

HISTORY

Our Business History

Our Group's history can be traced back to 1980 when Mr. Michael Tung, our Chairman and one of our executive Directors, and his brother, Tung Koon Kwok (collectively referred to as the "Tung Brothers") established WMP, one of our Controlling Shareholders and the predecessor of our Group carrying on watch movement trading business prior to the Reorganisation, for the distribution of watch movements in Hong Kong.

During the first eight years from 1980 to 1988, we have successfully built up our own distribution and sales network of watch movements and have gained a strong knowledge base of the watch movements and watch industry in Hong Kong. We have over 30 years of experience in the watch movements trading business in Hong Kong. As at the Latest Practicable Date, we distributed over 100 models of Japan-made, Swiss-made and other watch movements that are imported from suppliers located in Hong Kong.

The strong economic growth and growing affluence of PRC people in 1980's had resulted in a strong demand for good quality, stylish and affordable watches. To capture the business potential of this growth opportunity, in 1988, through WMP and its then subsidiaries, we established Tian Wang Electronics, a sino-foreign cooperative joint venture in the PRC and commenced the manufacture and sales of watches under its own brand – Tian Wang (天王) at Dabu, Guangdong Province, the PRC. Over the past two decades, we benefited from the increasing demand for modern and fashionable watches as a result of the economic growth of the PRC, the abundant supply of labour and tax incentives provided by PRC government which has significantly reduced our production costs and overheads.

To further enhance our integrated operation, we started to establish our Sales Network for sales of our watches. With the rapid growth of PRC economy, we have expanded our Sales Network to cover nearly all major cities in the PRC, including Beijing, Shanghai, Guangzhou, Shenzhen, Changchun, Chengdu, Dalian, Wuhan and Xi'an. As at 30 September 2012, we had 1,706 POS in the PRC. Our watches are also sold at watch and jewelry chain stores operated by our distributors in Hong Kong, Macau and Taiwan.

To enhance our production capacity, we established Tian Wang Shenzhen as a wholly foreign-owned enterprise in the PRC in December 2001 and established manufacturing facilities in Shenzhen and Dabu, the PRC for assembling our Tian Wang brand of watches.

Building on our experience in the Tian Wang brand of watches and our established Sales Network in the PRC, we have been marketing and selling our another brand of watches, Balco, in the PRC since 2002.

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To promote the sales of watches of Tian Wang and Balco, we established Ye Guang Li as a wholly foreign-owned enterprise in the PRC in June 2005 for the assembling of our Tian Wang watches and for the sales and distribution of our Tian Wang and Balco watches and for the operation and management of our POS in the PRC. To diversify our product offering and to capture the growing demand for quality watches in the PRC, we also established Suzhou Paragon as a sino-foreign equity joint venture enterprise in the PRC in July 2008 for the operation of POS in Jiangsu, Anhui, Shandong and Hubei, and started to sell our Tian Wang and Balco watches as well as watches of the Other Brand thereat.

In November 2005, Time Watch Singapore, a company then listed on the Stock Exchange Dealing and Automated Quotation System (“**SESDAQ**”) of the Singapore Stock Exchange (“**SGX**”) and subsequently transferred and listed on the SGX’s main board in May 2008, became the holding company of our Group by way of reverse take-over by Time Watch Singapore, and the core business of our Group became listed on the SGX since then. Taken into account, among others, the prolonged under valuation and low trading liquidity of shares of Time Watch Singapore on SGX and to allow the shareholders of Time Watch Singapore to realise the value of their investment therein, Time Watch Singapore was privatised and became wholly-owned by Red Rewarding, a company wholly-owned by Mr. Michael Tung, in June 2011 and Time Watch Singapore was delisted from the SGX since then. Nothing comes to our Directors’ attention that Time Watch Singapore or any of its then directors had been subject to any disciplinary or enforcements actions or received any sanctions or reprimands by the SGX for breach of listing manual of the SGX during the period from the completion of the said reverse take-over on 8 November 2005 up to the date of the delisting, or otherwise ought to be brought to the attention of the Stock Exchange or the investors in relation to the listing and delisting of Time Watch Singapore on the SGX. For further details of the privatisation, please refer to the paragraph headed “Privatisation of Time Watch Singapore and the delisting thereof from the SGX” in this section.

Except for Mr. Hoon Tai Meng, who was the then independent non-executive director of Time Watch Singapore at the time of its delisting from the SGX, all the then directors and senior management of Time Watch Singapore at the time of its delisting continued to serve our Group during the Track Record Period and up to the Latest Practicable Date. As such, we are able to satisfy the management continuity requirement under Rule 8.05(1)(b) of the Listing Rules. Mr. Hoon Tai Meng is an advocate and solicitor practising in the Republic of Singapore. Our Group chose to appoint Mr. Ma Ching Nam and Dr. Tam Hok Lam Tommy as our independent non-executive Directors as they are qualified solicitor and accountant in Hong Kong, respectively, who can offer their experience in terms of legal compliance, internal control and corporate governance requirements in Hong Kong. As such, Mr. Hoon Tai Meng was not invited to act as one of our independent non-executive Directors.

To further capture the growing demand for quality watches in Shanghai, Hefei and Sichuan, we established Time Watch Hefei, Time Watch Shanghai and Time Watch Sichuan, in November 2011, January 2012 and December 2012, respectively, to sell watches of the Other Brands and to diversify our income base.

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To facilitate the sales and promotion of watches and related parts, brand marketing, administration and human resources management of our sales staff in the PRC, we established Shenzhen Time Watch Management Consulting in September 2012.

To rationalise our Group's structure in preparation for the Listing, our Company was incorporated on 21 September 2011 and various corporate structuring procedures were carried out so that our Company became the holding company of our businesses in respect of the manufacturing of Tian Wang watches, retail sale for Tian Wang and Balco watches and the trading of watch movements. For details, please refer to the paragraph headed "Reorganisation" in this section.

The following sets out our major business milestones and achievements:

1980	Tung Brothers co-founded WMP and commenced our trading of watch movements business
1990	We commenced our manufacturing and retail sale business of our Tian Wang brand of watches
1992	We started to establish our Sales Network for sale of our watches
2001	We established Tian Wang Shenzhen and established our manufacturing facility in Shenzhen, the PRC
2002	We started to market and sell Balco brand of watches in the PRC
2004	Our Tian Wang brand has been ranked by CNCIC as one of the top ten domestic watch brands in the PRC
2005	We established Ye Guang Li for manufacture of Tian Wang watches and for the sales and distribution of our Tian Wang and Balco watches
2008	We established Suzhou Paragon for operation of JV POS in Jiangsu, Anhui, Shandong and Hubei, the PRC Tian Wang Shenzhen was accredited with ISO9001:2000 for the first time for the design and manufacture of our Tian Wang watches
2010	Our Balco brand was ranked by CNCIC as one of the top twenty imported watch brands in the PRC by sales volume
2011	We established Time Watch Hefei for operation of JV POS in Jiangsu and Anhui, the PRC for sale of our Tian Wang and Balco watches and watches of the Other Brands

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had no presence in Suzhou before the establishment of Suzhou Paragon, to leverage on Mr. Wang's reputation and experience in the industry, his established sales networks and connections in Suzhou and his good relationship with certain well-recognised foreign watch brands and their agents, we entered into the joint venture arrangements and branded watches business development agreement (as mentioned below) with Ruiyunda and Mr. Wang, respectively, in order to facilitate our entry into the region more efficiently. Mr. Wang has also been appointed by Suzhou Paragon as its general manager to oversee the daily operation and management of Suzhou Paragon. Under the service agreement entered into between Mr. Wang and Suzhou Paragon, Mr. Wang has undertaken to Suzhou Paragon that he will, at any time during his employment and 12 months thereafter, not to directly or indirectly engage or involve in any business which may compete with the business of Suzhou Paragon.

For the purpose of governing the joint establishment and investments by Gold Joy and Ruiyunda in Suzhou Paragon and the operation and management of Suzhou Paragon, Gold Joy and Ruiyunda entered into the Suzhou JV Agreement pursuant to which they have agreed, among others, that:

- (a) Gold Joy and Ruiyunda will share the profit and loss of Suzhou Paragon according to their respective shares of the registered capital of Suzhou Paragon.
- (b) In addition to the parties' respective obligations in respect of the contribution to the registered capital of Suzhou Paragon, Gold Joy may, through its affiliated companies or related third party, grant to Suzhou Paragon interest-bearing shareholders' loan for an amount of RMB20 million, which Gold Joy and Suzhou Paragon will act as joint guarantor on a pro rata basis. The additional working capital requirement of Suzhou Paragon may also be satisfied by bank borrowings from financial institutions in the PRC or overseas on terms to be approved by the board of directors and the shareholders of Suzhou Paragon.
- (c) Ruiyunda shall negotiate with and procure certain branded watch manufacturers or distributors approved by both parties to enter into authorised retail agreements with Suzhou Paragon for the import, sale and distribution and dealership of their branded watches in China on terms and conditions to be approved by Gold Joy, and shall assist Suzhou Paragon to establish and develop its sales network leveraging on Ruiyunda's existing sales network and established business connections in the Jiangsu region.
- (d) Gold Joy shall grant to Suzhou Paragon a license to use certain of its trademarks.
- (e) The board of directors of Suzhou Paragon shall consist of five members, with three directors to be nominated by Gold Joy and two directors to be nominated by Ruiyunda.

