,688	36,815	37,053

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserve*	Retained profits*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	10	—	—	28,859	28,869	1,566	30,435
Transactions with owners:							
Non-controlling interests arising from formation of a subsidiary	—	—	—	—	—	50	50
Dividend paid *(note 10)*	—	—	—	(3,800)	(3,800)	—	(3,800)
Dividend paid to owners of non-controlling interests *(note 10)*	—	—	—	—	—	(385)	(385)
	—	—	—	(3,800)	(3,800)	(335)	(4,135)
Profit/Total comprehensive income for the year	—	—	—	10,524	10,524	864	11,388
At 31 December 2008 and 1 January 2009	10	—	—	35,583	35,593	2,095	37,688
Transactions with owners:							
Dividend paid *(note 10)*	—	—	—	(16,354)	(16,354)	—	(16,354)
Dividend paid to owners of non-controlling interests *(note 10)*	—	—	—	—	—	(2,085)	(2,085)
	—	—	—	(16,354)	(16,354)	(2,085)	(18,439)
Profit/Total comprehensive income for the year	—	—	—	16,498	16,498	1,068	17,566
At 31 December 2009 and 1 January 2010	10	—	—	35,727	35,737	1,078	36,815
Transactions with owners:							
Dividend paid *(note 10)*	—	—	—	(4,180)	(4,180)	—	(4,180)
Acquisition of non-controlling interests *(note 26)*	—	—	155	—	155	(1,384)	(1,229)
New shares issued *(note 25)*	6	1,027	—	—	1,033	—	1,033
	6	1,027	155	(4,180)	(2,992)	(1,384)	(4,376)
Profit/Total comprehensive income for the period	—	—	—	4,288	4,288	326	4,614
At 30 June 2010	16	1,027	155	35,835	37,033	20	37,053
For the six months ended 30 June 2009 (unaudited)							
At 1 January 2009	10	—	—	35,583	35,593	2,095	37,688
Transactions with owners:							
Dividend paid *(note 10)*	—	—	—	(4,800)	(4,800)	—	(4,800)
Profit/Total comprehensive income for the period	—	—	—	7,497	7,497	728	8,225
Balance at 30 June 2009	10	—	—	38,280	38,290	2,823	41,113

* The total of these balances represents "Reserves" in the combined statements of financial position.

COMBINED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		For the six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities				
Profit before income tax	13,611	20,795	10,076	6,048
Adjustments for:				
Depreciation of property, plant and equipment	1,432	1,207	585	489
Impairment on receivables	1,062	234	233	—
Fair value loss/(gain) on financial instruments	4,378	63	1,108	(501)
(Gain)/Loss on disposal of property, plant and equipment	—	(13)	(13)	3
Write-off of property, plant and equipment	—	38	—	—
Write-down of inventories to net realisable value	—	103	103	—
Interest income	(1,246)	(1,945)	(1,734)	(113)
Finance costs	209	67	48	17
Operating profit before working capital changes	19,446	20,549	10,406	5,943
Decrease/(Increase) in inventories	1,290	7,663	5,101	(12,406)
(Increase)/Decrease in trade receivables, prepayments and deposits	(3,866)	3,495	6,719	(8,001)
(Decrease)/Increase in trade and other payables	(18)	(10,023)	(8,348)	17,463
Decrease in amounts due to directors	—	(962)	(164)	—
Movements in amounts due from/to related parties	113	(553)	(393)	1,747
Cash generated from operations	16,965	20,169	13,321	4,746
Interest paid	(209)	(67)	(48)	(17)
Income tax paid	(2,347)	(878)	(252)	(111)
Net cash generated from operating activities	14,409	19,224	13,021	4,618

		For the year ended 31 December		For the six months ended 30 June	
		2008	2009	2009	2010
		HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from investing activities					
(Increase)/Decrease in pledged bank deposits		(18)	1,283	1,283	—
Purchase of property, plant and equipment		(1,043)	(1,585)	(38)	(469)
Proceeds on disposal of property plant and equipment		—	—	—	2
Net cash (outflow)/inflow arising from acquisition/redemption of financial instruments		(9,839)	(2,844)	5,104	14,506
Acquisition of a subsidiary	*27*	—	—	—	96
Interest received		1,246	1,945	1,734	113
Net cash (used in)/generated from investing activities		(9,654)	(1,201)	8,083	14,248
Cash flows from financing activities					
Issuance of shares		—	—	—	1,033
Acquisition of non-controlling interests		—	—	—	(1,229)
Proceeds from borrowings		—	690	—	—
Repayment of new borrowings		(472)	(344)	(392)	(27)
Dividend paid		(4,185)	(18,189)	(4,800)	(4,061)
Net cash used in financing activities		(4,657)	(17,843)	(5,192)	(4,284)
Net increase in cash and cash equivalents		98	180	15,912	14,582
Cash and cash equivalents at beginning of year/period		14,937	15,035	15,035	15,215
Cash and cash equivalents at end of year/period		15,035	15,215	30,947	29,797
Analysis of balances of cash and cash equivalents					
Cash at banks and in hand		16,274	15,215	30,963	29,797
Bank overdrafts		(1,239)	—	(16)	—
		15,035	15,215	30,947	29,797

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Powerwell Pacific Holdings Limited (the "Company") was incorporated in Bermuda on 14 June 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's principal place of business is located at 19/F, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activity of the Company's subsidiaries (collectively referred to as the "Group") is the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products. It is the Group's business strategy to develop retail business of watches in the PRC and in this connection, the Group acquired Tianhaiba on 1 February 2010 (note 27) and the trademarks of certain watch brands in the PRC on 30 June 2010 (note 15).

2. REORGANISATION AND BASIS OF PRESENTATION

The Group was founded in 1995 by Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter, and Mr. Wong Yu Man, Elias (together, the "Founding Shareholders"). Pursuant to a reorganisation (the "Reorganisation") as described below, the Company has since 20 December 2010 become the holding company of its subsidiaries now comprising the Group. Details of the Reorganisation are summarised below:

(1) On 13 April 2010, Good Destination acquired the non-controlling interests of Display & Packaging Limited at a total cash consideration of HK$200,000. The Group's effective interest in Display & Packaging Limited had afterward increased from 66.7% to 100%.

(2) On 7 May 2010, Good Destination acquired the non-controlling interests of EC Manufacturing Limited at a total cash consideration of HK$2,000. The Group's effective interest in EC Manufacturing Limited had afterward increased from 80% to 100%.

(3) On 16 June 2010, Powerwell Pacific issued 752 shares in aggregate to the Founding Shareholders for cash at US$1 per share. On 20 June 2010, Powerwell Pacific issued 44 shares, representing 5.5% equity interests in Powerwell Pacific, to Ms. Tam Chiu Ming, Tammy ("Ms. Tam") at a total subscription price of HK$1,027,000.

(4) On 22 June 2010, Powerwell Pacific and the non-controlling shareholder of Goldnet BVI transferred their shares, which represent the entire issued capital, in Goldnet BVI to the Founding Shareholders for cash at US$1 per share.

(5) On 23 June 2010, Powerwell Pacific acquired the non-controlling interests of Ampress Packaging Asia Limited from Ms. Tam at a total cash consideration of HK$1,027,000. The Group's effective interest in Ampress Packaging Asia Limited had afterward increased from 90% to 100%.

(6) On 20 September 2010, Good Destination acquired from the Founding Shareholders a total of 10,000 shares, which represent 10% of the issued share capital, of Richmind at a total cash consideration of HK$225,400.

(7) On 16 December 2010, the Founding Shareholders transferred their interests in the Company, which represent the entire issued share capital of the Company of 4 shares of HK$1 each in aggregate, to Data Champion Limited at the consideration of HK$4. Pursuant to a written resolution passed on 20 December 2010, each of the existing issued and unissued shares of HK$1 each in the share capital of the Company was sub-divided into 10 shares of HK$0.10 each (the "Share Sub-division").

(8) On 17 December 2010, the Company acquired from the Founding Shareholders a total of 100 shares, which represent the entire issued share capital, of Goldnet HK for a total cash considerations of HK$100. As at the date of the acquisition, Goldnet HK had 100% equity interests in Tianhaiba which was acquired by Goldnet HK on 1 February 2010 (note 27).

(9) On 20 December 2010, the Company acquired from the Founding Shareholders a total of 4 shares, which represent the entire issued share capital, of Good Destination and a total of 100 shares, which represent the entire issued share capital, of Goldnet BVI and issued to Data Champion Limited 50,000 shares (after the Share Sub-division) as consideration thereof. As at the date of the acquisition, Good Destination had 100% equity interests in Display & Packaging Limited, EC Manufacturing Limited, Prestige Corporation Limited, EC (Asia) Limited, Ampress Pacific Limited and Richmind, and 90% equity interests in Ampress Packaging Limited.

(10) On 20 December 2010, the Company acquired from the Founding Shareholders and Ms. Tam a total of 800 shares, which represent the entire issued share capital, of Powerwell Pacific and issued to Data Champion Limited 49,960 shares (after the Share Sub-division) as consideration thereof. As at the date of the transfer, Powerwell Pacific had 100% equity interests in EC Pacific Limited, Ampress Merchandising Limited, Ampress Packaging Asia Limited and Powerwell Finance Limited.

Immediately after the Reorganisation, the Company has become the holding company of its subsidiaries now comprising the Group and all the shares of the Company was owned by Data Champion Limited, which was owned as to 95.2% by the Founding Shareholders and 4.8% by Ms. Tam.

The Company and its subsidiaries now comprising the Group have been, prior to and immediately after the Reorganisation, under the common control of the Founding Shareholders. For the purpose of management and development of the Group, a verbal agreement was reached among the Founding Shareholders when they first found the Group in 1995 to act together as a single group of shareholders to manage and control the business and operations of the Group on collective basis and the Founding Shareholders make collective decisions in respect of the financial and operating policies of the Group so as to obtain economic benefits from the Group. To achieve this, the Founding Shareholders have agreed that unanimous agreement must be reached among the Founding Shareholders in making decision for the following matters: formation of business plan and change in principal activities, approving annual budget, entering into material contract, acquisition of subsidiary/business, issue of new shares, change in capital structure, fund raising activities including borrowings and obtaining bank facilities, creation of charge or other encumbrance over the assets of operating entities now comprising the Group, listing on any stock exchange, payment of declaration of dividend or other distribution. The Founding Shareholders have been managing and controlling the Group pursuant to the above mechanism. These arrangements were formulated under a written agreement entered into among the Founding Shareholders in August 2010. Through these arrangements, the Founding Shareholders collectively have the power to govern the financial and operating policies of the companies now comprising the Group so as to obtain benefits from their activities.

There has been a continuation of the risks and benefits to the Founding Shareholders, acting together on a collective basis under the above arrangements existed among the Founding Shareholders, before and immediately after the Reorganisation. Accordingly, the financial statements of the Company and its subsidiaries for the Relevant Periods have been accounted for using merger accounting in accordance with the Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*". Under merger accounting, the net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests. The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group transactions and balances have been eliminated on combination. Non-controlling interests represent the interests of outside shareholders not held by the Founding Shareholders in the results and net assets of the Company's subsidiaries, and are presented separately in the combined statement of comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to the Company's owners.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition, whichever was shorter. The combined statements of financial position of the Group as of 31 December 2008 and 2009 and 30 June 2010 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Combined Financial Statements have been prepared in accordance with the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Combined Financial Statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These are the first set of financial statements of the Company and the directors have adopted, in the first time, HKFRSs in preparing these financial statements. For the purpose of preparing this Combined Financial Statements, the Group has adopted all applicable HKFRSs that are effective for the accounting periods beginning on 1 January 2010 throughout the Relevant Periods to the extent require by the HKFRSs.

At the date of this report, the HKICPA has issued certain new or amended HKFRSs that have been issued but are not yet effective, and have not been adopted early by the Group. The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on those new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HK(IFRIC)-Int 19 Extinguishing financial liabilities with equity instruments

The interpretation clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. The directors are currently assessing the possible impact of this interpretation on the Group's results and financial position in the first year of application.

Annual improvements 2010

The HKICPA issued "Improvements to Hong Kong Financial Reporting Standards 2010". Unless otherwise specified, the amendments contained in the improvements are effective for annual periods beginning on or after 1 January 2011. The directors are currently assessing the possible impact of the amendments contained in the improvements on the Group's results and financial position in the first year of application.

HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The HKICPA issued HK Interpretation 5 "*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*" on 29 November 2010 which is effective upon issue. Under this interpretation, an entity is required to classify the liability under a loan agreement as current liability when the loan agreement includes a clause which provides the lender with an unconditional right to demand repayment at any time at its sole discretion. This interpretation would not have a material impact on the Group's or Company's financial statements as the underlying loan agreement of the Group's borrowings amounting to HK$649,000 as at 30 June 2010 does not include terms or conditions which gives the lender the unconditional right to call loan at anytime.

The Combined Financial Statements have been prepared under the historical cost convention except for financial assets and financial liabilities classified as at fair value through profit or loss and derivative financial instruments, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Combined Financial Statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Combined Financial Statements, are disclosed in note 4.

3.2 Basis of consolidation

Subsidiaries (note 3.3) are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Acquisition of subsidiaries is accounted for using the acquisition method of accounting. The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. The cost of acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Transaction costs that the Group incurs in connection with a business combination will be expensed as incurred. If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control.

In addition to measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of original business combination and the share of changes in equity by non-controlling interests since the date of the combination. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a debit balance.