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- (f) Neither Gold Joy nor Ruiyunda shall sell or transfer its shares in Suzhou Paragon to a third party without the other party's consent for the first five years after the establishment of Suzhou Paragon, and after the first five year period, if one of the parties offers to sell or transfer its shares in Suzhou Paragon to a third party, the other party to the Suzhou JV Agreement shall have the right of first offer to acquire the shares offered to be sold.

Gold Joy and Mr. Wang have also entered into a branded watches business development agreement on 10 October 2008, pursuant to which (including subsequent amendments thereon) Mr. Wang agreed to (i) procure certain well-recognised watch brands to enter into authorised retail agreements with Suzhou Paragon for its sale and distribution of such branded watches; (ii) procure certain shopping malls and store operators to enter into Sales Counters cooperation agreements with Suzhou Paragon with specified Sales Counters concessionaire fee and commission terms; (iii) procure experienced sales employees to enter into service agreements with Suzhou Paragon; and (iv) assist Suzhou Paragon to sell the inventories as specified in the agreement, within the time frame as specified in the agreement, for a fee of RMB3 million which is payable conditional upon the successful implementation of the above terms.

Time Watch Hefei

Time Watch Hefei was established as a sino-foreign equity joint venture under the laws of the PRC on 29 November 2011 with a registered capital of RMB14 million to engage in sales of watches. It currently operates JV POS for sale of Tian Wang, Balco watches and watches of the Other Brands in Jiangsu and Anhui. Pursuant to the Time Watch Hefei JV Agreement entered into between Gold Joy, our wholly-owned subsidiary, and Hefei De Sheng Li, Gold Joy and Hefei De Sheng Li would contribute 51% and 49%, respectively, of the registered capital of Time Watch Hefei. Please refer to the section headed "Appendix V – Statutory and General Information – Further information about our Group – 7. Further information about our Group's principal subsidiaries in the PRC" in this prospectus for further information about Time Watch Hefei.

Hefei De Sheng Li, a company established in the PRC with limited liabilities on 24 August 2011, is an investment holding company owned as to 40%, 30% and 30% by Mr. Mao, Ms. Mao Rong Yu (毛榮玉) and Ms. Mao Rong Xia (毛榮俠), respectively. Ms. Mao Rong Yu (毛榮玉) and Ms. Mao Rong Xia (毛榮俠) are the sisters of Mr. Mao. Mr. Mao, Ms. Mao Rong Yu (毛榮玉) and Ms. Mao Rong Xia (毛榮俠) are Independent Third-Parties, save for their interests in Time Watch Hefei and Hefei De Sheng Li. Before the joint establishment of Time Watch Hefei, Mr. Mao was a distributor of multi-brand watches in Hefei, the PRC, operating watch sales networks in the region through company controlled by him with established business connections with department stores and shopping malls. As we had limited presence in Hefei before the establishment of Time Watch Hefei, to leverage on Mr. Mao's reputation and experience in the industry, his established sales networks and connections in Hefei and his good relationship with certain well-recognised foreign watch brands and their agents, we entered into the joint venture arrangements and the branded watches business development agreement (as mentioned below) with Hefei De Sheng Li and Mr. Mao, respectively, in order

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to facilitate our entry into the region more efficiently. Mr. Mao has also been appointed by Time Watch Hefei as its general manager to oversee the daily operation and management of Time Watch Hefei. Under the service agreement entered into between Mr. Mao and Time Watch Hefei, Mr. Mao has undertaken to Time Watch Hefei that he will, at any time during his employment and 12 months thereafter, not to directly or indirectly engage or involve in any business which may compete with the business of Time Watch Hefei.

For the purpose of governing the joint establishment and investments by Gold Joy and Hefei De Sheng Li in Time Watch Hefei and the operation and management of Time Watch Hefei, Gold Joy and Hefei De Sheng Li entered into the Time Watch Hefei JV Agreement pursuant to which they have agreed, among others, that:

- (a) Gold Joy and Hefei De Sheng Li will share the profit/loss of Time Watch Hefei according to their respective shares of the registered capital of Time Watch Hefei.
- (b) The board of directors of Time Watch Hefei shall consist of three members, with two directors to be nominated by Gold Joy and one director to be nominated by Hefei De Sheng Li.
- (c) Neither Gold Joy nor Hefei De Sheng Li shall sell or transfer its shares in Time Watch Hefei to a third party without the other party's prior written consent and, if one of the parties offers to sell or transfer its shares in Time Watch Hefei to a third party, the other party to the Time Watch Hefei JV Agreement shall have the right of first offer to acquire the shares offered to be sold.

Gold Joy and Mr. Mao have also entered into a branded watches business development agreement on 13 October 2011, pursuant to which Mr. Mao agreed to (i) procure certain well-recognised watch brands to enter into authorised retail agreements with Time Watch Hefei for its sale and distribution of such branded watches; (ii) procure certain shopping malls and store operators to enter into Sales Counters cooperation agreements with Time Watch Hefei with specified Sales Counters concessionaire fee and commission terms; and (iii) procure experienced sales employees to enter into service agreements with Time Watch Hefei, within six months from the date of establishment of Time Watch Hefei, for a fee of RMB3 million which is payable conditional upon the successful implementation of the above terms.

Time Watch Shanghai

Time Watch Shanghai was established as a sino-foreign equity joint venture under the laws of the PRC on 29 January 2012 with a registered capital of RMB14 million to engage in sale of watches. It currently operates JV POS for sale of Tian Wang, Balco watches and watches of the Other Brands in Shanghai, Jiangsu and Shandong. Pursuant to the Time Watch Shanghai JV Agreement dated 1 December 2011 between the founding parties, Gold Joy, our wholly-owned subsidiary, and Shanghai Shi Ji Tang, Gold Joy and Shanghai Shi Ji Tang would contribute 51% and 49%, respectively, of the registered capital of Time Watch Shanghai. Please refer to the section headed "Appendix V – Statutory and General Information – Further information about our Group – 7. Further information about our Group's principal subsidiaries in the PRC" in this prospectus for further information about Time Watch Shanghai.

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Shanghai Shi Ji Tang, a company established in the PRC with limited liabilities on 20 May 2010, is an investment holding company owned as to 50%, 20%, 20% and 10% by Ms. Lu Fu Zhen (盧富珍), Mr. Zhao Xiao Gang (趙小剛), Ms. Li Jian (李健) and Mr. Jiang Chao (江超), respectively, all of whom are Independent Third-Parties save for their interests in Time Watch Shanghai and Shanghai Shi Ji Tang. Mr. Zhao Xiao Gang (趙小剛), Ms. Li Jian (李健) and Mr. Jiang Chao (江超) are the brother, cousin and nephew of Ms. Zhao, respectively. Before the joint establishment of Time Watch Shanghai, Ms. Zhao was a distributor of multi-brand watches in Shanghai, the PRC, operating watch sales networks in the region through company controlled by her with established business connections with department stores and shopping malls. In order to expedite our expansion in Shanghai and to leverage on Ms. Zhao's reputation and experience in the industry, her established sales networks and connections in Shanghai and her good relationship with certain well-recognised foreign watch brands and their agents, we entered into the joint venture arrangements and branded watches business development agreement (as mentioned below) with Shanghai Shi Ji Tang and Ms. Zhao, respectively, in order to facilitate our entry into the region more efficiently. Ms. Zhao has also been appointed by Time Watch Shanghai as its general manager to oversee the daily operation and management of Time Watch Shanghai. Under the service agreement entered into between Ms. Zhao and Time Watch Shanghai, Ms. Zhao has undertaken to Time Watch Shanghai that she will, at any time during her employment and 12 months thereafter, not to directly or indirectly engage or involve in any business which may compete with the business of Time Watch Shanghai.