If the Group acquires an additional interest in a non-wholly-owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. If the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3.4 Goodwill

Goodwill arising on the acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirees recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.7). On subsequent disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

3.5 Other intangible asset

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses (note 3.7). Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.7). Depreciation is provided to write off the cost less their residual values, using straight-line method, over their estimated useful lives. Land and buildings classified as finance leases are depreciated over the unexpired term of the leases. Other items are depreciated at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Plant and machinery	20%
Motor vehicles	20%–30%

The assets' residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.7 Impairment of non-financial assets

Goodwill and other intangible assets having indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets including property, plant and equipment and other intangible assets with finite useful life are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.9 Financial assets

Financial assets of the Group are classified into financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives (note 3.12), including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any interest earned on these financial assets. Interest income is recognised in accordance with the Group's policies in note 3.15.

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 are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.11 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and derivatives. They are included in line items in the statement of financial position as borrowings under current or non-current liabilities, derivative financial instruments or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.19). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Derivatives

Derivatives including separated embedded derivatives are measured at fair value (note 3.12).

3.12 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

3.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.14 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.15 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of applicable value-added tax, rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and other income can be measured reliably, revenue and other income is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis by reference to the principal outstanding and the effective interest method.

Freight income is recognised when the relevant services are rendered.

3.16 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease rental payments are charged directly to profit or loss on an accruals basis. Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease.

3.17 Employee benefits

Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiary which operates in PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 Foreign currencies

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the Combined Financial Statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

3.19 Borrowings costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.20 Accounting for income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 reporting date.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilised 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 each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 reporting date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination.

3.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker i.e. the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that bank interest income, interest income and fair value gains/losses arising from financial assets/liabilities and derivative financial instruments, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but investments in financial instruments and tax assets.

3.22 Related parties

For the purposes of this report, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

The Group assesses impairment by evaluating conditions specific to the Group that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of receivables

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgment is required in assessing the ultimate realisation of these receivables which is based on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required.

Inventory valuation method

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would assess realisability of the inventories and the Group may make reference to the ageing analysis of the inventories. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Fair value of financial instruments

The fair values of the financial instruments are determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumption that are mainly based on market conditions existing at the issue date and each reporting date. The valuation model requires the input of subjective assumptions. Changes in subjective input assumptions can materially affect the fair value estimate.

Estimates of current tax and deferred tax

The Group is subject to tax in different tax jurisdictions. Significant judgement and estimates is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

4.2 Critical judgements

Merger accounting

The Reorganisation has been reflected in these financial statements using merger accounting and the management has exercised significant judgement in determining that the subsidiaries now comprising the Group have been under common control of the Founding Shareholders on collective basis as a result of unwritten agreements between those shareholders as described in note 2.

5. REVENUE AND OTHER INCOME

An analysis of the revenue from the Group's principal activities (note 1), which is also the Group's revenue, and other income are as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue				
Sales of goods	197,567	162,831	78,123	83,512
Freight income	1,561	1,680	864	702
	199,128	164,511	78,987	84,214
Other income				
Interest income on financial assets not at fair value through profit or loss — bank interest income	736	121	44	17
Interest income on financial assets at fair value through profit or loss	510	1,824	1,690	96
Total interest income	1,246	1,945	1,734	113
Commission income	103	36	14	—
Exchange gain	—	433	518	23
Fair value gain on financial instruments	—	—	—	501
Gain on disposal of property, plant and equipment	—	13	13	—
Bad debt recovery	20	160	39	9
Sundry income	18	70	36	—
	1,387	2,657	2,354	646
Total income	200,515	167,168	81,341	84,860

During the year ended 31 December 2008, there were three customers, each of whom contributed to 10% or more of the Group's total revenue. Revenue derived from these three customers during the year ended 31 December 2008 amounted to HK$108,283,000, HK$57,276,000 and HK$19,123,000 individually.

During the year ended 31 December 2009, there were three customers, each of whom contributed to 10% or more of the Group's total revenue. Revenue derived from these three customers during the year ended 31 December 2009 amounted to HK$67,160,000, HK$62,134,000 and HK$19,144,000 individually.

During the six months ended 30 June 2010, there were three customers, each of whom contributed to 10% or more of the Group's total revenue. Revenue derived from these three customers during the six months 30 June 2010 amounted to HK$37,703,000, HK$28,443,000 and HK$8,157,000 individually.

During the six months 30 June 2009, there were three customers, each of whom contributed to 10% or more of the Group's total revenue. Revenue derived from these customers during the six months 30 June 2009 amounted to HK$37,195,000, HK$24,815,000 and HK$9,833,000 individually.

6. SEGMENT INFORMATION

The Group is principally engaged in the provision of sourcing and procurement solutions to customers for production of watches, costume jewelries, and display and packaging products ("Sourcing Business") which is identified as a reportable segment, the operating result over which has been regularly reviewed by the executive directors in assessing the performance of the Group and making decision for resource allocation. In respect of Sourcing Business, the Group provides customers with a wide range of sourcing management solutions including product design and product development, raw materials and components sourcing and production outsourcing; and procurement management solutions including quality assurance and control, logistics and delivery handling services. The products are mainly exported to overseas countries.

Pursuant to the Group's strategy to develop retail business of watches in the PRC, the Group acquired Tianhaiba on 1 February 2010 (note 27) and has since March 2010 started the selling of watches under *Tianba* and *Harpo* brands in the PRC with the necessary permission. On 30 June 2010, Tianhaiba entered into agreements with a PRC entity to acquire from the PRC entity the trademarks of *Tianba* and *Harpo* (note 15) and the watch inventories bearing the *Tianba* and *Harpo* brand. Pending the approval process of the relevant government authority in the PRC regarding the transfer of the trademarks, Tianhaiba entered into a trademark licence agreement with the PRC entity on the same date whereby the PRC entity granted to the Group with immediate effect a sole and exclusive right to use the *Tianba* and *Harpo* trademarks. As a result, the Group owns the sole and exclusive right to use the *Tianba* and *Harpo* trademarks and the brand and design of the *Tianba* and *Harpo* watches. Following the acquisition of the *Tianba* and *Harpo* trademarks, the Group has begun to establish the necessary procurement and production facilities and its own retail network for the brands in the PRC. Under this new line of business which is identified as another reportable segment, the Group designs, manufactures and distributes its own brands of watches through its sales points in the PRC (the "PRC Watch Business").

Segment revenue, segment results and segment assets

Information regarding the Group's reportable operating segments including the reconciliations to profit before income tax and total assets is as follows. The operations of the PRC Watch Business commenced during the six months ended 30 June 2010 and thus segment revenue and segment results reported under the two years ended 31 December 2009 entirely relate to the Sourcing Business.

	Sourcing Business	PRC Watch Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2008			
Reportable segment revenue	199,128	—	199,128
Reportable segment profit	16,795	—	16,795
Interest income			1,246
Fair value loss on financial instruments			(4,378)
Corporate income and expenses			(52)
Profit before income tax			13,611
At 31 December 2008			
Reportable segment assets	58,239	—	58,239
Prepaid tax			379
Financial assets at fair value through profit or loss			11,839
Derivative financial instruments			51
Total assets			70,508
Year ended 31 December 2008			
Other information:			
Interest expense	209	—	209
Depreciation of property, plant and equipment	1,432	—	1,432
Impairment on receivables	1,062	—	1,062
Addition to non-current assets	1,043	—	1,043

	Sourcing Business	PRC Watch Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2009			
Reportable segment revenue	164,511	—	164,511
Reportable segment profit	18,953	—	18,953
Interest income			1,945
Fair value loss on financial instruments			(63)
Corporate income and expenses			(40)
Profit before income tax			20,795
At 31 December 2009			
Reportable segment assets	45,190	—	45,190
Prepaid tax			309
Financial assets at fair value through profit or loss			13,983
Derivative financial instruments			22
Total assets			59,504
Year ended 31 December 2009			
Other information:			
Interest expense	67	—	67
Depreciation of property, plant and equipment	1,207	—	1,207
Impairment on receivables	234	—	234
Write-down of inventories to net realisable value	103	—	103
Addition to non-current assets	1,585	—	1,585

	Sourcing Business	PRC Watch Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2010			
Reportable segment revenue	81,575	2,639	84,214
Reportable segment profit/(loss)	8,224	(1,090)	7,134
Interest income			113
Fair value gain on financial instruments			501
Corporate income and expenses			(1,700)
Profit before income tax			6,048
At 30 June 2010			
Reportable segment assets	65,367	19,881	85,248
Prepaid tax			379
Total assets			85,627
Six months ended 30 June 2010			
Other information:			
Interest expense	17	—	17
Depreciation of property, plant and equipment	486	3	489
Addition to non-current assets	426	5,631	6,057

	Sourcing Business	PRC Watch Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2009 (unaudited)			
Reportable segment revenue	78,987	—	78,987
Reportable segment profit	9,460	—	9,460
Interest income			1,734
Fair value loss on financial instruments			(1,108)
Corporate income and expenses			(10)
Profit before income tax			10,076
Six months ended 30 June 2009 (unaudited)			
Other information:			
Interest expense	48	—	48
Depreciation of property, plant and equipment	585	—	585
Impairment on receivables	233	—	233
Write down of inventories to net realiable value	103	—	103
Addition to non-current assets	99	—	99

Notes:

(a) There were no inter-segment sales during the Relevant Periods.

(b) Addition to non-current assets represents additions to property, plant and equipment and intangible assets including those assets arising from/acquired from the acquisition of a subsidiary.

Other than the above, the executive directors regularly review revenue analysis by products, including watches, costume jewelries, and display and packaging materials, which is presented below:

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales of				
— watches	114,399	71,790	28,106	41,408
— display and packaging materials	68,950	73,246	41,089	34,346
— costume jewelries	15,779	19,475	9,792	8,460
	199,128	164,511	78,987	84,214

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile). The Group's revenue by geographical location is determined based on shipment destination instructed by customers. The Group's non-current assets by geographical locations are determined based on physical location of the assets.

Analysis of the Group's revenue and non-current assets by geographical locations are as follows:

	Revenue from external customers				Non-current assets		
	For the year ended 31 December		For the six months ended 30 June		At 31 December		At 30 June
	2008	**2009**	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	27,826	22,806	8,901	9,484	6,081	6,372	6,304
PRC, excluding Hong Kong	—	—	—	2,639	—	—	5,631
USA	91,087	67,315	31,399	35,655	—	—	—
Europe							
— Denmark	39,864	19,014	7,147	11,526	—	—	—
— France	4,912	12,893	7,308	4,411	—	—	—
— Italy	6,092	6,086	3,564	3,041	—	—	—
— Others	15,748	21,254	11,991	9,394	—	—	—
Asia	4,404	7,636	4,348	2,305	—	—	—
Others	9,195	7,507	4,329	5,759	—	—	—
Total	199,128	164,511	78,987	84,214	6,081	6,372	11,935

The Company is an investment holding company incorporated in Bermuda where the Group does not have activities. Since the major operations of the Group are conducted in Hong Kong, Hong Kong is considered as the Group's place of domicile for the disclosure purpose of HKFRS 8.

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditors' remuneration	152	600	300	350
Cost of inventories recognised as expenses^	158,172	125,656	60,558	64,261
Write-down of inventories to net realisable value△	—	103	103	—
Impairment on receivables#	1,062	234	233	—
Depreciation of property, plant and equipment	1,432	1,207	585	489
Exchange loss/(gain)#	1,402	(433)	(518)	(23)
Fair value loss/(gain) on financial instruments#	4,378	63	1,108	(501)
Operating lease charges in respective of land and building	276	262	146	223
Employee benefit expense (including directors' remuneration):				
Salaries, allowances and benefits in kind	10,945	11,398	4,916	7,657
Retirement benefit — defined contribution plans*	532	623	299	233
	11,477	12,021	5,215	7,890
(Gain)/Loss on disposal of property, plant and equipment#	—	(13)	(13)	3
Write-off of property, plant and equipment#	—	38	—	—

^ purchases amounting to HK$8,157,000, HK$5,987,000 and HK$3,035,000 (six months ended 30 June 2009: HK$2,556,000) for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 respectively, were conducted with a PRC entity in which Mr. Yang Yijun, who was appointed as a director of Company on 17 September 2010, has equity interest. The PRC entity mainly carries out watch assembly work for the Group.

included in other income/other expenses on face of the statement of comprehensive income

△ included in cost of inventories recognised as expenses

* no forfeited contributions available for offset against existing contributions during the Relevant Periods

8. FINANCE COSTS

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank loan and overdrafts wholly repayable within five years	209	67	48	17

9. INCOME TAX EXPENSE

	For the year ended 31 December		For the six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax — Hong Kong profits tax				
— charge for the year/period	2,339	3,171	1,793	1,434
— (over)/under provision in prior years	(116)	58	58	—
Total income tax expense	2,223	3,229	1,851	1,434

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the year/period during the Relevant Periods.

The Group acquired a PRC entity, Tianhaiba, on 1 February 2010 which is subject to PRC corporate income tax at the tax rate of 25%. No provision for PRC corporate income tax has been made as Tianhaiba did not generate any taxable profits arising in the PRC during the period from the date of its acquisition to 30 June 2010.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	13,611	20,795	10,076	6,048
Tax on profit at applicable tax rates	2,246	3,431	1,663	904
Tax effect of non-deductible expenses	488	53	8	311
Tax effect of non-taxable income	(233)	(272)	(92)	(110)
Tax effect of utilising unrecognised tax losses	(133)	(55)	(45)	—
Tax effect of tax loss not recognised	18	58	209	317
Tax effect of other temporary differences not recognised	(40)	(22)	33	(6)
(Over)/Under provision in prior years	(116)	58	58	—
Others	(7)	(22)	17	18
Income tax expense for the year/period	2,223	3,229	1,851	1,434

The Group had unrecognised tax losses of HK$443,000, HK$460,000, and HK$542,000 as at 31 December 2008, 31 December 2009 and 30 June 2010 to carry forward against future taxable income and these tax losses do not expire under current legislation. In addition, the Group had unrecognised tax losses arising in the PRC of approximately HK$1,212,000 as at 30 June 2010 which will expire in five years for offsetting against future taxable profit.

10. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Dividends declared and paid by Good Destination and Powerwell Pacific to their then shareholders during the Relevant Periods are summarised as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividends attributable to the year/period				
Interim dividend paid to:				
Owners of the Company	3,800	16,354	4,800	4,180
Owners of non-controlling interests	385	2,085	—	—
	4,185	18,439	4,800	4,180

Dividends declared by Good Destination and Powerwell Pacific after the reporting date amounting to HK$9,896,000 has not been recognised as a liability at the reporting date.

Subsequent to 30 June 2010, Good Destination acquired from the Founding Shareholders a total of 10,000 shares, representing 10% of the issued share capital, of Richmind at a total cash consideration of HK$225,400, which will be accounted for as dividend distribution to owners of the Company.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

11. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit attributable to the owners of the Company for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 amounting to HK$10,524,000, HK$16,498,000 and HK$4,288,000 (six months ended 30 June 2009: HK$7,497,000) respectively, and on the basis of 108,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Further information about our Company" in Appendix V to the Prospectus, throughout the Relevant Periods.

No diluted earnings per share has been presented as there is no outstanding potential ordinary share at each of the reporting dates.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

The aggregate amount of remuneration paid and payable to the current directors of the Company as at the date of this report during the Relevant Periods are as follows:

	Fees	Discretionary bonuses	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Executive directors:					
Liu Tin Chak, Arnold	—	200	300	12	512
Wong Yu Man, Elias	—	200	579	12	791
Lam Chi Wai, Peter	—	200	579	12	791
Yang Yijun	—	—	—	—	—
Independent non-executive directors:					
Cheung Chi Man, Dennis	—	—	—	—	—
Lui Tai Lok	—	—	—	—	—
Yip Kwok Kwan	—	—	—	—	—
	—	600	1,458	36	2,094
Year ended 31 December 2009					
Executive directors:					
Liu Tin Chak, Arnold	—	200	528	22	750
Wong Yu Man, Elias	—	200	589	20	809
Lam Chi Wai, Peter	—	200	589	20	809
Yang Yijun	—	—	—	—	—
Independent non-executive directors:					
Cheung Chi Man, Dennis	—	—	—	—	—
Lui Tai Lok	—	—	—	—	—
Yip Kwok Kwan	—	—	—	—	—
	—	600	1,706	62	2,368
Six months ended 30 June 2010					
Executive directors:					
Liu Tin Chak, Arnold	—	—	279	11	290
Wong Yu Man, Elias	—	—	279	11	290
Lam Chi Wai, Peter	—	—	279	11	290
Yang Yijun	—	—	—	—	—
Independent non-executive directors:					
Cheung Chi Man, Dennis	—	—	—	—	—
Lui Tai Lok	—	—	—	—	—
Yip Kwok Kwan	—	—	—	—	—
	—	—	837	33	870

	Fees	Discretionary bonuses	Salaries, allowances and benefits in kind	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2009 (unaudited)					
Executive directors:					
Liu Tin Chak, Arnold	—	—	211	10	221
Wong Yu Man, Elias	—	—	272	7	279
Lam Chi Wai, Peter	—	—	272	7	279
Yang Yijun	—	—	—	—	—
Independent non-executive directors:					
Cheung Chi Man, Dennis	—	—	—	—	—
Lui Tai Lok	—	—	—	—	—
Yip Kwok Kwan	—	—	—	—	—
	—	—	755	24	779

Five highest paid individuals

The five highest paid individuals consisted of three directors for each of the Relevant Periods, details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining two highest paid individuals for each of the Relevant Periods are as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	1,126	1,144	528	528
Discretionary bonuses	—	—	—	—
Retirement benefits — defined contribution plans	24	24	12	12
Total	1,150	1,168	540	540

The remuneration paid to each of the above non-director individuals for each of the Relevant Periods fell within the following bands:

	Number of individuals			
	For the year ended 31 December		For the six months ended 30 June	
	2008	2009	2009 (unaudited)	2010
Nil–HK$1,000,000	2	2	2	2

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008						
Cost	4,006	972	3,836	3,487	630	12,931
Accumulated depreciation	(527)	(586)	(3,050)	(1,785)	(513)	(6,461)
Net carrying amount	3,479	386	786	1,702	117	6,470
Year ended 31 December 2008						
Opening net carrying amount	3,479	386	786	1,702	117	6,470
Additions	—	—	145	898	—	1,043
Depreciation	(87)	(122)	(334)	(772)	(117)	(1,432)
Closing net carrying amount	3,392	264	597	1,828	—	6,081
At 31 December 2008						
Cost	4,006	608	1,669	3,861	630	10,774
Accumulated depreciation	(614)	(344)	(1,072)	(2,033)	(630)	(4,693)
Net carrying amount	3,392	264	597	1,828	—	6,081
Year ended 31 December 2009						
Opening net carrying amount	3,392	264	597	1,828	—	6,081
Additions	1,150	17	397	21	—	1,585
Depreciation	(116)	(91)	(250)	(750)	—	(1,207)
Disposal	—	—	(49)	—	—	(49)
Write-off	—	(36)	(2)	—	—	(38)
Closing net carrying amount	4,426	154	693	1,099	—	6,372

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009						
Cost	5,156	368	1,396	3,882	630	11,432
Accumulated depreciation	(730)	(214)	(703)	(2,783)	(630)	(5,060)
Net carrying amount	4,426	154	693	1,099	—	6,372
Six months ended 30 June 2010						
Opening net carrying amount	4,426	154	693	1,099	—	6,372
Addition	—	96	373	—	—	469
Acquisition of a subsidiary *(note 27)*	—	—	13	—	—	13
Depreciation	(59)	(41)	(139)	(250)	—	(489)
Disposal	—	—	(5)	—	—	(5)
Closing net carrying amount	4,367	209	935	849	—	6,360
At 30 June 2010						
Cost	5,156	464	1,775	3,882	630	11,907
Accumulated depreciation	(789)	(255)	(840)	(3,033)	(630)	(5,547)
Net carrying amount	4,367	209	935	849	—	6,360

The Group's interests in land and buildings are located in Hong Kong and are held under medium-term leases.

Certain properties with carrying amount of HK$2,641,000, HK$2,430,000 and HK$3,087,000 as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively were pledged to secure the bank borrowings of the Group (note 24).

14. GOODWILL

	HK$'000
Six months ended 30 June 2010	
Opening net carrying amount	—
Acquisition of a subsidiary	230
Closing net carrying amount	230
At 30 June 2010	
Cost	230
Accumulated impairment	—
Net carrying amount	230

Goodwill arises from the acquisition of Tianhaiba on 1 February 2010 (note 27) and is allocated to the PRC Watch Business, which has just commenced during the six months ended 30 June 2010.

The goodwill is tested for impairment as at 30 June 2010 based on value in use calculation using cash flow projection and no impairment is being identified. The cash flow projection is based on the forecast approved by the directors covering a period of 5 years and the discount rate applied to the cash flow projection is 14%, which reflects specific risk relating to the PRC Watch Business. Growth rate used in the projection is 7% which reflects the long-term average growth rate of the PRC Watch Business.

15. OTHER INTANGIBLE ASSETS

	Trademarks
	HK$'000
Six months ended 30 June 2010	
Opening net carrying amount	—
Addition	5,345
Closing net carrying amount	5,345
At 30 June 2010	
Cost	5,345
Accumulated amortisation/impairment	—
Net carrying amount	5,345

On 30 June 2010, Tianhaiba entered into an agreement with a PRC entity to acquire from the PRC entity the *Tianba* and *Harpo* trademarks at a total cash consideration of RMB4,700,000 (equivalent to approximately HK$5,345,000). The PRC entity is owned by the brother of a current director, Mr. Yang Yijun. Pending the approval process of the relevant government authority in the PRC regarding the transfer of the trademarks, Tianhaiba entered into a trademark licence agreement with the PRC entity on the same date whereby the PRC entity granted to the Group with immediate effect a sole and exclusive right to use the *Tianba* and *Harpo* trademarks. The directors consider these trademarks having indefinite useful lives as there is no foreseeable limit on the period of time over which the trademarks in watch industry is expected to provide cash flows. These trademarks can be renewable in a period of time at minimal cost and the products are continuing in the market.

As at the date of the report, the legal procedures for transferring the trademarks to the Group are still in progress. As assessed by the directors, the outstanding procedures are customary and nothing has come to their attention that would hinder the completion of the transfer. Taking into account the advice from the Company's PRC legal advisor, the directors are of the opinion that the Group is able to generate economic benefit from the *Tianba* and *Harpo* trademarks since the signing of the trademark licence agreement on 30 June 2010, even if the transfer of the two trademarks shall not be approved by the relevant government authority.

16. INVENTORIES

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	3,707	1,132	5,685
Finished goods	5,501	310	8,163
	9,208	1,442	13,848

As at 30 June 2010, finished goods with carrying amount of HK$5,492,000 were acquired from the PRC entity as mentioned in note 15 on 30 June 2010.

17. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	24,665	21,060	24,847
Less: provision for impairment	(979)	(1,029)	(1,020)
Trade receivables, net	23,686	20,031	23,827
Prepayments and deposits	1,657	1,583	5,841
	25,343	21,614	29,668

The Group normally allows credit period of 45 to 60 days to its major customers. Credit period is normally not granted to other customers.

The ageing analysis (based on due date) of the Group's trade receivables at the reporting date is as follows:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Not past due	19,340	17,225	20,435
1–30 days past due	3,412	2,321	3,149
31–60 days past due	362	328	168
61–90 days past due	386	83	31
Over 90 days past due	1,165	1,103	1,064
	24,665	21,060	24,847

The movement in the provision for impairment of trade receivables is as follows:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year/period	20	979	1,029
Bad debt recovery	(20)	(160)	(9)
Impairment loss recognised	979	234	—
Amount written-off	—	(24)	—
Balance at the end of the year/period	979	1,029	1,020

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The Group identified impairment loss on trade receivables amounting to HK$979,000, HK$1,029,000 and HK$1,020,000 as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively. The impaired trade receivables were due from customers experiencing financial difficulties that were in default or delinquency of payments and impairment provision amounting to HK$979,000, HK$1,029,000 and HK$1,020,000 as at 31 December 2008, 31 December 2009 and 30 June 2010, respectively, were made. The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis (based on due date) of the Group's trade receivables that were past due at the reporting date but are not considered as impaired is as follows:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Not past due	19,340	17,225	20,435
1–30 days past due	3,412	2,321	3,149
31–60 days past due	362	328	168
61–90 days past due	386	83	31
Over 90 days past due	186	74	44
	23,686	20,031	23,827

Trade receivables that were not yet past due and that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The directors consider that the carrying amounts of trade receivables approximate their fair values.

18. AMOUNTS DUE FROM RELATED PARTIES

Details of the amounts due from the related parties are as follows:

	Maximum amount outstanding during the year/ period	Opening outstanding balance	Closing outstanding balance
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2008			
Owner of non-controlling interests *(note (a))*	50	—	50
Year ended 31 December 2009			
Directors			
Liu Tin Chak, Arnold	38	—	38
Wong Yu Man, Elias	151	—	151
Lam Chi Wai, Peter	111	—	111
Other related parties			
Owner of non-controlling interests *(note (a))*	50	50	—
Hana Time (Asia) Limited *(note (b))*	366	—	247
		50	547
Six months ended 30 June 2010			
Directors			
Liu Tin Chak, Arnold	38	38	—
Wong Yu Man, Elias	151	151	—
Lam Chi Wai, Peter	111	111	—
Other related parties			
Hana Time (Asia) Limited *(note (b))*	247	247	—
		547	—

Notes:

(a) The related party is Ms. Tam who was the then owner of the non-controlling interests of a subsidiary, Ampress Packaging Asia Limited.

(b) The director, Mr. Lam Chi Wai, Peter, is connected to this related company.

The above balances due were unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Equity-linked notes	2,290	—	—
Dual currency investments	9,549	13,983	—
	11,839	13,983	—

The equity-linked notes were entered into by the Group in 2007 with notional amount of US$100,000/US$200,000 and maturity in 2009. The notes bear interest which is determined based on the market prices of the underlying shares on settlement date and it could be nil. The notes are to be settled either by cash or by delivery of the underlying shares, depending on the market prices of the underlying shares at maturity date. The notes are subject to early redemption by the counterparties when the market prices of the underlying shares rise/fall to pre-determined price levels on the respective determination dates.

Details about the dual currency investments are as follows:

	At 31 December 2008		At 31 December 2009	
	One AUD contract	*Two CAD contracts*	*One US$ contract*	*Two CAD contracts*
Notional amount per contract				
Australian Dollar ("AUD"/"A$")	540,000	—	—	—
Canadian Dollar ("CAD"/"C$")	—	518,000	—	334,000/ 1,066,000
United State Dollars ("US$")	—	—	505,000	—
Currency pair (principal currency/alternative currency)	AUD/US$	CAD/US$	US$/AUD	CAD/AUD
Contract period	December 2008 to January 2009	December 2008 to January 2009	December 2009 to January 2010	December 2009 to January 2010
Interest rate	6.0% p.a.	6.2%–8.0% p.a.	4.0% p.a.	4.0% p.a.
Redemption amount	A$560,464/ US$392,325	Contract 1 C$521,797/ US$464,645	US$506,710/ A$576,331	Contract 1 C$334,986/ A$ 353,622
		Contract 2 C$520,956/ US$469,330		Contract 2 C$1,070,406/ A$1,128,287
Fair value at year end *(HK$'000)*	2,983	6,566	3,886	10,097

The dual currency investments are to be settled either in principal currency or the alternative currency at pre-determined amount, depending on the exchange rate of the currencies prevailing at the redemption date.