For the purpose of governing the joint establishment and investments by Gold Joy and Shanghai Shi Ji Tang in Time Watch Shanghai and the operation and management of Time Watch Shanghai, Gold Joy and Shanghai Shi Ji Tang entered into the Time Watch Shanghai JV Agreement pursuant to which they have agreed, among others, that:

- (a) Gold Joy and Shanghai Shi Ji Tang will share the profit/loss of Time Watch Shanghai according to their respective shares of the registered capital of Time Watch Shanghai.
- (b) The board of directors of Time Watch Shanghai shall consist of three members, with two directors to be nominated by Gold Joy and one director to be nominated by Shanghai Shi Ji Tang.
- (c) Neither Gold Joy nor Shanghai Shi Ji Tang shall sell or transfer its shares in Time Watch Shanghai to a third party without the other party's prior written consent and, if one of the parties offers to sell or transfer its shares in Time Watch Shanghai to a third party, the other party to the Time Watch Shanghai JV Agreement shall have the right of first offer to acquire the shares offered to be sold.

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Gold Joy and Ms. Zhao have also entered into a branded watches business development agreement on 1 February 2012, pursuant to which Ms. Zhao agreed to (i) procure certain well-recognised watch brands to enter into authorised retail agreements with Time Watch Shanghai for its sale and distribution of such branded watches; (ii) procure certain shopping malls and store operators to enter into Sales Counters cooperation agreements with Time Watch Shanghai with specified Sales Counters concessionaire fee and commission terms; and (iii) procure experienced sales employees to enter into service agreements with Time Watch Shanghai, within three months from the date of establishment of Time Watch Shanghai, for a fee of RMB5.5 million which is payable conditional upon the successful implementation of the above terms.

Time Watch Sichuan

Time Watch Sichuan was established as a sino-foreign equity joint venture under the laws of the PRC on 4 December 2012 with a registered capital of RMB10 million to engage in sales of watches. It is intended that Time Watch Sichuan will operate JV POS for sale of Tian Wang, Balco watches and watches of the Other Brands in Sichuan. Pursuant to the Time Watch Sichuan JV Agreement entered into between Gold Joy, our wholly-owned subsidiary, and Mian Yang Qian Da, Gold Joy and Mian Yang Qian Da would contribute 51% and 49%, respectively, of the registered capital of Time Watch Sichuan. Please refer to the section headed “Appendix V – Statutory and General Information – Further information about our Group – 7. Further information about our Group’s principal subsidiaries in the PRC” in this prospectus for further information about Time Watch Sichuan.

Mian Yang Qian Da, a company established in the PRC with limited liabilities on 28 May 2012, is an investment holding company owned as to 51% and 49% by Mr. Li and Ms. Huang Lan Ying (黃蘭英), the spouse of Mr. Li, respectively. Mr. Li and Ms. Huang Lan Ying (黃蘭英) are Independent Third-Parties, save for their interests in Time Watch Sichuan and Mian Yang Qian Da. Before the joint establishment of Time Watch Sichuan, Mr. Li was a distributor of multi-brand watches in Sichuan, the PRC, operating watch sales networks in the region through company controlled by him with established business connections with department stores and shopping malls. In order to expedite our expansion in Sichuan and to leverage on Mr. Li’s reputation and experience in the industry, his established sales networks and connections in Sichuan and his good relationship with certain well-recognised foreign watch brands and their agents, we expect to enter into the joint venture arrangements and the branded watches business development agreement (as mentioned below) with Mian Yang Qian Da and Mr. Li, respectively, in order to facilitate our entry into the region more efficiently. Mr. Li has also been appointed by Time Watch Sichuan as its general manager to oversee the daily operation and management of Time Watch Sichuan.

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For the purpose of governing the joint establishment and investments by Gold Joy and Mian Yang Qian Da in Time Watch Sichuan and the operation and management of Time Watch Sichuan, Gold Joy and Mian Yang Qian Da entered into the Time Watch Sichuan JV Agreement pursuant to which they have agreed, among others, that:

- (a) Gold Joy and Mian Yang Qian Da will share the profit/loss of Time Watch Sichuan according to their respective shares of the registered capital of Time Watch Sichuan.
- (b) The board of directors of Time Watch Sichuan shall consist of three members, with two directors to be nominated by Gold Joy and one director to be nominated by Mian Yang Qian Da.
- (c) Neither Gold Joy nor Mian Yang Qian Da shall sell or transfer its shares in Time Watch Sichuan to a third party without the other party's prior written consent and, if one of the parties offers to sell or transfer its shares in Time Watch Sichuan to a third party, the other party to the Time Watch Sichuan JV Agreement shall have the right of first offer to acquire the shares offered to be sold.

As at the Latest Practicable Date, Time Watch Sichuan has not commenced its operation.

Privatisation of Time Watch Singapore and the delisting thereof from the SGX

On 22 March 2011, DBS Bank Limited, an affiliate of DBS Asia Capital Limited, one of the Joint Sponsors, for and on behalf of Red Rewarding, one of our Controlling Shareholders, made a privatisation offer to acquire all the issued ordinary shares in the capital of Time Watch Singapore, with an intention to privatise Time Watch Singapore by way of voluntary delisting from the SGX, at an offer price of S\$0.27 in cash for each share.

The principal reasons for the privatisation offer were:

- The trading liquidity of the shares of Time Watch Singapore on the SGX in the preceding year was generally thin. The average trading volume of the shares of Time Watch Singapore on the SGX was approximately 636,000 shares over the 12-month period from 19 January 2010 to 18 January 2011 (being the last trading day of shares of Time Watch Singapore on the SGX preceding the date of the joint announcement between Red Rewarding and Time Watch Singapore about the delisting proposal), representing only approximately 0.45% of the then issued shares capital of Time Watch Singapore. We believed that the trading price of Time Watch Singapore on the SGX might not reflect the underlying values of its businesses because of the lack of liquidity;
- The trading value of the shares of Time Watch Singapore on the SGX was relatively low. The privatisation offer price, which represented approximately 14.9% premium to the last traded price per share before the announcement of the privatisation proposal, represented a historical price earnings ratio (based on the earning per share

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of Time Watch Singapore as of 30 June 2010) of approximately 5.4 times only. It is further noted that the trading values of other comparable companies^(Note 1) of Time Watch Singapore listed on the SGX have an average price earnings ratio (as at 18 January 2011, being the last trading day of shares of Time Watch Singapore on the SGX) of approximately 6.2 times. On the other hand, the trading value of other comparable companies^(Note 2) of Time Watch Singapore listed on several major stock exchanges in the world have an average price earnings ratio (as at 18 January 2011) of approximately 33.0 times. We believed that the trading price of Time Watch Singapore on the SGX might not reflect the underlying values of its businesses; and

- The privatisation offer represented a clean cash exit opportunity for shareholders of Time Watch Singapore, who accepted the privatisation offer, to realise their investment at an attractive premium over the market price of the shares of Time Watch Singapore prior to the joint announcement about the delisting proposal. For details of the premium received by shareholders of Time Watch Singapore who accepted the privatisation offer, please see below.

Notes:

1. The companies selected to calculate this price earnings ratio are Cortina Holdings Limited and Hour Glass Limited.
2. The companies selected to calculate the price earnings ratio are as follows:

Location of relevant stock exchanges	Name of the companies
Hong Kong	Asia Commercial Holdings Limited, Sincere Watch HK Limited, Oriental Watch Holdings Limited, China Haidian Holdings Limited, Hengdeli Holdings Limited and Emperor Watch & Jewellery Limited
PRC	Fiyta Holdings Limited
Japan	Citizen Holdings Co., Limited, Seiko Epson Corporation, Casio Computer Company Limited, Seiko Holdings Corporation and Rhythm Watch Company Limited
Korea	Romanson Company Limited
India	Timex Group India Limited
Europe	Cie Financiere Richemont SA, The Swatch Group AG and Folli Follie Group
US	Fossil Inc. and Movado Group Inc.

The privatisation offer closed on 5 May 2011. Following the closing of the privatisation offer, valid acceptances in respect of 362,650,117 shares, representing approximately 96.95% of the then issued share capital of Time Watch Singapore, had been received. Of the valid acceptances of Red Rewarding's privatisation offer in respect of 362,650,117 shares, acceptance in respect of 130,269,797 shares were received from shareholders of Time Watch Singapore not acting in concert with Red Rewarding. The total consideration payable by Red Rewarding in respect of these 130,269,797 shares was S\$35,172,845.19. Subsequently, Red Rewarding exercised its right of compulsory acquisition under section 215(1) of the Companies Act, Chapter 50 of the Laws of Singapore to acquire all remaining 11,411,510 shares of the shareholders of Time Watch Singapore who have not accepted the privatisation offer at the

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price of S\$0.27 for each share. The total consideration payable by Red Rewarding for the remaining 11,411,510 shares was S\$3,081,107.70. Time Watch Singapore was delisted from the SGX on 20 June 2011. The aggregate amount paid by Red Rewarding to investors of Time Watch Singapore, being those former shareholders of Time Watch Singapore not acting in concert with Red Rewarding and shareholders of Time Watch Singapore whose shares were compulsorily acquired by Red Rewarding, was S\$38,253,952.89 (or approximately HK\$223.9 million), and the aggregate costs and expenses incurred by Red Rewarding for the privatisation offer amounted to approximately HK\$13.6 million.