The equity-linked notes and dual currency investments are stated at fair values which are measured as described in note 32.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise the following forward foreign exchange contracts:

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Assets:			
Strip of TT bullish structure contracts	51	22	—
Liabilities:			
USDCNY linked forward contract	666	—	—

The notional amount of the strip of TT bullish structure contracts varies from US$10,000 to US$250,000. The contract period is one year in general. The amount to be settled by the Group on maturity date depends on the exchange rate of US$ against HK$ on the maturity date. The contracts would knock out when the pre-set conditions occur which are affected by the fluctuation of HK$ against US$.

The USDCNY linked forward contract was entered into by the Group in 2008 with notional amounts of US$250,000/ US$500,000 and maturity in 2009. The forward contract is settled on monthly basis throughout the contract period. The amount to be settled/received by the Group depends on the exchange rate of US$ against RMB on the settlement date. The notional amount used for calculating the amount of settlement also depends on the exchange rate of US$/RMB on a particular settlement date. The contract would knock out when the pre-set conditions occur which are affected by the fluctuation of RMB against US$.

The derivative financial instruments are stated at fair value which is measured as described in note 32.

21. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	17,557	15,215	29,797
Less: Pledged bank deposits	(1,283)	—	—
	16,274	15,215	29,797

Pledged bank deposits represent the Group's bank deposits pledged to secure for its bank facilities (note 24).

Cash at banks earns interest at floating rates based on daily bank deposit rate. The bank deposits as at 31 December 2008 earned interest at 0.13%–3% per annum and had a maturity period of one month or less in general.

Included in bank and cash balances of the Group is a balance of HK$5,952,000 as at 30 June 2010 which is denominated in RMB. RMB is not a freely convertible currency.

22. TRADE AND OTHER PAYABLES

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(note (a))*	26,245	15,686	23,569
Other payables and accruals *(note (b))*	1,324	1,876	17,442
Deposits received	1,049	1,033	1,984
	28,618	18,595	42,995

Notes:

(a) The ageing analysis (based on due date) of the trade payables of the Group as at 31 December 2008, 31 December 2009 and 30 June 2010 is as follows:

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Not past due	8,477	5,777	14,243
0–30 days past due	8,499	5,712	6,509
31–60 days past due	6,602	3,751	2,382
61–90 days past due	1,407	100	61
Over 90 days past due	1,260	346	374
	26,245	15,686	23,569

Included in trade payables was an amount of HK$1,288,000, HK$861,000 and HK$607,000 respectively as at 31 December 2008, 31 December 2009 and 30 June 2010, which was due to a PRC entity in which Mr. Yang Yijun, a current director of the Company, has equity interest.

(b) Other payables and accruals as at 30 June 2010 include (i) an amount of approximately HK$11,800,000 which arises from the acquisition of the *Tianba* and *Harpo* trademarks (note 15) and the watch inventories bearing the *Tianba* and *Harpo* brands (note 16); and (ii) an amount of HK$1,200,000 due to Mr. Yang Yijun which is settled as at the date of this report.

(c) The directors consider that the carrying amounts of trade and other payables approximate their fair values.

23. AMOUNTS DUE TO DIRECTORS/ OTHER RELATED PARTIES

The amounts due were unsecured, interest free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

24. BORROWINGS

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current			
Bank loans *(note (a))*	218	55	57
Bank overdrafts *(note (a))*	1,239	—	—
Finance lease liabilities *(note (b))*	18	—	—
	1,475	55	57
Non-current			
Bank loans *(note (a))*	112	621	592
Finance lease liabilities *(note (b))*	44	—	—
	156	621	592
Total borrowings	1,631	676	649
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year	1,457	55	57
In the second year	112	58	59
In the third to fifth year	—	193	198
After the fifth year	—	370	335
	1,569	676	649
Finance lease liabilities repayable:			
Within one year	18	—	—
In second year	44	—	—
	62	—	—
	1,631	676	649

Notes:

(a) Bank loans and overdrafts are denominated in HK$ and are secured by the following:

(i) Charges on certain properties of the Group with carrying amount of HK$2,641,000, HK$2,430,000 and HK$3,087,000 as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively;

(ii) The Group's bank deposits amounting to HK$1,283,000 as at 31 December 2008;

(iii) Guarantees by the directors; and

(iv) Corporate guarantees from certain group entities.

(b) The Group leases certain of its office equipment and these leases are classified as finance leases having remaining lease terms ranging from six to sixty months. The total future lease payments under finance leases and their present values were as follows:

	At 31 December 2008	At 31 December 2009	At 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*
Total minimum lease payments			
Due within one year	18	—	—
Due in the second year	18	—	—
Due in the third to fifth years, inclusive	26	—	—
	62	—	—
Less: future finance charges on finance leases	—	—	—
Present value of finance lease liabilities	62	—	—
Present value of finance lease liabilities			
Due within one year	18	—	—
Due in the second year	18	—	—
Due in the third to fifth years, inclusive	26	—	—
	62	—	—
Less: current portion due within one year included under current liabilities	(18)	—	—
	44	—	—

(c) Other information about the borrowings:

The annual effective interest rates at the reporting date were as follows:

		At 31 December 2008	At 31 December 2009	At 30 June 2010
Bank loans	Floating	3.75%–4.75%	3.58%–5.33%	4.81%–5.50%
Bank overdrafts	Floating	13%	—	—

The directors estimate the fair values of the non-current borrowings by discounting their expected cash flows at the market rates of comparable financial instruments. The directors consider that the carrying amounts of the Group's current and non-current borrowings approximate their fair values at each of the reporting dates.

25. SHARE CAPITAL

Group

For the purpose of this report, the share capital of the Group as at 31 December 2008 represented the aggregate amount of the share capital of Powerwell Pacific and Good Destination, as well as the capital of Richmind contributed by the Founding Shareholders amounting to HK$10,000.

The share capital of the Group as at 31 December 2009 represented the aggregate amount of the share capital of Powerwell Pacific, Good Destination and Goldnet HK, as well as the capital of Richmind contributed by the Founding Shareholders amounting to HK$10,000.

The share capital of the Group as at 30 June 2010 represented the aggregate amount of the share capital of Powerwell Pacific, Good Destination, Goldnet HK and Goldnet BVI, as well as the capital of Richmind contributed by the Founding Shareholders amounting to HK$10,000.

During the six months ended 30 June 2010, Powerwell Pacific issued 752 new shares of US$1 each to the Founding Shareholders at the consideration of US$1 each and issued 44 new shares of US$1 each to Ms. Tam at a total subscription price of HK$1,027,000 (note 2). Accordingly, the share capital and the share premium of the Group have increased by HK$6,000 and HK$1,027,000 respectively, during the six months ended 30 June 2010.

Company

The Company was incorporated on 14 June 2010 with authorised share capital of HK$100,000 divided into 100,000 shares of HK$1 each, 4 shares of which were issued nil-paid on 9 July 2010.

By a written resolution of the Company dated 20 December 2010, each of the existing issued and unissued shares of HK$1 each in the share capital of the Company was subdivided into 10 shares of HK$0.10 each.

On 20 December 2010, an aggregate of 50,000 shares were alloted and issued, credited as fully paid, to Data Champion Limited as consideration for the acquisition of the entire issued share capital of Good Destination and Goldnet BVI from the Founding Shareholders.

On 20 December 2010, an aggregate of 49,960 shares were alloted and issued, credited as fully paid, to Data Champion Limited as consideration for the acquisition of the entire issued share capital of Powerwell Pacific from the Founding Shareholders and Ms. Tam.

26. RESERVES

Share premium represents the excess of consideration received over the nominal value of shares allotted.

Capital reserve represents the difference between the consideration paid and the share of the net assets acquired (at book value) in respect of the acquisition of non-controlling interests. Capital reserve as at 30 June 2010 arose from the acquisition of 33.3% equity interests in Display & Packaging Limited, the acquisition of 20% equity interests in EC Manufacturing Limited and the acquisition of the 10% equity interests in Ampress Packaging Asia Limited as mentioned in note 2.

27. BUSINESS COMBINATION

On 1 February 2010, Goldnet HK acquired from two parties the entire registered capital of Tianhaiba at a cash consideration of RMB1,000,000 (the "Acquisition"); one of the parties is Mr. Yang Yijun who was appointed as a director of the Company on 17 September 2010. Tianhaiba was established on 23 June 2009 by the two parties as a PRC domestic enterprise with paid-up registered capital of RMB1,000,000. As at the date of the Acquisition, Tianhaiba was engaged in trading of watches.

The fair value of the identifiable assets and liabilities of Tianhaiba as at the date of the Acquisition and the corresponding carrying amounts immediately before the Acquisition are as follows:

	Carrying amount	Fair value
	HK$'000	*HK$'000*
Property, plant and equipment	13	13
Trade and other receivables	39	39
Cash and bank balances	1,238	1,238
Other assets	14	14
Payables and accruals	(392)	(392)
Net assets acquired	912	912
Goodwill *(note 14)*		230
Purchase consideration		1,142
Purchase consideration is satisfied by:		
Cash		1,142
Net cash inflow arising on the Acquisition:		
Cash consideration		(1,142)
Bank balances and cash acquired		1,238
		96

The Acquisition of Tianhaiba is for the development of the Group's retail business of watches in the PRC and the goodwill arising from the Acquisition is attributable to the knowledge and experience of Tianhaiba's management which is valuable to the development and expansion of the PRC Watch Business. After the Acquisition, the Group has started the selling of watches under *Tianba* and *Harpo* brands in the PRC with the necessary permission. Revenue generated by Tianhaiba since the date of its Acquisition up to 30 June 2010 amounted to HK$2,639,000 and it incurred operating losses of HK$1,090,000 during that period. Tianhaiba did not have significant contribution to the Group's revenue and results for the six months ended 30 June 2010 or for the period since the date of its Acquisition up to 30 June 2010. The cost of the Acquisition is immaterial.

28. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this report, the Group carried out the following transactions with its related parties during the Relevant Periods:

		For the year ended 31 December		For the six months ended 30 June	
	Nature of transaction	**2008**	**2009**	**2009**	**2010**
		HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
AX Distribution	Management fee paid	48	—	—	—
Hana Time (Asia) Limited	Sales of goods	2,728	1,721	546	481

The directors, Mr. Liu Tin Chak, Arnold and Mr. Lam Chi Wai, Peter have direct interests in AX Distribution.

The directors of the Company are of the opinion that sales of goods to Hana Time (Asia) Limited, a company which was 75% held by a close family member of Mr. Lam Chi Wai, a director, were conducted on normal commercial terms and in the ordinary course of business. The Group has discontinued the transactions with Hana Time (Asia) Limited since April 2010.

Remuneration paid to the Company's directors as disclosed in note 12 represents remuneration to key management personnel.

29. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, the Group disposed of office equipment with carrying amount of HK$49,000, which were held under finance lease, to the lessor at a consideration of HK$62,000. The consideration was offset against the outstanding amount of finance lease liability of HK$62,000.

30. OPERATING LEASE COMMITMENTS

Future minimum rental payable under non-cancellable operating lease in respect of land and buildings are as follows:

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	197	236	239
Within two and five years	42	31	636
	239	267	875

The Group leases certain properties under operating leases. The leases run for an initial period of one to four years, with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risk (mainly foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the combined statements of financial position at the reporting date may also be categorised as follows (see notes 3.9, 3.11 and 3.12 for explanations on how the category of financial instruments affects their subsequent measurement):

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables:			
Trade receivables	23,686	20,031	23,827
Amounts due from related parties	50	547	—
Pledged bank deposits	1,283	—	—
Bank balances and cash	16,274	15,215	29,797
	41,293	35,793	53,624

	At 31 December		At 30 June
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss:			
Designated	11,839	13,983	—
Derivative financial instruments held for trading	51	22	—
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	27,569	17,562	41,011
Dividend payables	—	250	369
Amounts due to directors	962	—	—
Amounts due to other related parties	56	—	—
Borrowings	1,631	676	649
	30,218	18,488	42,029
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments held for trading	666	—	—

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales, which are primarily denominated in US$ which are not the functional currency of the Company and other operating group entities. Since HK$ is linked to US$, the directors consider that the Group's exposure on currency risk is not significant.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Group is also exposed to exchange risk arising from its investments in dual currency contracts (see note 19) and forward foreign exchange contracts (see note 20). Dual currency contracts are subject to fluctuation in exchange rate of the primary and the alternative currencies underlying each contract. The cash flow effect in respect of the contracts is affected by the exchange rate of the primary and the alternative currencies prevailing on the redemption date. Forward foreign exchange contracts are subject to fluctuation in exchange rates of the currencies underlying each contract.

The following table illustrates the sensitivity of the Group's profit for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, and other components of equity at that dates due to a possible change in the underlying exchange rate of each of the dual currency contracts and forward contracts, with effect from the beginning of the year/period.

	For the year ended 31 December		For the six months ended 30 June	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Increase/(Decrease) in profit for the year/period and retained profits				
The AUD contract				
+ 10%	298	—	—	—
– 10%	(298)	—	—	—
The CAD contracts				
+ 10%	657	1,010	221	—
– 10%	(657)	(1,010)	(221)	—
The US$ contract				
+ 10%	—	391	—	—
– 10%	—	(391)	—	—
Strip of TT bullish structure contracts				
+ 10%	61	—	2	—
– 10%	(61)	—	(2)	—
USDCNY linked forward contract				
+ 10%	229	—	277	—
– 10%	(229)	—	(277)	—

The assumed changes in exchange rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in exchange rates over the next twelve month period.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings which are arranged at floating interest rates. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise. The interest rate and repayment terms of the bank borrowings outstanding at the reporting date are disclosed in note 24.

The following table illustrates the sensitivity of the Group's profit for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, and other components of equity at that dates due to a possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	For the year ended 31 December		**For the six months ended 30 June**	
	2008	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Increase/(Decrease) in profit for the year/ period and retained profits				
Increase/Decrease in basis points ("bp")				
+ 50 bp	(8)	(3)	(2)	(2)
– 50 bp	8	3	2	2

The above sensitivity analysis is prepared based on the assumption that the borrowings as at reporting dates existed throughout the whole respective financial year/period.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

Equity price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity price change arising from its investments in equity-linked notes (see note 19). The equity-linked notes are subject to changes in market prices of the underlying shares.

The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factor affecting the value of these notes. The policies to manage price risk have been followed by the Group during the year and are considered to be effective.

In respect of the year ended 31 December 2008, it is estimated that a general increase/decrease of 10% in the market prices of the underlying shares of the equity-linked notes, provided that all other variables including the volatility and time factor were held constant, would increase/decrease the net profit for the year ended 31 December 2008 and the equity as at that date by approximately HK$229,000. The assumed volatilities of the underlying investments represent management's assessment of a reasonably possible change in their market prices over the next twelve months.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount of these financial assets at the reporting dates.

The Group's policy to manage credit risk is to deal only with credit worthy counterparties. In order to minimise the credit risk, the management of the Group has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Credit risk on liquid funds and financial instruments is limited because the counterparties are reputable banks.

The credit policies have been followed by the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

See note 17 for further details of the Group's exposures to credit risk on trade receivables.

As at 31 December 2008, 31 December 2009 and 30 June 2010, approximately 86%, 95% and 82%, respectively, of the Group's trade receivables were due from certain customers, the sales to each of whom accounted for more than 10% of the Group's revenue during each of the Relevant Periods. The Group has been actively seeking new customers to reduce the risk of over-reliance on those customers.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the Relevant Periods and considered by the directors to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2008, 31 December 2009 and 30 June 2010. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	At 31 December 2008					
	On demand	Within one year	In one to two years	In two to five years	Total undiscounted amount	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	2,897	24,672	—	—	27,569	27,569
Amounts due to directors	962	—	—	—	962	962
Amounts due to other related parties	56	—	—	—	56	56
Borrowings	1,239	245	130	26	1,640	1,631
	5,154	24,917	130	26	30,227	30,218
Derivative financial liabilities						
Net settled forward foreign exchange contracts	—	666	—	—	666	666

	At 31 December 2009					
	On demand	Within one year	In two to five years	After five years	Total undiscounted amount	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	—	17,562	—	—	17,562	17,562
Dividend payables	250	—	—	—	250	250
Borrowings	—	88	281	417	786	676
	250	17,650	281	417	18,598	18,488

	At 30 June 2010					
	On demand	Within one year	In two to five years	After five years	Total undiscounted amount	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	—	41,011	—	—	41,011	41,011
Dividend payables	369	—	—	—	369	369
Borrowings	—	88	263	400	751	649
	369	41,099	263	400	42,131	42,029

32. FAIR VALUE MEASUREMENTS

The fair values of the Group's current financial assets and liabilities at amortised cost are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair value of the non-current financial liabilities closely approximates its carrying amount.

The Group adopted the amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* which is effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has early adopted the amendments to HKFRS 1 *First-time Adopters of Hong Kong Finance Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: 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 form prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2008		
	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Equity-linked notes	—	2,290	—
Dual currency investments	—	9,549	—
Strip of TT bullish structure contracts	—	51	—
Financial liabilities			
Forward foreign exchange contracts	—	666	—

	At 31 December 2009		
	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Dual currency investments	—	13,983	—
Forward foreign exchange contracts	—	22	—

There have been no significant transfers between levels 1 and 2 in the reporting period.

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market prices of equity securities, market currency and interest rates (Level 2). Valuation techniques mainly include forward pricing and swap models using present value calculations and other discounted cash flow calculations.

33. CAPITAL MANAGEMENT

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

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In other to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

	At 31 December		At 30 June
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Borrowings	1,631	676	649
Equity	37,688	36,815	37,053
Gearing ratio	4.3%	1.8%	1.8%

In the opinion of the directors, the Group's gearing ratio is maintained at a healthy level.

34. NET ASSETS OF THE COMPANY

The Company was incorporated on 14 June 2010. As at 31 December 2008, 31 December 2009 and 30 June 2010, the Company had no asset and liability. Pursuant to the Reorganisation, the Company has since 20 December 2010 become the holding company of the subsidiaries now comprising the Group. Had the Reorganisation been completed on 30 June 2010, the net assets of the Company as at 30 June 2010 would have been approximately HK$37,053,000, representing its interests in the subsidiaries.

35. SUBSEQUENT EVENTS

Pursuant to a shareholder resolution passed on 22 December 2010, and subject to the same conditions to the Placing as set out in the section headed "Structure and Conditions of the Placing" in the Prospectus, (i) the authorised share capital of the Company is increased from HK$100,000 to HK$100,000,000 by the creation of an additional 999,000,000 shares of HK$0.1 each; and (ii) the share option scheme of the Company is approved, the principal terms of which are set out in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

Save as disclosed above and elsewhere in this report, no other significant events took place subsequent to 30 June 2010.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully
BDO Limited
Certified Public Accountants
Chiu Wing Cheung, Ringo
Practising Certificate Number P04434
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 7.31(1) of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Placing might have affected the net tangible assets of the Group attributable to owners of the Company after the completion of the Placing.

(A) UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets, prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of the Group attributable to the owners of the Company as if the Placing had been taken place on 30 June 2010. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of this hypothetical nature, it may not give a true picture of our financial positions had the Placing been completed on 30 June 2010 or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as of 30 June 2010	**Estimated net proceeds from the Placing**	**Unaudited pro forma net tangible assets**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on 42,000,000 Placing Shares at the Placing Price of HK$1.10 per Share	31,458	30,230	61,688	41.1
Based on 42,000,000 Placing Shares at the Placing Price of HK$0.80 per Share	31,458	18,071	49,529	33.0

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as of 30 June 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company of HK$37,033,000 with adjustments for the goodwill and other intangible assets of HK$5,575,000 in aggregate.

(2) The estimated net proceeds of the Placing are based on the Placing Price of HK$0.80 per Placing Share (low end) or HK$1.10 per Placing Share (high end) after deducting the estimated underwriting fees and other related expenses.

(3) The unaudited pro forma net tangible assets per Share is calculated based on 150,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue.

(4) The unaudited pro forma net tangible assets and the unaudited pro forma net tangible assets per Share have not taken into account the special dividend declared for payment to eligible Shareholders amounting to HK$9,896,000, which was paid on 19 November 2010, 2 December 2010, and 14 December 2010. The unaudited pro forma net tangible assets per Share would have been reduced to HK26.4 cents per Share, based on the Placing Price of HK$0.80 per Placing Share, or to HK34.5 cents per Share, based on the Placing Price of HK$1.10 per Placing Share, after taking into account the payment of the special dividend in the sum of HK$9,896,000.

(5) No adjustment has been made to the unaudited pro forma net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2010.

(6) With reference to the valuation of the Group's property interests as at 30 November 2010 conducted by Asset Appraisal Limited, details of the valuation are set out in Appendix III to this prospectus, there was a revaluation surplus of the Group's property interests of approximately HK$6,421,000. The Group will not incorporate the revaluation surplus in its financial statements as according to the Group's relevant accounting policy, those properties are stated at cost less accumulated depreciation and impairment rather than at revalued amounts. If the valuation surplus was recorded in the Group's financial statements, additional annual depreciation of approximately HK$270,000 would have been incurred.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Telefax: (852) 2815 2239

29 December 2010

The Directors
Powerwell Pacific Holdings Limited
CIMB Securities (HK) Limited
Access Capital Limited

Dear Sirs,

Accountants' report on the unaudited pro forma financial information of Powerwell Pacific Holdings Limited

We report on the unaudited pro forma financial information of Powerwell Pacific Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages II-1 to II-2 under the section headed "Unaudited pro forma net tangible assets" in Appendix II to the Company's prospectus dated 29 December 2010 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing (the "Placing"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Placing might have affected the relevant financial information presented. The basis of preparation of the unaudited pro forma financial information is set out under the section headed "Unaudited pro forma net tangible assets" in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial positions of the Group as at 30 June 2010 or any future dates.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully
BDO Limited
Certified Public Accountants
Chiu Wing Cheung, Ringo
Practising Certificate Number P04434
Hong Kong

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2010 of the property interests held by the Group.

Asset Appraisal Limited
資產評值顧問有限公司

Rm 802 8/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8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

29 December 2010

The Board of Directors
Powerwell Pacific Holdings Limited
19/F, Henry Centre
No. 131 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

Re: Valuation of Property Interests situated in Hong Kong and the People's Republic of China (the "PRC")

In accordance with the instructions from **Powerwell Pacific Holdings Limited** (the "Company") to value the property interests (the "Properties") held by the Company or its subsidiaries (altogether referred to as the "Group") situated in Hong Kong and 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 values of the Properties as at 30 November 2010 (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 a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. We have also caused searches to be made in the Land Registry for the property situated in Hong Kong. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion (the "PRC Legal Opinion") provided by the PRC Legal Advisor to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the properties situated in the PRC.

All disclosures herein in relation to legal ownership of the Properties are for reference purpose only.

VALUATION METHODOLOGY

The Properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The property rented by the Group has no commercial value due either to the non-assignable nature of the leasehold interest held by the Group or the lack of substantial profit rent.

ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Properties on the market in their existing states 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 Properties.

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 nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on the information given by the Company 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 official documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. 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 Company. We have also sought confirmation from the Company 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 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MFin MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She 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 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 30 November 2010
	Group I — Properties held by the Group	
1.	Workshop A on 7/F, Workshops A and B on 11/F, 16/F & 19/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	HK$10,710,000
	Group II — Properties rented by the Group	
2.	Unit 7C and 7D, Level 7, Qiaofu Building, Shennan West Road, Futian District, Shenzhen City, Guangdong Province, The PRC	No commercial value
3.	3rd Floor of Factory Building No. 6 at Donghai Science and Technology Industrial Park, No. 2 Shanzixia Road, Dakang Shequ, Henggang Jiedao, Longgang District, Shenzhen City, Guangdong Province, The PRC	No commercial value
4.	Workshop A on 8/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	No commercial value

	Property	Market value in existing state as at 30 November 2010
5.	Workshop A on 13/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	No commercial value
	Total:	**HK$10,710,000**

VALUATION CERTIFICATE

Group I — Properties held by the Group

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2010
1.	Workshop A on 7/F, Workshops A and B on 11/F, 16/F & 19/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong 1,350/9,993th shares of and in Lot No. 312 in D.D. 444.	The property comprises 7 industrial units within a 26-storey industrial building of reinforced concrete construction completed in 1992. The total gross floor area and saleable area of the property are approximately 10,450 square feet (970.83 square metres) and 6,684 square feet (620.96 square metres) respectively. The property is held under New Grant No. 4288 for a term of 99 years commencing on 1 July 1898 and has been extended without premium until 30 June 2047 at a government rent of three percent of the rateable value of the property is charged from the date of extension.	The property is currently being occupied by the Group as workshop, ancillary office and warehouse.	HK$10,710,000

Notes:

1. The registered owner of the property is Richmind International Investment Limited, an indirect wholly-owned subsidiary of the Company.

2. Assignment in favour of Richmind International Investment Limited for a consideration of HK$1,150,000 vide memorial no. 09092800480162 dated 15 September 2009. (re: Workshop A on 7/F)

3. Workshop A on 7/F of the property is subject to mortgage in favour of Hang Seng Bank Limited vide memorial no. 09092800480173 dated 15 September 2009.

4. The property lies within an area zoned "Other Specified Uses (Business)" under Draft Kwai Chung Outline Zoning Plan No. S/KC/23.

VALUATION CERTIFICATE

GROUP II — PROPERTIES RENTED BY THE GROUP

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2010
2.	Unit 7C and 7D, Level 7, Qiaofu Building, Shennan West Road, Futian District, Shenzhen City, Guangdong Province, The PRC	The property comprises 2 contiguous office units within a 12-storey office building completed in 2004. The total gross floor area of the property is approximately 202.45 square metres. The property is rented by the Group for a term commencing from 15 April 2010 and expiring on 15 April 2011 with option to renew at a total monthly rent of RMB10,122.5 exclusive of management fee, water, electricity and other outgoings.	The property is currently being occupied by the Group as offices.	No commercial value

Notes:

1. Pursuant to two tenancy agreements entered into between Tao Xiu Ying (陶秀英) as landlord and Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司), an indirect wholly-owned subsidiary of the Company as tenant on 22 March 2010, the property is rented by the tenant for a term commencing from 15 April 2010 and expiring on 15 April 2011 with option to renew at a total monthly rent of RMB10,122.5 (exclusive of management fee, water, electricity and other outgoings) for office use.