The privatisation offer price of S\$0.27 represented a premium of approximately 27.96%, 35.68% and 39.18% over the one-month, three-month and six-month volume weighted average price of the shares of Time Watch Singapore, respectively. The offer price also represented a premium of approximately 1.29 times and 1.23 times of the net asset value per share of Time Watch Singapore as of 30 June 2010 and 31 December 2010, respectively. The offer price also represented a premium of 14.89% over the last traded price per share on 18 January 2011, being the last trading day of the shares of Time Watch Singapore on the SGX preceding the date of the joint announcement between Red Rewarding and Time Watch Singapore about the delisting proposal.

The cash consideration, costs and expenses payable by Red Rewarding under the privatisation offer was funded by DBS Bank (Hong Kong) Limited, an affiliate of DBS Asia Capital Limited, one of the Joint Sponsors, by way of a term facility (the “**Term Facility**”) of up to HK\$265.0 million or equivalent to Red Rewarding and Winning International Limited, a company then owned as to 95.45% by Mr. Michael Tung and as to 4.55% by Tung Koon Kwok. The Term Facility was secured by, among others, certain share charges and financial guarantees by members of our Group. These share charges and financial guarantees given by the members of our Group had been released prior to the Latest Practicable Date. For details, please refer to Note 32(i) of the Accountants’ Report in Appendix I to this prospectus for details. The aggregate amount drawn down by Red Rewarding under the Term Facility amounted to approximately HK\$237.5 million, approximately HK\$133.6 million of which remained outstanding as of the Latest Practicable Date. It is expected that the net proceeds from the sale of the Sale Shares by the Selling Shareholder, of approximately HK\$119.2 million (computed based on the mid-point of the indicative offer price range), will be used to repay part of the outstanding amount under the Term Facility. As confirmed by our Controlling Shareholders, after the privatisation and up to the Latest Practicable Date, the repayment of the principal amount of the Term Facility of HK\$103.9 million was mainly financed by the dividends distributed by our Company to Red Glory of approximately HK\$34.1 million, and the dividends distributed by and advance from Sky Sun to WMP of an aggregate amount of approximately HK\$69.8 million. In October 2012, further dividend was distributed by our Company to Red Glory, out of which HK\$16.5 million will be applied by our Controlling Shareholders to repay the Term Facility in April 2013.

Application for Listing on the Stock Exchange

After the delisting and in preparation for the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our core businesses, namely, the assembly of Tian Wang watches and retail of principally our Tian Wang and Balco watches in the PRC and the trading of watch movements, while various non-core businesses previously operated by Time Watch Singapore through its subsidiaries prior to the privatisation and delisting from SGX were excluded from our Group. Please refer to the section headed “Appendix V – Further information about our Group – 5. Reorganisation” in this prospectus for further information about the Reorganisation. Our Directors believe that the Listing provides a separate fundraising platforms for our Group with respect to its operations and future expansion of its core businesses, and the net proceeds to be received by us from the Global Offering will provide capital to our Company to facilitate such operations and expansion. Our Directors consider the Hong Kong capital market to be a suitable platform for our Shares to be listed as investors in Hong Kong have a better understanding of the PRC watch industry. Our Directors believe that the trading liquidity and valuation of the Shares of our Company can also be improved by the Listing.

Market capitalisation of Time Watch Singapore and our Company

The market capitalisation of Time Watch Singapore at the time of its delisting from the SGX was approximately HK\$637.2 million, as compared to the expected market capitalisation of approximately HK\$2,460 million of our Company which is computed based on the mid-point of the indicative Offer Price range and the total number of issued shares of our Company immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Our Directors consider that the following may explain the reasons for the difference between the market capitalisations of Time Watch Singapore and our Company:

- our Group recorded a significant growth in its profits since 30 June 2010. The consolidated net profit of Time Watch Singapore was approximately HK\$118.5 million for the year ended 30 June 2010, while our Group’s net profit for the year ended 30 June 2012 was approximately HK\$188.5 million;
- even though the assembling and resale of OEM watches businesses of Time Watch Singapore are not included in our Group, we noted that the assembling and resale of OEM watches businesses just accounted for an insignificant percentage of the net profit of Time Watch Singapore as compared to our manufacturing and trading of our Tian Wang and Balco watches and our watch movements trading businesses. For the year ended 30 June 2010, the net profit contributed by assembling and resale of OEM watches just accounted for 13% of the total net profit arising from the watch related businesses previously held by Time Watch Singapore;

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- our Group has been actively expanding our business. The number of our POS increased from 1,245 as of 30 June 2011 to 1,706 as of 30 September 2012. We have also established three more JV Companies, namely, Time Watch Hefei, Time Watch Shanghai and Time Watch Sichuan;
- the liquidity of the shares of Time Watch Singapore on the SGX had been low. During the 12-month period prior to the date of announcement for the privatisation offer, the average daily trading volume of the shares of Time Watch Singapore amounted to 636,000 shares only, representing only approximately 0.45% of the shares held by its shareholders;
- the shares of Time Watch Singapore had been traded relatively undervalue on the SGX. The privatisation offer price, which represented approximately 14.89% premium to the last traded price per share before the announcement of the privatisation proposal, represented a historical price earnings ratio (based on the earning per share of Time Watch Singapore as of 30 June 2010) of approximately 5.4 times only. It is further noted that the trading values of other comparable companies^(Note 1) of Time Watch Singapore listed on the SGX have an average price earnings ratio (as at 18 January 2011, being the last trading day of shares of Time Watch Singapore on the SGX) of approximately 6.2 times as compared to the trading values of other comparable companies^(Note 2) of Time Watch Singapore listed on several major stock exchanges in the world which have an average price earnings ratio (as at 18 January 2011) of approximately 33.0 times. Our Directors believe that the expected market capitalisation of our Group, which reflects a price earnings ratio for the year ended 30 June 2012 of approximately 13.4 times (based on the mid-point of the indicative Offer Price range), is within the range of price earnings ratio (as of 14 January 2013, being the Latest Practicable Date) from approximately 7.8 times to 19.6 times of the comparable^(Note 3) companies currently trading on the Stock Exchange.

The property investment businesses of Time Watch Singapore are not included into our Group because such businesses are not related to our core business.

Notes:

1. Please refer to page 128 for the names of the companies selected for this calculation.
2. Please refer to page 128 for the names of the companies selected for this calculation.
3. The companies selected to calculate the price earnings ratio range are Asia Commercial Holdings Limited, Sincere Watch HK Limited, Oriental Watch Holdings Limited, China Haidian Holdings Limited, Hengdeli Holdings Limited and Emperor Watch & Jewellery Limited.

REORGANISATION

Shareholding and corporate structure prior to the Reorganisation

Prior to the Reorganisation, our key operating businesses and companies were held by WMP, one of our Controlling Shareholders. Apart from those key businesses and companies of our Group, the WMP Group also operates other businesses, some of which may compete with that of our Group. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details.

Our Company was incorporated on 21 September 2011. To rationalise our Group’s structure in preparation for the Listing, various corporate restructuring procedures were carried out so that:

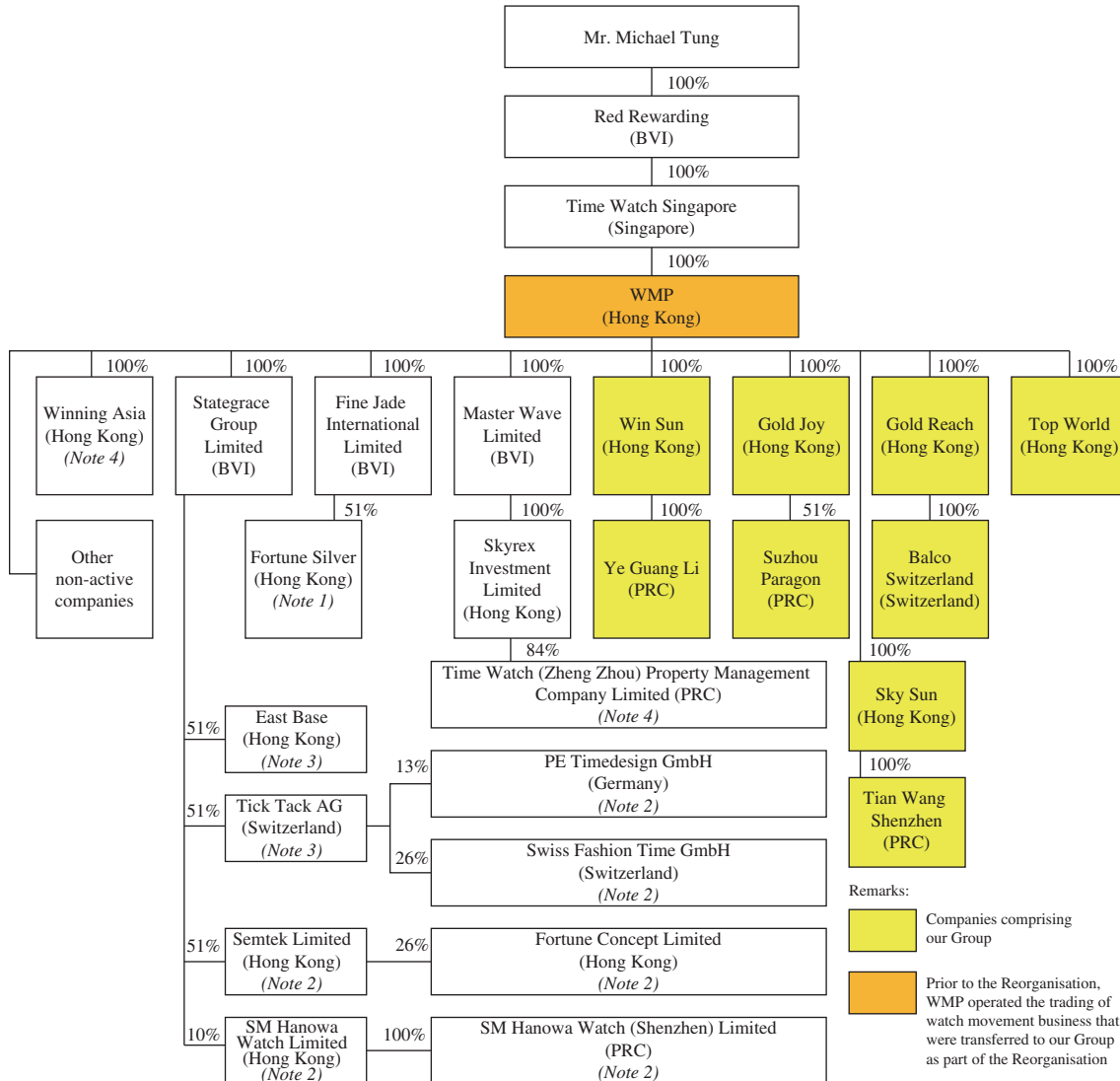
- our Company became the holding company of our businesses in respect of (i) the assembly and retail of principally our Tian Wang watches and retail of Balco watches in the PRC; and (ii) the trading of watch movements to other watch manufacturers and distributors, which is ancillary to the manufacturing of our Tian Wang watches; and
- as the core business of our Group is the manufacture and sale of principally our Tian Wang watches and marketing and sales of Balco watches, through our extensive Sales Network in the PRC, various businesses (the “**Retained Businesses**”) previously operated by Time Watch Singapore through its subsidiaries prior to its privatisation and delisting from SGX in June 2011 were excluded from our Group.

Retained Businesses

In November 2005, Time Watch Singapore, a company listed on the SGX, became the holding company of our Group and the various companies that operate the Retained Businesses by way of reverse takeover. Time Watch Singapore was privatised and delisted from the SGX in June 2011.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is a simplified corporate chart showing (i) the active operating companies held by Time Watch Singapore, directly or indirectly, at the time when it was privatised and delisted from the SGX and (ii) the companies comprising our Group prior to the Reorganisation:



Notes:

- (1) This company operates Category (1) of the Retained Businesses as described below.
- (2) These companies engage in Category (2) of the Retained Businesses as described below. The attributable interests of our Controlling Shareholders in these companies decreased upon completion of the Stategrace Sale Agreement as described in the paragraph headed “Reduction of our Controlling Shareholders’ interests in the companies operating the Retained Businesses” below.
- (3) These companies engage in Category (3) of the Retained Businesses as described below. The attributable interests of our Controlling Shareholders in these companies decreased upon completion of the Stategrace Sale Agreement as described in the paragraph headed “Reduction of our Controlling Shareholders’ interests in the companies operating the Retained Businesses” below.
- (4) These companies engage in Category (4) of the Retained Businesses as described below.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Retained Businesses can be principally categorised (each a “**Category**”) as follows:

- (1) retail sales of multi-brand watches outside the PRC;
- (2) minority investments in various companies that distribute multi-brand watches;
- (3) minority investments in two companies that manufacture and supply third-party brands of watches on an OEM basis; and
- (4) property investment in Hong Kong and the PRC.

Upon the completion of the Reorganisation, the Retained Businesses formed part of the Excluded Businesses as described in the section headed “Relationship with Our Controlling Shareholders – Our Controlling Shareholders’ interests in businesses other than business of our Group” in this prospectus.

Set out below is a table showing the various operating companies of the members of our Group and the Retained Businesses held, directly or indirectly, by Time Watch Singapore at the time when it was privatised and delisted from the SGX:

Name of the company	Principal businesses	Member of our Group	Summary of reason for inclusion/exclusion from our Group
1. Win Sun	Distribution of Tian Wang and Balco watches to Hong Kong, Taiwan and Macau	Yes	Forms part of our core business
2. Ye Guang Li	Retail sales of Balco watches in the PRC	Yes	Forms part of our core business
3. Gold Joy	Investment holding company	Yes	Investment holding company of Suzhou Paragon
4. Suzhou Paragon	Operates the JV POS in Suzhou, PRC for the distribution of Tian Wang and Balco watches and watches of Other Brands	Yes	Forms part of our core business
5. Sky Sun	Investment holding company	Yes	Investment holding company of Tian Wang Shenzhen, part of our core business
6. Tian Wang Shenzhen	Manufacture of Tian Wang watches, and operates POS of Tian Wang watches in the PRC	Yes	Forms part of our core business

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of the company	Principal businesses	Member of our Group	Summary of reason for inclusion/exclusion from our Group
7. Gold Reach	Investment holding company	Yes	Investment holding company of Balco Switzerland, part of our core business
8. Balco Switzerland	Brand owner of Balco watches	Yes	Forms part of our core business
9. Top World	Sourcing for material and parts for Balco watches	Yes	Forms part of our core business
10. WMP	(i) investment holding company (ii) trading of watch movements (<i>Note</i>)	No	Please see reasons referred to in the paragraph headed “Principal Reorganisation Procedures – (ii) Transfer of the trading of watch movement business into our Group” in this section of this prospectus concerning the Reorganisation
11. Fortune Silver	Retail sales of multi-brand watches in Hong Kong	No. Category (1) of the Retained Businesses	Does not form part of our core business. It operates a retail shop in Hong Kong that sells multi-brands of watches, including Tian Wang and Balco watches. Sales of Tian Wang and Balco watches in Hong Kong accounted for less than 1% of our revenue during the Track Record Period
12. Fine Jade International Limited	Investment holding company of Fortune Silver	No. It forms part of the Retained Businesses	Investment holding company of Fortune Silver, Category (1) of the Retained Businesses

Note:

The trading of watch movements business of WMP was injected into our Group as part of the Reorganisation by Win Source acquiring from WMP all the assets, rights and interests relating to the watch movements trading business of WMP on 1 June 2012. Please refer to the paragraph headed “Principal Reorganisation Procedures – (ii) Transfer of the trading of watch movement business into our Group” in this section of this prospectus for details of the acquisition.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of the company	Principal businesses	Member of our Group	Summary of reason for inclusion/exclusion from our Group
13. Semtek Limited ("Semtek")	Distribution of a third-party brand of watches worldwide	No. Category (2) of Retained Businesses	(i) the third-party brand of watches is distributed principally outside the PRC and does not form part of our core business; (ii) our Controlling Shareholders only owned an attributable interest of 7.5% in Semtek as at the Latest Practicable Date
14. Fortune Concept Limited ("Fortune Concept")	Distribution and retail sales of five third-party brands of watches in the Asia Pacific region	No. Category (2) of Retained Businesses	(i) the third-party brand of watches is distributed principally outside the PRC and does not form part of our core business; (ii) our Controlling Shareholders only owned an attributable interest of approximately 2.8% in Fortune Concept as at the Latest Practicable Date
15. Swiss Fashion Time GmbH ("Swiss Fashion Time")	Worldwide distribution of third-party brands of watches and related accessories	No. Category (2) of Retained Businesses	(i) the third-party brand of watches is distributed principally outside the PRC and does not form part of our core business; (ii) our Controlling Shareholders only owned an attributable interest of approximately 2.8% in Swiss Fashion Time as at the Latest Practicable Date