2. We have been provided with a legal opinion regarding the property interests by the Company's PRC Legal Advisor, which contains, *inter alia*, the followings:

   2.1 Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司) signed a tenancy agreement with Tao Xiu Ying (陶秀英) on 22 March 2010. Tao Xiu Ying leased to Shenzhen Tianhaiba Watches Company Limited the property (Unit 7C) with a gross floor area of 68.43 square metres for a term of one year commencing from 15 April 2010 and expiring on 15 April 2011 at a monthly rent of RMB3,421.5 for office use;

   2.2 Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司) signed another tenancy agreement with Tao Xiu Ying (陶秀英) on 22 March 2010. Tao Xiu Ying leased to Shenzhen Tianhaiba Watches Company Limited the property (Unit 7D) with a gross floor area of 134.02 square metres for a term of one year commencing on 15 April 2010 and expiring on 15 April 2011 at a monthly rent of RMB6,701 for office use;

   2.3 Pursuant to a Building and Land Ownership Certificate (Ref: Shen Fang Di Zi Di No. 3000338289 and No. 3000338288 (深房地字第3000338289號和深房地字第3000338288號)), Tao Xiu Ying is the legal owner of the property;

   2.4 The tenancy agreement has been registered and it is legal and valid. Shenzhen Tianhaiba Watches Company Limited has the right to use the property legally during the term of the tenancy;

   2.5 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, the property is free from any notice or order from the relevant government authority that adversely affect the value of the property and continuous use of the property by Shenzhen Tianhaiba Watches Company Limited;

2.6 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, Shenzhen Tianhaiba Watches Company Limited did not sub-lease, license and transfer all and any of the property interest to third party. The property is free from any mortgage, charge or restriction from third party; and

2.7 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, the tenancy has been performed normally without any breach of the conditions by either party.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2010
3.	3rd Floor of Factory Building No. 6 at Donghai Science and Technology Industrial Park, No. 2 Shanzixia Road, Dakang Shequ, Henggang Jiedao, Longgang District, Shenzhen City, Guangdong Province, The PRC	The property comprises the 3rd floor of a 3-storey factory building of reinforced concrete construction completed in about 2004. The gross floor area of the property is approximately 1,430.40 square metres. The property is rented by the Group for a term commencing from 1 August 2010 and expiring on 31 December 2014 at a monthly rent of RMB14,304 until 31 December 2012 and at a monthly rent of RMB15,734.4 until 31 December 2014 exclusive of management fee, water, electricity and other outgoings.	The property is currently being occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a tenancy agreement and a supplementary agreement entered into between Shenzhen Junheng Industrial Company Limited (深圳市峻恒晟實業有限公司) as landlord and Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司), an indirect wholly-owned subsidiary of the Company as tenant on 24 August 2010, the property is rented by the tenant for a term commencing from 1 August 2010 and expiring on 31 December 2014 at a monthly rent of RMB14,304 until 31 December 2012 and a monthly rent of RMB15,734.4 until 31 December 2014 (exclusive of management fee, water, electricity and other outgoings) for factory use.

2. Pursuant to a sub-lease agreement entered into between Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司), an indirect wholly-owned subsidiary of the Company as tenant and Shenzhen Guifeng Watch Company Limited (深圳市桂峰表業有限公司), an connected party of the Group as sub-tenant on 26 August 2010, the portion of the property with a gross floor area of 1,150 square metres is rented by the sub-tenant for a term commencing from 1 August 2010 and expiring on 31 March 2011 at a monthly rent of RMB11,500 for factory use.

3. We have been provided with a legal opinion regarding the property interests by the Company's PRC Legal Advisor, which contains, *inter alia*, the followings:

   3.1 Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司) signed a tenancy agreement with Shenzhen Junheng Industrial Company Limited (深圳市峻恒晟實業有限公司) on 24 August 2010. Shenzhen Junheng Industrial Company Limited leased to Shenzhen Tianhaiba Watches Company Limited the property with a gross floor area of 1,430.40 square metres for a term commencing from 1 August 2010 and expiring on 31 December 2014 at a monthly rent of RMB14,304 until 31 December 2012 and a monthly rent of RMB15,734.4 until 31 December 2014 for factory use;

   3.2 Pursuant to a Building and Land Ownership Certificate (Ref: Shen Fang Di Zi Di No. 6000396929 (深房地字第6000396929號)), Shenzhen Junheng Industrial Company Limited is the legal owner of the property;

   3.3 The tenancy agreement has been registered and it is legal and valid. Shenzhen Tianhaiba Watches Company Limited has the right to use the property legally for production purpose during the term of the tenancy and has the right to sub-lease the property;

3.4 Shenzhen Tianhaiba Watches Company Limited (深圳市天海霸鐘錶有限公司) signed a tenancy agreement with Shenzhen Guifeng Watch Company Limited (深圳市桂峰表業有限公司) on 26 August 2010. Shenzhen Tianhaiba Watches Company Limited sub-lease portion of the property to Shenzhen Guifeng Watch Company Limited with a gross floor area of 1,150 square metres for a term commencing from 1 August 2010 and expiring on 31 March 2011 at a monthly rent of RMB11,500 for factory use;

3.5 Pursuant to a reply letter of sublease application (關於申請轉租的覆函) dated 26 August 2010, Shenzhen Junheng Industrial Company Limited granted the consent to Shenzhen Tianhaiba Watches Company Limited to sublease the property to Shenzhen Guifeng Watch Company Limited;

3.6 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, the property is free from any notice or order from the relevant government authority that adversely affect the value of the property and continuous use of the property by Shenzhen Tianhaiba Watches Company Limited;

3.7 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, save for the aforesaid sub-lease agreement entered into between Shenzhen Tianhaiba Watches Company Limited and Shenzhen Guifeng Watch Company Limited, Shenzhen Tianhaiba Watches Company Limited did not sub-lease, license and transfer all and any of the property interest to third party. The property is free from any mortgage, charge or restriction from third party; and

3.8 According to the confirmation of Shenzhen Tianhaiba Watches Company Limited, the tenancy has been performed normally without any breach of the conditions by either party.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2010
4.	Workshop A on 8/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	The property comprises one industrial unit on 8th floor of a 26-storey industrial building of reinforced concrete construction completed in 1992. The gross floor area and saleable area of the property are approximately 1,450 square feet (137.71 square metres) and 927 square feet (86.12 square metres) respectively. The property is held by the Group under a leasehold interest for a term of 2 years commencing from 1 April 2009 expiring on 31 March 2011 at a monthly rent of HK$8,400 (inclusive of management fee, government rent and rates but exclusive of water, electricity, gas and other charges).	The property is currently being occupied by the Group as workshop and ancillary office	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Sanex Investments Limited as landlord and Ampress Packaging Asia Limited, an indirect wholly-owned subsidiary of the Company as tenant on 5 March 2009, the property is rented by the tenant for a term commencing from 1 April 2009 and expiring on 31 March 2011 at a monthly rent of HK$8,400 (inclusive of management fee, government rent and rates but exclusive of water, electricity, gas and other charges) for industrial use.

2. The registered owner of the property is Sanex Investments Limited, an independent third party.

3. The property lies within an area zoned "Other Specified Uses (Business)" under Draft Kwai Chung Outline Zoning Plan No. S/KC/23.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2010
5.	Workshop A on 13/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	The property comprises one industrial unit on 13th floor of a 26-storey industrial building of reinforced concrete construction completed in 1992. The gross floor area and saleable area of the property are approximately 1,450 square feet (134.71 square metres) and 927 square feet (86.12 square metres) respectively. The property is held by the Group under a leasehold interest for a term of 2 years commencing from 1 March 2010 expiring on 29 February 2012 at a monthly rent of HK$9,500 (inclusive of management fee, government rent and rates).	The property is currently being occupied by the Group as workshop, showroom and ancillary office.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Pan Star Development Limited as landlord and Ampress Packaging Asia Limited, an indirect wholly-owned subsidiary of the Company as tenant on 23 February 2010, the property is rented by the tenant for a term of two years commencing from 1 March 2010 and expiring on 29 February 2012 at a monthly rent of HK$9,500 (inclusive of management fee, government rent and rates) for industrial use.

2. The registered owner of the property is Pan Star Development Limited, an independent third party.

3. The property lies within an area zoned "Other Specified Uses (Business)" under Draft Kwai Chung Outline Zoning Plan No. S/KC/23.

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum of Association") and bye-laws (the "Bye-laws") of our Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that our Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which our Company was formed which are unrestricted and that our Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, our Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers our Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 22 December, 2010. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject 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 our 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 provisions of the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of our Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as our Company before the issue or conversion may by ordinary resolution determine. 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 our Company on such terms as it may from time to time determine.

Subject to the Companies Act, the Bye-laws, any direction that may be given by our Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) 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 our 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 our 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 our Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of our Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

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 our Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) *Financial assistance to purchase shares of our Company*

Neither our Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in our Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of auditor of our Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our 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 Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by our 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 Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with our 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 our 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 our 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 associates 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 associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our 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 our Company or any of its subsidiaries for which the Director or his 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 our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his 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 associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of our Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) 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 associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such remuneration (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 incurred or expected to be 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 our 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 our 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 provided for by or pursuant to any other Bye-law. A 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 our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants 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 dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as 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.

(viii) *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 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.

Note: 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, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board 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 by the board as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our 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 our Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of our Company.

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 our Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against our Company or vice versa). 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.

(ix) *Borrowing powers*

The board may exercise all the powers of our 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 our Company and, subject to the Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of our Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of our Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(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 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 of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) 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.

Our Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights for the time being 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 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 Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative 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 (in the case of a member being a corporation) its duly authorised representative 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 on a poll to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of our 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 clear days and not less than ten 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 Bye-laws), 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. 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 clear days and not less than ten clear business days has been given.

(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 Bye-laws, at any general meeting on a poll every member present in person or by proxy or (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.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our 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 our Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) 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 our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, 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 of inspecting any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of our Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before our Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address our Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of our Company shall, during his continuance in office, be eligible to act as an auditor of our Company. The remuneration of the auditor shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our 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 Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and 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 clear days and not less than twenty clear business days and any special 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 clear days and not less than ten clear business days. All other special general meeting shall be called by notice of at least fourteen clear days and not less than ten 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. The notice convening an annual general meeting shall specify the meeting as such.

(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 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 Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

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 our 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 Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our 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 an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), 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 days in any year.

(k) Power for our Company to purchase its own shares

The Bye-laws supplement our Company's Memorandum of Association (which gives our Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of our Company to own shares in our Company

There are no provisions in the Bye-laws relating to ownership of shares in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, our Company in general meeting from time to time 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. Our Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render our Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share 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 a member by our Company on or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our 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. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our 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.

Whenever the board or our 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 our Company until claimed and our 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 our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our 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 our Company or at a class meeting. If more than one proxy is so appointed, the appointment shall specify the number and the class of shares in respect of which each such proxy is so appointed. A proxy need not be a member of our Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws 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. 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 our 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 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 our Company all monies which, at the date of forfeiture, were payable by him to our 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. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members, as the case may be, shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act. The register includes any overseas or local register of members.

(q) Quorum for meetings and separate class meetings

For all purposes 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.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If our 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 Act, divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of properties 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

Our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (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 twelve years; (ii) upon the expiry of the twelve year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our 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.

The Bye-laws also provide that our Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by our Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of our Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

Our Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, 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, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; 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) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

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 Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that 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. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts 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.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. 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. 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.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

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. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make 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 shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, our Company's legal advisor on Bermuda law, have sent to our Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, 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 Bermuda 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

Incorporation

Our Company was incorporated as an exempted company in Bermuda under the Companies Act on 14 June 2010 with an authorised share capital of HK$100,000 divided into 100,000 shares of HK$1 each, 4 shares of which were issued nil-paid on 9 July 2010.

Changes in share capital

By written resolutions of the sole shareholder of the Company dated 20 December 2010:

(a) each of the existing issued and unissued shares of HK$1 each in the share capital of our Company was subdivided into 10 shares of HK$0.10 each;

(b) the Directors were authorised to allot and issue an aggregate of 50,000 Shares, credited as fully paid, to Data Champion as consideration for the acquisition of the entire issued share capitals of (i) Good Destination Co., Ltd. ("Good Destination") and (ii) Goldnet Holdings Group Limited ("Goldnet BVI") from the Founding Shareholders;

(c) the Directors were authorised to allot and issue an aggregate of 49,960 Shares, credited as fully paid, to Data Champion as consideration for the acquisition of the entire issued share capital of Powerwell Pacific Limited ("Powerwell Pacific") from the Founding Shareholders and Ms. Tam; and

(d) the Directors were authorised to apply a sum of HK$4 being part of the amount credited to the contributed surplus account of our Company arising from the issue by our Company of the Shares referred to in paragraphs (b) and (c) above to pay up in full at par the 4 Shares issued nil-paid on 9 July 2010.

Save as aforesaid and as mentioned in the paragraph headed "Written resolutions of the sole shareholder of the Company dated 22 December 2010" below, there has been no alteration in the share capital of our Company since its incorporation.

Written resolutions of the sole shareholder of the Company dated 22 December 2010

By written resolutions of the sole shareholder of the Company dated 22 December 2010:

(a) our Company confirmed the adoption of the existing Bye-laws;

(b) conditionally on the same conditions as stated in the section headed "Structure and conditions of the Placing" herein:

    (i) the authorised share capital of our Company was increased from HK$100,000 to HK$100,000,000 by the creation of an additional 999,000,000 Shares;

    (ii) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares pursuant thereto; and

(iii) the rules of the Shares Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto;

(c) conditional on the share premium account of our Company being credited as a result of the Placing, HK$10,790,000 of such amount was directed to be capitalised and applied in paying up in full at par 107,900,000 Shares for allotment and issue to holders of Shares on the register of members at the close of business on 22 December 2010 (or as they may direct) in proportion as nearly as may be to their then existing holdings;

(d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or a scrip dividend scheme or similar arrangement of our Company or pursuant to the exercise of the options under the Share Option Scheme, Shares with an aggregate nominal value not exceeding (i) 20 per cent. of the aggregate nominal value of the share capital of our Company in issue and to be issued as mentioned herein and (ii) the aggregate nominal amount of shares repurchased under the authority granted to the Directors referred to in paragraph (e) below, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws of our Company or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earlier; and

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws of our Company or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earlier.