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of the company	Principal businesses	Member of our Group	Summary of reason for inclusion/exclusion from our Group
16. pe.timedesign GmbH (“ PE Time ”)	Worldwide distribution of third-party brands of watches and related accessories	No. Category (2) of Retained Businesses	<p>(i) the third-party brand of watches is distributed principally outside the PRC and does not form part of our core business;</p> <p>(ii) our Controlling Shareholders only owned an attributable interest of approximately 2.8% in PE Time as at the Latest Practicable Date</p>
17. SM Hanowa Watch Limited and its wholly-owned subsidiary, SM Hanowa Watch (Shenzhen) Limited (collectively referred to as “ SM Hanowa ”)	Wholesale distribution of third-party brands of watches and related accessories to customers which are operators of retail outlets in the PRC	No. Category (2) of Retained Businesses	<p>(i) SM Hanowa engages in wholesale distribution of third party watches in the PRC. Its business model is different from our core business</p> <p>(ii) our Controlling Shareholders owned only a minority stake of approximately 7.5% in SM Hanowa as at the Latest Practicable Date</p>
18. East Base	Supply of third-party brands watches on OEM basis	No. Category (3) of Retained Businesses	<p>(i) supply arm on an OEM basis for other third-party watch brand carriers</p> <p>(ii) our Controlling Shareholders owned only a minority stake of approximately 5.6% in East Base as at the Latest Practicable Date</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of the company	Principal businesses	Member of our Group	Summary of reason for inclusion/exclusion from our Group
19. Tick Tack AG ("Tick Tack")	Supply of third-party brands watches on OEM basis	No. Category (3) of Retained Businesses	(i) supply arm on an OEM basis for other third-party watch brand carriers (ii) our Controlling Shareholders owned only a minority stake of approximately 3.8% in Tick Tack as at the Latest Practicable Date
20. Time Watch (Zheng Zhou) Property Management Company Limited ("Time Watch Zhengzhou")	Property investment in a shopping mall at Zhengzhou, the PRC for leasing	No. Category (4) of Retained Businesses	Not related to our core business
21. Winning Asia	Property investment in Hong Kong	No. Category (4) of Retained Businesses	Not related to our core business
22. Stategrace Group Limited	Investment holding company	No.	It is an investment holding company which holds certain equity interests in Categories (2) and (3) of the Retained Businesses
23. Master Wave Limited	Investment holding company	No.	It holds Time Watch Zhengzhou, Category (4) of the Retained Businesses
24. Skyrex Investment Limited	Investment holding company	No.	It holds Time Watch Zhengzhou, Category (4) of the Retained Businesses

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table shows the various companies that operate the Retained Businesses and our Controlling Shareholders' attributable interests in these companies as at 20 June 2011, the date when Time Watch Singapore was delisted from the SGX, and as at the Latest Practicable Date:

Name of the company	Attributable interests of Controlling Shareholders as at 20 June 2011 (<i>approx.</i>)	Attributable interests of Controlling Shareholders as at the Latest Practicable Date (<i>approx.</i>)
Fortune Silver	51.0%	51.0%
Semtek	51.0%	7.5%
Fortune Concept	13.3%	2.8%
Swiss Fashion Time	13.3%	2.8%
PE Time	6.6%	2.8%
SM Hanowa	10.0%	7.5%
East Base	51.0%	5.6%
Tick Tack	51.0%	3.8%
Time Watch Zhengzhou	84.0%	84.0%
Winning Asia	100.0%	100.0%

Reduction of our Controlling Shareholders' interests in the companies operating the Retained Businesses

On 30 March 2012, WMP entered into a share sale agreement (the “**Stategrace Sale Agreement**”) with certain Independent Third-Parties pursuant to which WMP transferred to them its 92.5% equity interests in Stategrace Group Limited on 31 March 2012 in exchange for the transfer or procuring the transfer to Mr. Michael Tung of certain equity interests in various companies that hold equity interests in some of the Third Party Brand Carriers referred to in the section headed “Relationship with Our Controlling Shareholders” in this prospectus. Further details of the Stategrace Sale Agreement is set out in the section headed “Relationship with Our Controlling Shareholders – Our Controlling Shareholders' interests in businesses

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

other than business of our Group” of this prospectus. On 31 March 2012, WMP also transferred its remaining 7.5% equity interests in Stategrace Group Limited to Mr. Michael Tung. Stategrace Group Limited was at the relevant time an investment holding company that held equity interests in Semtek, Fortune Concept, Swiss Fashion Time, PE Time, East Base and Tick Tack. Upon completion of the Stategrace Sale Agreement, the attributable interests of our Controlling Shareholders in these companies decreased as shown in the above table.

Prior to the date of the Stategrace Sale Agreement, some of these Independent Third-Parties had already owned certain indirect interests in Semtek, Fortune Concept, Swiss Fashion Time, PE Time, East Base and Tick Tack. The primary intention of these Independent Third-Parties proposing to enter into the Stategrace Sale Agreement, as far as our Controlling Shareholders understand, was to merge the business and investments of Stategrace Group Limited with several watches and accessories businesses owned by another set of investors, including a reputable international luxury brand player, in order to form a larger group of companies with a broader brand coverage and customer base after the merger. Such business merger took place subsequent to the Stategrace Sale Agreement pursuant to which the various companies in the Retained Businesses that distribute multi-brand watches merged with another group of companies (previously owned by other Independent Third Parties) which are brand carriers principally engaged in, among others, (i) worldwide distribution of watches of three third-party brands of watches; (ii) distribution of eight third-party brands of watches in France and Germany; (iii) sales of eyewear in United States, Italy, Australia and the PRC; and (iv) sales of accessories in France. While our Controlling Shareholders understood that their equity interest in the Stategrace Group Limited’s group of companies after the merger would be diluted into a minority interest, our Controlling Shareholders agreed to participate in the merger so as to become interested in a larger group of businesses (though as a passive financial investor) with potentially higher investment potentials and better business prospects, and our Controlling Shareholders would at the same time be able to focus on our Group’s operations. Subsequent to the Stategrace Sale Agreement, our Controlling Shareholders and another shareholder sold their then 10% and 45% equity interest in SM Hanowa, respectively, to Swiss Watch Group Limited, which is owned by Mr. Michael Tung as to 7.5% and was the then shareholder of SM Hanowa holding 45% equity interest in SM Hanowa immediately before the transfer. Subsequent to such sale, our Controlling Shareholders’ attributable interest in SM Hanowa was further diluted to approximately 7.5% as at the Latest Practicable Date.

As a result of the Stategrace Sale Agreement, the said business merger and the said disposal of SM Hanowa, our Controlling Shareholders’ interests in Semtek, Fortune Concept, Swiss Fashion Time, PE Time, East Base, Tick Tack and SM Hanowa were diluted but our Controlling Shareholders became interested in various companies that hold equity interests in some of the Third Party Brand Carriers and packaging materials manufacturer and supplier. Please refer to the section headed “Relationship with our Controlling Shareholders – Our Controlling Shareholders’ interests in businesses other than business of our Group” in this prospectus for more details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Reasons for excluding the Retained Businesses from our Group

The core business of our Group is the manufacture of Tian Wang watches and sale of principally our Tian Wang and Balco watches through our extensive Sales Network in the PRC. The Retained Businesses are excluded from our Group because our core business and the Retained Businesses have different growth paths and different business strategies:

- (i) **Retail sale of multi-brand watches outside the PRC** – Fortune Silver, which previously formed part of the listed group under Time Watch Singapore during the time when it was listed on the SGX, operates a retail shop in Tsim Sha Tsui, Hong Kong for the retail sale of different brands of watches, including Tian Wang and Balco watches and also other high-end, luxurious brands of watches. Sales of Tian Wang and Balco watches outside the PRC during the Track Record Period were insignificant when compared to our Groups' revenue. During each of the three years ended 30 June 2012 and the three months ended 30 September 2012, sales of Tian Wang and Balco watches in Hong Kong amounted to approximately HK\$5.7 million, HK\$4.9 million, HK\$11.5 million and HK\$3.9 million which accounted for approximately 0.6%, 0.4%, 0.8% and 0.8% of our revenue in the relevant year/period, respectively.

Save for the directorship of Ms. Tam Fun Hung (being the spouse of Mr. Michael Tung) in Fortune Silver without any control of the board of directors and any involvement in its daily operation and management, our Directors and senior management are not involved in the operation of any shops of Fortune Silver. Our Controlling Shareholders do not have any control of the board of directors of Fortune Silver. On the other hand, Fortune Silver has been focusing its businesses on its respective operations of its single retail shop, with principal focus on retail sale of multi-brand watches in Hong Kong, respectively, without any present plan to expand its sales network in Hong Kong or elsewhere. In particular, Fortune Silver relies heavily on tour visits arranged by travel agencies, which our management does not have the relevant connections and expertise. Instead of relying on other shareholders and the management team of Fortune Silver in its business operations and development which our Controlling Shareholders do not have control, our Directors consider it more appropriate for our Group to leverage on our Group's and our management's experience in the PRC retail market by placing our focus and resources on sales of watches in the PRC.

As we have been focusing on retail sales and operations of POS in the PRC and we do not operate any POS outside the PRC, we have relatively limited experiences and exposure in overseas markets. Also, the business performance of Fortune Silver is subject to certain business risks such as the undue reliance on tour visits arranged by travel agencies and their relationship with these travel agencies, the reputational risk caused by malpractice of individual travel agency and/or its tour guides and the possible tightening measures by Hong Kong government that may affect the tourism sales, and also other local factors such as increase in rent and accumulation of inventory (especially where Fortune Silver also sells other high-end and luxurious watches that results in higher risk of obsolete inventory). As such, our Directors consider it more appropriate to minimise our business risks in overseas markets (including Hong Kong) by selling our watches through Fortune Silver and other business partners.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Based on the above, our Directors consider that inclusion of our Controlling Shareholders' interests into our Group does not necessarily result in any synergy effect between these companies and our Group;

- (ii) **Minority investments in various companies that distribute multi-brand watches** – with the exception of SM Hanowa, these companies (namely, Fortune Concept, Semtek, Swiss Fashion Time and PE Time) distribute watches of different brands principally outside the PRC. With the exception of Fortune Concept which operates two retail outlets in Hong Kong, none of these companies operate any POS. Both the geographical focus and business model of these companies are different from that of our Group. SM Hanowa is principally engaged in the wholesale distribution of third-party watches to retail operators in the PRC. Its business model is also different from that of our Group. In any event, following completion of the Stategrace Sale Agreement, the business merger and the further disposal of interest in SM Hanowa, our Controlling Shareholders have only an insignificant minority stake ranging from approximately 2.8% to 7.5% in these companies, and do not have any control over the day-to-day management and operations of these companies. Our Directors do not consider it appropriate to include such investments in minority interest into our Group as we have no control over the management and operations and future business development and policies of these companies;

- (iii) **Minority investments in two companies that manufacture and supply third-party brands of watches on an OEM basis** – East Base and Tick Tack supplied watches manufactured on an OEM basis to other third-party watch brand carriers, which are some of the Third-Party Brand Carriers described in the section headed “Relationship with Our Controlling Shareholders – Delineation of Our Businesses from the Excluded Business” in this prospectus. East Base and Tick Tack do not have their own manufacturing facilities and subcontract the manufacturing process to other manufacturers. East Base and Tick Tack act principally as the supply arm of some of the Third-Party Brand Carriers, which distributes watches of foreign brands principally outside the PRC. The market focus of these watch brand carriers are different from our Group's. Further information is set out in the section “Relationship with Our Controlling Shareholders – Delineation of Our Businesses from the Excluded Businesses” in this prospectus. In any event, following the completion of the Stategrace Sale Agreement, our Controlling Shareholders have only an insignificant minority stake of approximately 5.6% and 3.8%, respectively, in East Base and Tick Tack, and do not have any control over the day-to-day management and operations of these companies. Our Directors do not consider it appropriate to include such investments in minority interest into our Group as we have no control over the management and operations and future business development and policies of these companies; and

- (iv) **Property investment in the PRC and Hong Kong** – Time Watch Zhengzhou is the owner of a shopping mall in Zhengzhou, the PRC, which is leased to and operated by an Independent Third Party, and Time Watch Zhengzhou does not participate in

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the management of the shopping mall. Winning Asia is engaged in property investment in Hong Kong. It owns the premises and parking spaces that are currently leased to our Group. Please refer to the section headed “Continuing Connected Transactions” in this prospectus for details of the leasing arrangement. Property investment in the PRC and Hong Kong is not the core business of our Group.

The exclusion of the Retained Businesses from our Group will not affect our compliance with the requirements set out in Rule 8.05 of the Listing Rules for the following reasons:

- save for our Controlling Shareholders’ interest in Fortune Silver, Semtek, East Base, Tick Tack, Time Watch Zhengzhou, Zhengzhou Hengdi and Winning Asia, our Controlling Shareholders are minority interest investors in the other Retained Businesses with less than 50% shareholding interest in each of the Retained Businesses during the Track Record Period. Had our Controlling Shareholders’ interests in these Retained Businesses been included in our Group, the relevant interests would have been accounted for as associated companies or available-for-sale investments in our Group’s financial statements, and therefore their results will not be counted towards the satisfaction of the profit requirements under Rule 8.05(1)(a) of the Listing Rules in any event.
- in respect of Fortune Silver, Semtek, East Base, Tick Tack, Time Watch Zhengzhou, Zhengzhou Hengdi and Winning Asia, these companies are excluded from our Group primarily due to that their businesses are either operate in geographical locations which are different from our Group’s principal place of operation or are different from our Group’s own principal business, and the inclusion thereof are not in line with our Group’s overall business strategy. Our Controlling Shareholders confirm that, during each of the three years ended 31 December 2011 and the six months ended 30 June 2012 or each of the three years ended 30 June 2012, whichever is applicable, these companies had either recorded profits, or their results were insignificant as compared with the results of our Group, and therefore inclusion of these companies into our Group would not affect our compliance with the minimum profit requirement under Rule 8.05(1)(a).

Clear delineation between our Businesses and the Retained Businesses

Our Group’s core business and the Retained Businesses have different growth paths, different business strategies, different risk profiles and different funding requirements. The customer base and the business models of our Group and that of the Retained Business are also different. The purpose of the Reorganisation is to allow future investors to participate, through the Global Offering, in our Group’s core business of the manufacture and retail of principally our Tian Wang and Balco brands watches in the PRC. Our Directors consider that a listing of our Group without the Retained Businesses will give a clear focus to investors who are interested in our proprietary branded watch retail sector in the PRC. The exclusion of the Retained Businesses from our Group will also enable our Group and our management team to focus our resources and attention to develop and realise the full potential of our core business.

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Financial and operational Independence

The Retained Businesses have financial independence from our Group's businesses.

The management of the Retained Businesses is independent of our Group:

- in respect of our Controlling Shareholders' minority investments in (i) various companies that distribute multi-brand watches (namely, (aa) Fortune Concept, Semtek, Swiss Fashion Time and PE Time, all of which distribute watches principally outside the PRC; and (bb) SM Hanowa which distributes watches on wholesale basis in the PRC) and (ii) the two companies (namely, East Base and Tick Tack) that manufacture third party brands of watches on an OEM basis, our Controlling Shareholders do not have any control over the board of directors, the management and the daily operations of these companies;
- in respect of (i) the retail sale of multi-brand watches outside the PRC carried out by Fortune Silver; and (ii) the property investment business in the PRC and Hong Kong carried out by Time Watch Zhengzhou and Winning Asia, they are managed by a management team that is independent of our Group. Ms. Tam Fun Hung, the spouse of Mr. Michael Tung, is a director of Fortune Silver. She is also a senior sales manager of Win Source, a member of our Group. Save for the above, there is no overlapping of the directors and senior personnel of these companies and that of our Group.

In terms of operations, our Group has its own research and development, production, sales, marketing and finance and administration teams.

Apart from the connected transactions referred to in the section headed "Continuing Connected Transactions" in this prospectus, there is no connected transactions between our Group and the various companies that hold the Retained Businesses.

Principal Reorganisation Procedures

Prior to the Reorganisation, WMP was the intermediate holding company of our Group and the various companies that operate the Retained Businesses. In addition, WMP was also engaged in the trading of watch movements. As described in the procedures referred to in paragraphs (i) and (ii) below, the Reorganisation principally involved the disposal by WMP of our Group companies and the watch movements trading business by way of a transfer of business by WMP to Win Source. This approach was taken, instead of retaining WMP as part of our Group through the disposal of the Retained Businesses because:

- the Retained Businesses include property investment business in Hong Kong and the PRC. A disposal of the Retained Businesses may attract stamp duty, capital gains tax and other transaction costs in the PRC and Hong Kong that would have increased the costs of the Reorganisation, and this is considered not in the interests of the shareholders of the Company; and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- retaining WMP as part of our Group will necessitate the inclusion of the results of the discontinued operations of the Retained Businesses in the accountants' report of our Group, and this might not present a clear view of the financial performance of our Group's business during the Track Record Period.