Immediately following the Placing becoming unconditional and the issues of Shares as mentioned herein being made, the authorised share capital of our Company will be HK$100,000,000 divided into 1,000,000,000 Shares and the issued share capital will be HK$15,000,000 divided into 150,000,000 Shares, all fully paid or credited as fully paid. 850,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of members in general meeting.

Corporate reorganisation

The companies in our Group underwent a reorganisation in preparation for the Listing which involved the following:

(a) on 13 April 2010, Mr. So Fai Hung sold 100,000 shares of HK$1 each of Display & Packaging Limited to Good Destination for a total cash consideration of HK$200,000;

(b) on 7 May 2010, Mr. Tong Wai Kuen sold 2,000 shares of HK$1 each of EC Manufacturing Limited to Mr. Liu as nominee for Good Destination for a total cash consideration of HK$2,000;

(c) on 16 June 2010, Powerwell Pacific issued 376 shares, 188 shares and 188 shares to Mr. Liu, Mr. Lam and Mr. Wong respectively for cash at US$1 each. On 20 June 2010, Powerwell Pacific issued 44 shares to Ms. Tam at a total subscription price of HK$1,027,000;

(d) on 22 June 2010, Powerwell Pacific sold 14 shares, 25 shares and 25 shares of Goldnet BVI to Mr. Liu, Mr. Lam and Mr. Wong respectively for cash at US$1 each;

(e) on 22 June 2010, Mr. Yang sold 36 shares of Goldnet BVI to Mr. Liu for a total cash consideration of US$36;

(f) on 23 June 2010, Ms. Tam sold 50,000 shares of HK$1 each of Ampress Packaging Asia Limited to Powerwell Pacific for a total cash consideration of HK$1,027,000;

(g) on 20 September 2010, Good Destination acquired 5,000 shares, 2,500 shares and 2,500 shares, all of HK$1 each, of Richmind International Investment Limited ("Richmind") (representing 10% of its issued share capital) from Mr. Liu, Mr. Lam and Mr. Wong respectively at the cash considerations of HK$112,700, HK$56,350 and HK$56,350 respectively;

(h) on 17 December 2010, our Company acquired 68 shares, 16 shares and 16 shares, all of HK$1 each, of Goldnet (representing its entire issued share capital) from Mr. Liu, Mr. Lam and Mr. Wong respectively at the cash considerations of HK$68, HK$16 and HK$16 respectively;

(i) on 20 December 2010, our Company acquired (a) 2 shares, 1 share and 1 share, all of US$1 each, of Good Destination (representing its entire issued share capital) and (b) 50 shares, 25 shares and 25 shares of Goldnet BVI (representing its entire issued share capital) from Mr. Liu, Mr. Lam and Mr. Wong respectively and issued a total of 50,000 Shares to Data Champion (as directed by the Founding Shareholders) as consideration thereof; and

(j) on 20 December 2010, our Company acquired 378 shares, 189 shares, 189 shares and 44 shares of Powerwell Pacific (representing its entire issued share capital) from Mr. Liu, Mr. Lam, Mr. Wong and Ms. Tam respectively and issued a total of 49,960 Shares to Data Champion (as directed by the Founding Shareholders and Ms. Tam) as consideration thereof.

Changes in share capital of subsidiaries

Our Company has the subsidiaries referred to in Appendix I.

On 31 December 2008, Goldnet BVI issued 10 shares of no par value to Powerwell Pacific at US$1 each for cash, and on 27 August 2009, it issued a total of 90 shares of no par value (as to 54 shares to Powerwell Pacific and 36 shares to Mr. Yang) at US$1 each for cash.

On 23 June 2009, Tianhaiba was registered with investment and registered capital of RMB1 million. On 13 April 2010, it increased its total investment and registered capital from RMB1 million to RMB16 million.

On 7 July 2009, Richmind increased its authorised share capital from HK$10,000 to HK$100,000 by the creation of 90,000 shares of HK$1 each. On 8 July 2009, it issued 90,000 shares of HK$1 each to Good Destination for cash at par.

On 8 October 2009, Goldnet issued a total of 100 shares of HK$1 each (as to 36 shares to Mr. Yang, 32 shares to Mr. Liu and 16 shares to each of Mr. Lam and Mr. Wong) for cash at par.

On 16 June 2010, Powerwell Pacific issued a total of 752 shares of no par value (as to 376 shares to Mr. Liu and 188 shares to each of Mr. Lam and Mr. Wong) at US$1 each for cash. On 20 June 2010 it issued 44 shares of no par value to Ms. Tam at HK$1,027,000 for cash.

Save as mentioned herein, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Repurchase by our Company of its own shares

(a) *Shareholders' approval*

The GEM Listing Rules provide that all shares repurchases on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions.

As mentioned in the paragraph headed "Written resolutions of the sole shareholder of the Company dated 22 December 2010" in this appendix, the shareholders of our Company have granted to the Directors a general mandate to repurchase issued and fully paid shares of our Company. Exercise in full of such repurchase mandate, on the basis of 150,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, could result in up to 15,000,000 Shares being repurchased by our Company during the course of the period prior to the annual general meeting in 2011.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and its shareholders to have general authority from shareholders to enable the Directors to repurchase Shares on GEM. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit our Company and its shareholders.

(c) *Funding of repurchases*

In repurchasing shares, our Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the laws of Bermuda. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or funds of our Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of our Company that would otherwise be available for dividend or distribution or out of the share premium or contributed surplus accounts of our Company.

Based on the financial position of our Group as at 30 June 2010, the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of our Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

(d) *General*

None of the Directors nor any of their associates currently intends to sell Shares to our Company or its subsidiaries.

The 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 GEM Listing Rules and the applicable laws of Bermuda.

No connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so.

If as a result of a share repurchase a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers and the provision may apply as a result of any such increase.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an assignment dated 15 September 2009 between (i) Wings Design Consultants Limited (as vendor); and (ii) Richmind (as purchaser) relating to the sale and purchase of the property at Workshop A on 7th Floor, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong for a cash consideration of HK$1,150,000;

(b) an equity interest transfer agreement made on 24 November 2009 between (i) Mr. Yang; (ii) Yu Ling (于玲); and (iii) Goldnet whereby Mr. Yang and Yu Ling agreed to transfer their respective 90% and 10% equity interests in Tianhaiba to Goldnet for RMB900,000 and RMB100,000 respectively;

(c) an agreement made on 13 April 2010 between (i) So Fai Hung (as vendor); and (ii) Good Destination (as purchaser) relating to the sale and purchase of 100,000 shares of HK$1 each of Display & Packaging Limited for a total cash consideration of HK$200,000 as evidenced by bought and sold notes;

(d) an agreement made on 7 May 2010 between (i) Tong Wai Kuen (as vendor) and (ii) Good Destination (as purchaser) relating to the sale and purchase of 2,000 shares of EC Manufacturing Limited for a total cash consideration of HK$2,000 as evidenced by bought and sold notes;

(e) an agreement made on 16 June 2010 between (i) Powerwell Pacific; and (ii) the Founding Shareholders relating to the subscription of a total of 752 shares of Powerwell Pacific for cash at US$1 each as evidenced by applications for shares of the Founding Shareholders;

(f) an agreement made on 20 June 2010 between (i) Powerwell Pacific; and (ii) Ms. Tam relating to the subscription of 44 shares of Powerwell Pacific for cash at a total subscription price of HK$1,027,000 as evidenced by the application for shares of Ms. Tam;

(g) an agreement made on 22 June 2010 between (i) Powerwell Pacific (as vendor) and (ii) the Founding Shareholders (as purchasers) relating to the sale and purchase of a total of 64 shares of Goldnet BVI for cash at US$1 each as evidenced by instruments of transfer;

(h) an agreement made on 23 June 2010 between (i) Ms. Tam (as vendor); and (ii) Powerwell Pacific (as purchaser) relating to the sale and purchase of 50,000 shares of HK$1 each of Ampress Packaging Asia Limited for a total cash consideration of HK$1,027,000 as evidenced by bought and sold notes;

(i) the Trademark Transfer Agreement;

(j) the Trademark Licence Agreement;

(k) the Inventory Transfer Agreement;

(l) a confirmation made on 5 August 2010 between (i) Ling Qiao; and (ii) Tianhaiba whereby Ling Qiao confirmed its agreement to allow Tianhaiba the exclusive right to use the Trademarks from 1 March 2010 to 30 June 2010 free of charge;

(m) an agreement made on 20 September 2010 between (i) the Founding Shareholders (as vendors); and (ii) Good Destination (as purchaser) relating to the sale and purchase of a total of 10,000 shares of HK$1 each of Richmind at the total cash considerations of HK$225,400 as evidenced by bought and sold notes;

(n) an agreement dated 17 December 2010 between (i) the Founding Shareholders (as vendors); and (ii) our Company (as purchaser) relating to the sale and purchase of the entire issued share capital of Goldnet at the total consideration of HK$100;

(o) an agreement dated 20 December 2010 between (i) the Founding Shareholders (as vendors); and (ii) our Company (as purchaser) relating to the sale and purchase of the entire issued share capitals of Good Destination and Goldnet BVI in consideration of the issue of a total of 50,000 Shares to Data Champion (as directed by the Founding Shareholders);

(p) an agreement dated 20 December 2010 between (i) the Founding Shareholders and Ms. Tam (as vendors); and (ii) our Company (as purchaser) relating to the sale and purchase of the entire issued share capital of Powerwell Pacific in consideration of the issue of a total of 49,960 Shares to Data Champion (as directed by the Founding Shareholders and Ms. Tam);

(q) a deed of indemnity dated 22 December 2010 given by the Controlling Shareholders in favour of our Company and its subsidiaries being the deed of indemnity containing indemnities in respect of, *inter alia*, Hong Kong estate duty referred to in the paragraph headed ''Estate duty and tax indemnity'' in this appendix; and

(r) the Underwriting Agreement.

Intellectual property

Pursuant to the Trademark Transfer Agreement, Ling Qiao has agreed to transfer ownership of the Trademarks in the PRC to Tianhaiba, particulars of which are as follows:

Trade mark	Registration no.	Class	Products	Valid period
HARPO	1365490	14	watches; bracelet; imitation gold products; electronic watches and clocks; case; strap; watch disk	21 February 2010 to 20 February 2020
TIANBA	1452482	14	watches	7 October 2010 to 6 October 2020
天霸	748089	14	watches; case; strap	28 May 2005 to 27 May 2015
海霸	748086	14	watches; case; strap; watch glass; imitation gold products	28 May 2005 to 27 May 2015
海霸 HAIBA	353264	14	quartz electronic watches	30 June 2009 to 29 June 2019
	748087	14	watches; case; strap; imitation gold products	28 May 2005 to 27 May 2015
HARPO	341649	14	quartz electronic watches	10 March 2009 to 9 March 2019
HAIBA	1452481	14	watches	7 October 2010 to 6 October 2020
海 霸	1452480	14	watches	7 October 2010 to 6 October 2020

Trade mark	Registration no.	Class	Products	Valid period
天霸 TIANBA	353263	14	quartz electronic watches	30 June 2009 to 29 June 2019
天 霸	1452483	14	watches	7 October 2010 to 6 October 2020

Application has been made to the relevant PRC authorities for the registration of transfer of ownership of the Trademarks to Tianhaiba. To cater for the time required for completion of the registration procedure in the PRC, Tianhaiba has been granted the sole and exclusive right to use the Trademarks under the Trademark Licence Agreement. In addition, our Group has registered the following trade marks in Hong Kong:

Trade mark	Registration No.	Class	Products	Expiry date
	301583127	14, 42	Precious metals and their alloys and goods in precious metals or coated therewith included in this class; jewellery; precious stones; clocks; watches; jewelled watches; timepieces; horological and chronometric instruments; watch bracelets; watch dials; watch cases; cases for jewels; clock cases. Design services; design of jewellery and ornaments; designing of watches and clocks.	9 April 2020
天霸	301583136	14, 42	Precious metals and their alloys and goods in precious metals or coated therewith included in this class; jewellery; precious stones; clocks; watches; jewelled watches; timepieces; horological and chronometric instruments; watch bracelets; watch dials; watch cases; cases for jewels; clock cases. Design services; design of jewellery and ornaments; designing of watches and clocks.	9 April 2020
TIANBA	301583145	14, 42	Precious metals and their alloys and goods in precious metals or coated therewith included in this class; jewellery; precious stones; clocks; watches; jewelled watches; timepieces; horological and chronometric instruments; watch bracelets; watch dials; watch cases; cases for jewels; clock cases. Design services; design of jewellery and ornaments; designing of watches and clocks.	9 April 2020

Trade mark	Registration No.	Class	Products	Expiry date
HAIBA	301583163	14, 42	Precious metals and their alloys and goods in precious metals or coated therewith included in this class; jewellery; precious stones; clocks; watches; jewelled watches; timepieces; horological and chronometric instruments; watch bracelets; watch dials; watch cases; cases for jewels; clock cases. Design services; design of jewellery and ornaments; designing of watches and clocks.	9 April 2020

Our Group has applied to register the following trade mark in Hong Kong. The application was allowed and published in the Hong Kong Intellectual Property Journal on 24 September 2010. If no opposition or application for extension of time for filing the opposition is filed within the opposition period (i.e. by 23 December 2010), the application will be allowed to be registered. After the opposition period, the Group has not yet exercised any notice of the outcome from Trademark Registry, Intellectual Property Department:

Trade mark	Class	Products
HARPO	14, 42	Precious metals and their alloys and goods in precious metals or coated therewith included in this class; jewellery; precious stones; clocks; watches; jewelled watches; timepieces; horological and chronometric instruments; watch bracelets; watch dials; watch cases; cases for jewels; clock cases. Design services; design of jewellery and ornaments; designing of watches and clocks.

Our Group has also applied to register the following trade mark in Hong Kong on 6 December 2010:

Trade mark	Class	Products
Pacific Powerwell	14, 35 & 42	Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments. Advertising; business management; business administration; office functions. Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

Domain names

As at the Latest Practicable Date, our Group was a registered proprietor of the following domain names in Hong Kong or the PRC:

Registered owner	Domain name	Date of registration	Expiry Date
Ampress Merchandising Limited	ampress.com	16 August 2001	11 August 2013
Display Packaging Limited	display-pack.com	31 October 2001	6 November 2012
EC Pacific Limited	ecpcf.com	25 February 2009	20 January 2014
Powerwell Pacific Limited	powerwell.hk	1 September 2009	1 September 2011
Shenzhen Tianhaiba Watches Company Limited	tianbawatch.com	17 December 2008	17 December 2011
Shenzhen Tianhaiba Watches Company Limited	天霸表.com	17 December 2008	17 December 2011
Shenzhen Tianhaiba Watches Company Limited	harpowatch.com	17 December 2008	17 December 2011
Shenzhen Tianhaiba Watches Company Limited	海霸表.com	17 December 2008	17 December 2011

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND EXPERTS

Disclosure of interests

The Founding Shareholders are directors of Data Champion.

Particulars of service contracts

Each of Mr. Liu Tin Chak, Arnold, Mr. Lam Chi Wai, Peter, Mr. Wong Yu Man, Elias and Mr. Yang Yijun has entered into a service contract with our Company for a term of three years from the Listing Date with monthly remuneration at the rate of HK$80,000. Under the service contracts, after each completed year of service, they will each be entitled to payment of a sum equal to the month's salary and a discretionary bonus

Each of Mr. Cheung Chi Man, Dennis, Professor Lui Tai Lok and Mr. Yip Kwok Kwan, the independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of three years commencing from 27 September 2010 with remuneration of HK$240,000 per year.

Directors' remuneration

The total remuneration paid to the Directors for the year ended 31 December 2009 was about HK$2.4 million.

The Directors will be entitled to receive remuneration which, for the year ending 31 December 2010, is expected to be not more than HK$2.4 million.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, work load, the time devoted to the Group, and performance of our Group. The Directors may also receive options to be granted under the Share Option Scheme.

Interests of Directors

Immediately following the Placing and the Capitalisation Issue, the interests of the Directors in the share capital of our Company 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 which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Liu	108,000,000	Corporate *(Note)*	72

Note: These Shares will be held by Data Champion. Mr. Liu, Mr. Lam, Mr. Wong and Ms. Tam have 47.6%, 23.8%, 23.8% and 4.8% interests in Data Champion respectively. Data champion, being the holding company of the Company, is an associated corporation of the Company within the meaning of Part XV of the SFO.

Interests of other persons in the share capital of our Company

Taking no account of Shares which may be taken up under the Placing, so far as is known to the Directors, there is no person (other than a Director or chief executive of our Company or persons mentioned in the section headed "Founding Shareholders and substantial Shareholders" of this prospectus) will have an interest or short position in the shares and underlying shares of our Company which will fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Shares are listed.

Interests in other members of our Group

Ms. Tam personally holds 10,000 shares of HK$1 each of Ampress Packaging Limited, representing 10% of its issued share capital.

So far as is known to the Directors, save as disclosed above, there is no person (other than a Director or chief executive of our Company) who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of our Company.

Agency fees or commissions received

None of the Directors, the promoters of our Company or the experts named in the paragraph headed "Qualification of experts" in this appendix has received any agency fees or commissions from any member of our Group within the two years immediately preceding the date of this prospectus.

Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the section headed "Connected transactions and waiver" in this prospectus, note 28 to the Accountants' Report set out in Appendix I and the paragraph headed "Summary of material contracts" in this appendix (except items (a), (q) and (r) thereof).

Ms. Yu Ling is the wife of Mr. Yang.

Ling Qiao is wholly-owned by Mr. Yang Sheng, the brother of Mr. Yang.

Disclaimers

Save as disclosed in the paragraphs headed "Particulars of service contracts", "Interests of Directors" and "Related party transactions" above:

(a) none of the Directors has any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus;

(b) none of the Directors or any chief executive of our Company has an interest or short position in any shares, underlying shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) once the Shares are listed or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed;

(c) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(d) there are no existing or proposed service contracts between any member of our Group and the Directors, excluding contracts expiring or terminable by our Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

Summary of terms

Purpose of the scheme

The Share Option Scheme is set up for the purpose of attracting and retaining quality personnel and other persons to provide incentive to them to contribute to the business and operation of our Group.

Who may join

The Directors may at their discretion grant options to (i) any director, employee or consultant of our Group or a company in which our Group holds an equity interest or a subsidiary of such company ("Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of our Group or an Affiliate; or (iv) any person or entity whose service to our Group or business with our Group contributes or is expected to contribute to the business or operation of our Group as may be determined by the Directors from time to time to subscribe for Shares.

Price of Shares

Options may be granted without any initial payment at a price (subject to adjustments as provided therein) equal to the highest of (i) the nominal value of the Shares; (ii) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option.

Maximum number of Shares

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 10 per cent. of the share capital of our Company in issue at the date of commencement of dealings of Shares on the Stock Exchange (the "General Mandate Limit") provided that:

(a) our Company may seek approval by shareholders in general meeting to refresh the General Mandate Limit up to 10 per cent. of the issued share capital of our Company at the date of the shareholders' approval to refresh the limit; and

(b) our Company may seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit provided that the options in excess of the General Mandate Limit are granted only to participants specifically identified by our Company before such approval is sought,

subject to the limitation that the maximum number of Shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of our Company shall not exceed 30 per cent. of the issued share capital of our Company from time to time.

The maximum number of Shares (issued and to be issued) in respect of which options may be granted under the Share Option Scheme to any one employee in any 12-month period shall not exceed 1 per cent. of the share capital of our Company in issue on the last date of such 12-month period unless approval of the shareholders of our Company has been obtained in accordance with the Listing Rules.

Grant of options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the Shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) and to be granted to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1 per cent. of the total issued Shares for the time being and have an aggregate value (based on the closing price of a Share at each date of the grant of these options) exceeding HK$5,000,000, the proposed grant shall be subject to the approval of shareholders of our Company in general meeting in accordance with the requirements of the Listing Rules.

Time of exercise of option

The holder of an option may subscribe for Shares during such period as may be determined by the Directors (which shall be less than ten years from the date of grant of the relevant option).

Performance targets

The Directors may at their absolute discretion specify the performance targets, if any, that must be achieved before the option can be exercised.

Rights are personal to grantee

An option may not be transferred or assigned and will be personal to the holder of the option.

Rights on ceasing employment

If a holder of an option is disabled or retires in accordance with the terms of his employment, the holder may exercise the option within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse.

Rights on death

If a holder of an option dies, the personal representatives of the holder may exercise the option within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse.

Rights on dismissal

If the holder of an option resigns or is dismissed from the employment of our Group, the option of such holder will thereupon lapse.

Effect of alterations to capital

In the event of any reduction, sub-division or consolidation of the share capital of our Company or capitalisation issue, rights issue or distribution of capital assets by our Company, the number or nominal amount of Shares comprised in each option and/or the option price may be adjusted in such manner as the Directors (having received a statement in writing from the auditors of our Company that in their opinion the adjustments proposed satisfy the requirements set out in the note to Rule 23.03(13) of the Listing Rules) may deem appropriate, provided always that an option holder shall have the same proportion of the equity capital of our Company as that to which he was entitled before such adjustments and no increase shall be made in the aggregate subscription price relating to any option, but no such adjustments may be made to the extent that a share would be issued at less than its nominal value.

Rights on a general offer

If a general offer is made to the holders of Shares, each holder of an option shall be entitled at any time within the period of six months after such control has been obtained to exercise any option in whole or in part, and to the extent that it has not been so exercised, any option shall upon the expiry of such period cease and determine.

Rights on winding up

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, every option shall be exercisable in whole or in part at any time thereafter until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon cease and determine.

Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its members or creditors is proposed, each holder of an option may exercise his option forthwith until the expiry of two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the Court, whichever is earlier, subject to such compromise or arrangement being sanctioned by the Court and becoming effective.

Ranking of Shares

Shares allotted on the exercise of options will rank pari passu with the other Shares in issue at the date of exercise of the relevant option except in respect of any dividend or other distribution previously resolved or announced to be paid or made if the record date therefor is before the relevant exercise date.

Period of the scheme

The Share Option Scheme will remain in force for a period of 10 years from the date of adoption of such scheme.

Variation

Except as allowed by the Listing Rules in effect from time to time or with the prior approval of shareholders in general meeting, no alteration shall be made to the provisions of the Share Option Scheme relating to any of the above matters. The Directors may terminate the Share Option Scheme at any time, but options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the rules of such scheme.

Cancellation of unexercised option

Our Company may cancel an option granted under the Share Option Scheme but not exercised with the approval of the holder of such option. The cancelled option will be treated as if it were outstanding option granted under the Share Option Scheme for the purpose of calculating the aggregate number of Shares issued or issuable or which may be issuable under the Share Option Scheme.

Present status of the Share Option Scheme

Application has been made to the GEM Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of options under the Share Option Scheme and listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

Estate duty and tax indemnity

The Controlling Shareholders have given joint and several indemnities in respect of, among others, (i) any liability for Hong Kong estate duty which might be payable by our Company or any of its subsidiaries 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 our Company or any of its subsidiaries on or before the date on which the Placing becomes unconditional (the ''Effective Date'') and (ii) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, except in certain circumstances, including where provisions have been made in the audited accounts of our Group.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in Bermuda.

Litigation

Neither our Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against our Company or any of its subsidiaries as at the Latest Practicable Date.

Sponsors

The Joint Sponsors have made an application on behalf of our Company to the GEM Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of options granted under the Share Option Scheme.

Preliminary expenses

The estimated preliminary expenses of our Company are approximately US$6,000 and are payable by our Company.

Promoters

The promoters of our Company are the Founding Shareholders. Save as disclosed in this appendix and within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any of these promoters in connection with the Placing or the related transactions described in this prospectus.

Qualification of experts

The qualifications of the experts who have given opinion in this prospectus are as follows:

Name	Qualification
CIMB Securities (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Access Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
BDO Limited *(note)*	Certified public accountants
Asset Appraisal Limited	Independent property valuer
Hills & Co.	PRC legal advisor
Conyers Dill & Pearman	Bermuda legal advisor

Note: Grant Thornton Hong Kong (now known as JBPB & Co) were appointed as the reporting accountants for the Listing. Due to the merger of the businesses and practices of Grant Thornton Hong Kong (now known as JBPB & Co) with that of BDO Limited, the Hong Kong member firm of the global BDO network, the accountants' reports contained in Appendix I and Section (B) in Appendix II are signed off in the name of BDO Limited, who substituted Grant Thornton Hong Kong (now known as JBPB & Co) as reporting accountants.

Consents

The experts named in the paragraph headed "Qualification of experts" above have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

Miscellaneous

Our Company has established its principal place of business at 19th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, Hong Kong and has been registered in Hong Kong under Part XI of the Companies Ordinance. Mr. Liu has been appointed as the agent of our Company for the acceptance of service of process in Hong Kong at Unit 6A, Block 6, King's Park Villa, 1 King's Pack Rise, King's Park, Kowloon, Hong Kong.

Our Company has no founder shares, management shares or deferred shares.

Save as disclosed herein, since the date two years immediately prior to the date of this prospectus:

(a) 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; and

(b) 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

(c) 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.

Codan Services Limited is our Company's Bermuda resident representative, a company affiliated with Conyers Dill & Pearman, legal advisor on Bermuda law to our Company. Conyers Dill & Pearman will receive usual professional fees in connection with the incorporation of our Company and the Placing.

Save as disclosed herein, none of the experts named in the paragraph headed "Qualification of experts" in this appendix has:

(a) any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group; or

(b) any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.

Bilingual prospectus

Pursuant to Rule 14.25 of the GEM Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED AND TO BE DELIVERED TO THE REGISTRARS OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents" in Appendix V, statements of the adjustments made by BDO Limited in arriving at the figures set out in their Accountants' Report and giving their reasons therefor, and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V. A copy of this prospectus will be filed with the Registrar of Companies in Bermuda.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 17 January 2011:

(a) the Memorandum of Association and the Bye-laws of our Company;

(b) the audited financial statements of the subsidiaries of our Company incorporated in Hong Kong or established in the PRC (except Goldnet which was incorporated on 8 October 2009) for the two years ended 31 December 2009 or since their respective dates of incorporation if such is a shorter period;

(c) the Accountants' Report, the text of which is set out in Appendix I, and the related statements of adjustments;

(d) the report received from BDO Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II;

(e) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix III;

(f) the PRC legal opinion prepared by the Company's PRC Legal Advisor;

(g) the rules of the Share Option Scheme;

(h) the Companies Act;

(i) the letter prepared by Conyers Dill & Pearman referred to in the section headed "General" in Appendix IV summarizing certain aspects of Bermuda company law;

(j) the service contracts referred to in the paragraph headed "Particulars of service contracts" in Appendix V;

(k) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V; and

(l) the written consents referred to in the paragraph headed "Consents" in Appendix V.

宏峰太平洋集團有限公司
Powerwell Pacific Holdings Limited