(i) Transfer of the core business into our Group

On 1 June 2012, WMP and our Company entered into a share purchase agreement pursuant to which Immense Ocean (at the direction of our Company) acquired from WMP the entire issued share capital of Win Sun, Gold Joy, Sky Sun, Gold Reach and Top World at an aggregate consideration of HK\$614,273,655, representing their then aggregate net book value. These companies, directly or indirectly, operate our core business of the manufacture and retail of principally our Tian Wang and Balco watches in the PRC. The consideration for the acquisition of these companies was settled by our Company allotting and issuing, credited as fully paid, to Red Glory (at the direction of WMP) an aggregate of 500,000 Shares.

(ii) Transfer of the trading of watch movement business into our Group

Our Group's in-house watch movement procurement and trading arm regularly sources and maintains a steady supply of watch movements, which is a key and quality-determining component for the manufacturing of our Tian Wang watches. Our Group sells the surplus supply of watch movements to other watch manufacturers and distributors. As the trading of watch movements is ancillary to our core business of developing and retailing of Tian Wang watches, the watch movement trading business was acquired by our Group from WMP as part of the Reorganisation.

On 1 June 2012, WMP and Win Source entered into a business transfer agreement, pursuant to which Win Source acquired from WMP all the assets, rights and interests relating to our watch movement trading business, in particular all fixed and movable assets and property, cash and cash equivalent, contracts, accounts payables and receivables, goodwill, insurance policies, intellectual property rights, inventories, books and records, but excluding WMP's equity rights in its subsidiaries and properties at an aggregate consideration of HK\$49,999.90, which was settled by Win Source procuring our Company to allot and issue to Red Glory (at the direction of WMP) 499,999 Shares, credited as fully paid. Such acquisition was completed on 1 June 2012.

We are able to satisfy the profits requirements of Rule 8.05(1) of the Listing Rules even if the watch movements trading business is excluded from our Group during the Track Record Period.

As advised by our legal advisers as to Hong Kong Laws, the business transfer agreement and the transactions thereunder are legal, valid and legally binding on the parties thereto under Hong Kong Laws.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(iii) All trademarks relevant to our Group's operations were transferred to our Group as part of the Reorganisation

Our Group entered into a series of trademark transfer assignments in 2011 and 2012 to acquire our Tian Wang, Balco and other trademarks relevant to our operation from an Independent Third-Party and certain other companies in which our Controlling Shareholders have interest. Details of such trademark transfer assignments are described in paragraphs (c) to (n) of the section headed “Appendix V – Statutory and General Information – Further Information About The Business of Our Company – 10. Summary of material contracts” in this prospectus.

Further information on the Reorganisation is set out in Appendix V to this prospectus.

PRC legal compliance

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the China Securities Regulatory Commission (“CSRC”) promulgated a new regulation, namely, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “**Acquisition Regulations**”) (關於外國投資者併購境內企業的規定), which became effective on 8 September 2006 and revised by the MOFCOM on 22 June 2009. The Acquisition Regulations require that an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, in cases where its shareholder or itself purchases the equities of the shareholders of a domestic company or the share increase of a domestic company by paying with its equities or share-increase, shall obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Pursuant to the Acquisition Regulations, “acquisition of a domestic enterprise by foreign investors” means that a foreign investor purchases by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise (“**Domestic Enterprise**”) or subscribes to the increased capital of a Domestic Enterprise, and thus changes the Domestic Enterprise into a foreign-invested enterprise; or, a foreign investor establishes a foreign investment enterprise, and through which it purchases by agreement the assets of a Domestic Enterprise and owns its assets; or, a foreign investor purchases by agreement the assets of a Domestic Enterprise, and then invest such assets to establish a foreign-invested enterprise and own the assets.

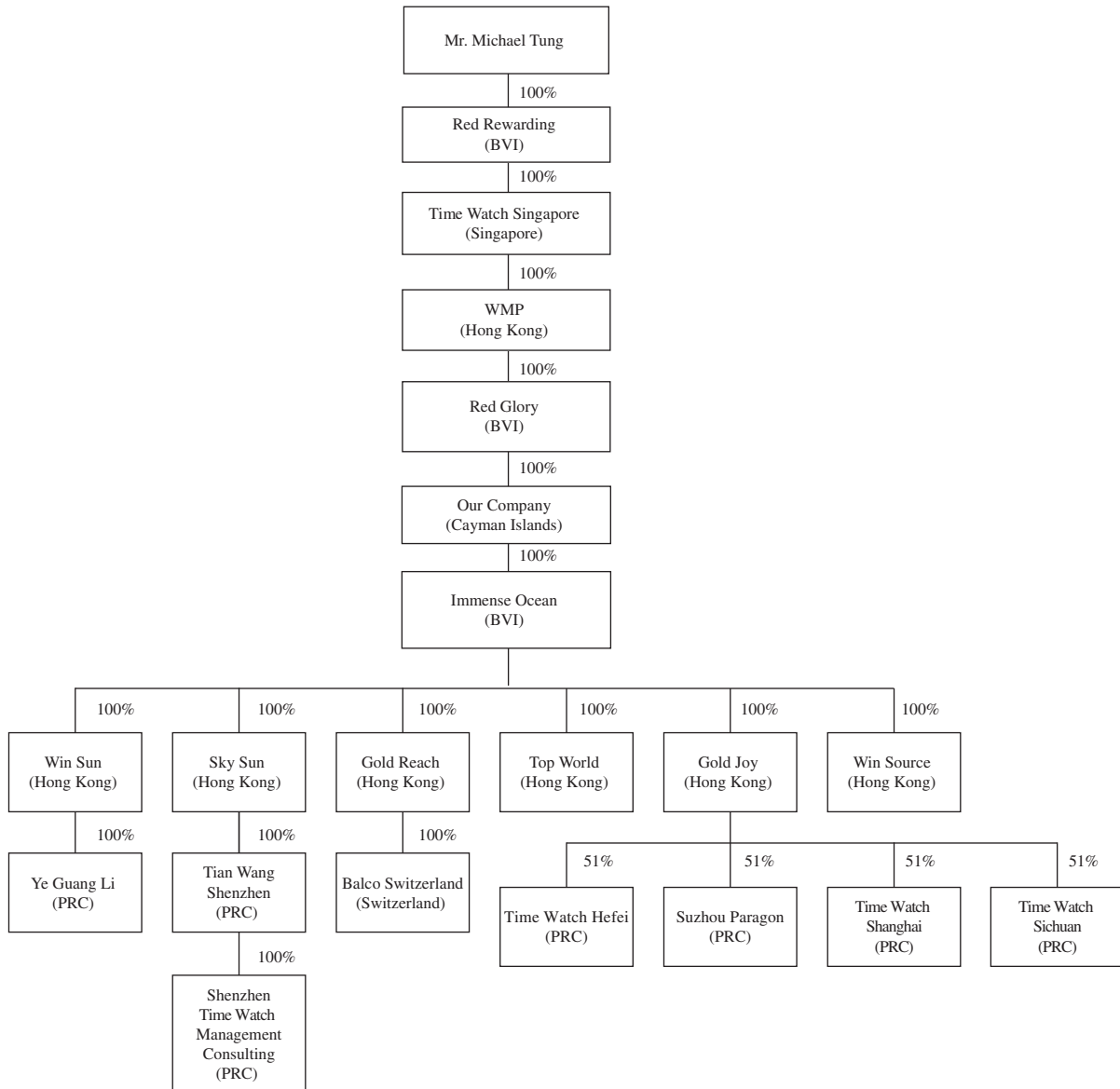
As advised by our PRC Legal Advisers, since all of our subsidiaries in the PRC are directly established as foreign-invested enterprises and there is no such acquisition of domestic enterprises by foreign investors as defined in the Acquisition Regulations involved in the Reorganisation of our Group as at the Latest Practical Date, neither our Company nor any of our subsidiaries in the PRC is required to obtain approvals or permits from any relevant PRC government authorities or departments or complete any other legal procedures, or register with any other PRC government authorities or departments for the purpose of the Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure immediately prior to the Global Offering

The following chart sets out the shareholding and corporate structure of our Group immediately before the completion of the Global Offering and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure upon completion of the Global Offering

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options granted or to be granted under the Share Option Scheme):

