
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after the Global Offering and Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme, we will be owned as to 70% by Red Glory, which is directly or indirectly wholly-owned by Mr. Michael Tung, Red Rewarding, Time Watch Singapore and WMP. Under the Listing Rules, each of Mr. Michael Tung, Red Rewarding, Time Watch Singapore, WMP and Red Glory will be regarded as our Controlling Shareholders upon Listing.

Mr. Michael Tung, who is our Chairman, our executive Director and one of our Controlling Shareholders, is a permanent resident in Hong Kong. He was brought up in Hong Kong, and has lived in Hong Kong for a substantial period of time. Up to the Latest Practicable Date, other than being a member of the 8th, 9th and 10th Hunan Province People's Political Consultative Committee (湖南省政協委員) since 1998, Mr. Michael Tung had not been full time government officials of any country nor had he been a full time employee of a state or government-owned or operated entity.

Our Controlling Shareholders' interests in businesses other than business of our Group

Apart from the businesses of our Group, our Controlling Shareholders, through various companies controlled by them or any of them, are interested in some other different businesses, including but not limited to the (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 various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches ((1), (2) and (3) are collectively referred to as the “**Excluded Businesses**”); and (4) property investment in the PRC and Hong Kong (the “**Property Investment Businesses**”). Some of the Excluded Businesses were previously partly owned by Time Watch Singapore when it was listed on the SGX prior to its privatisation and delisting but are excluded from our Group as part of the Reorganisation, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus. The tables below sets out information on the operating companies for the Excluded Businesses and the Property Investment Businesses:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(1) Retail sales of multi-brand watches outside the PRC

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date <i>(approx.)</i>	Approximate amount (and percentage) of sales in the PRC for each of the two years ended 31 December 2011 and the nine months ended 30 September 2012 <i>(Note #)</i>
Fortune Silver	Yes	Operation of a retail shop in Hong Kong for sale of multiple brands of watches in Hong Kong	51.0%	2010: Nil 2011: Nil 2012 (9 months): Nil
Time Watch Taiwan	No	Operation of a retail shop in Taiwan for sale of multiple brands of watches in Taiwan	21.4%	2010: Nil 2011: Nil 2012 (9 months): Nil

(2) Minority interests in various companies that distribute multi-brand watches *(Note **)*

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date <i>(approx.)</i>	Approximate amount (and percentage) of sales in the PRC for each of the two years ended 31 December 2011 and the nine months ended 30 September 2012 <i>(Note #)</i>
Semtek Limited ("Semtek")	Yes	Distribution of a third-party brand of watches worldwide	7.5%	2010: Nil 2011: Nil 2012 (9 months): Nil
Fortune Concept Limited ("Fortune Concept")	Yes	Distribution and retail sales of five third-party brands of watches and related accessories	2.8%	2010: HK\$2,218,000 (2.25%) 2011: HK\$3,154,000 (2.03%) 2012 (9 months): HK\$1,897,000 (1.68%)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date <i>(approx.)</i>	Approximate amount (and percentage) of sales in the PRC for each of the two years ended 31 December 2011 and the nine months ended 30 September 2012 <i>(Note #)</i>
Swiss Fashion Time GmbH (“ Swiss Fashion Time ”)	Yes	Worldwide distribution of third-party brands of watches and related accessories	2.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
pe.timedesign GmbH (“ PE Time ”)	Yes	Worldwide distribution of a third-party brand of watches and related accessories	2.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
PT Switzerland GmbH (“ PT Switzerland ”)	No	Worldwide distribution of three third-party brands of watches and related accessories to airlines and duty free shops	2.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
PT Far East Limited (“ PT Far East ”)	No	Production and worldwide distribution of two third-party brands of watches	2.8%	2010: HK\$1,891,000 (0.80%) 2011: HK\$2,765,000 (1.08%) 2012 (9 months): HK\$1,934,000 (0.80%)
Swiss Watch Group FZE (“ SWG FZE ”)	No	Distribution of third-party brands of watches and luxury products in the Middle East region	2.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
Hanowa AG	No	Production and worldwide distribution of a third-party brand of watches	3.8%	2010: Nil 2011: Nil 2012 (9 months): HK\$653,000 (0.60%)
Roamer of Switzerland AG (“ Roamer AG ”)	No	Production and worldwide distribution of a third-party brand of watches	3.8%	2010: Nil 2011: Nil 2012 (9 months): Nil

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date <i>(approx.)</i>	Approximate amount (and percentage) of sales in the PRC for each of the two years ended 31 December 2011 and the nine months ended 30 September 2012 <i>(Note #)</i>
Swiss Moda FZE (“ Swiss Moda ”)	No	Previously engaged in distribution and marketing of two third-party brands of watches worldwide (now inactive)	7.5%	2010: Nil 2011: Nil 2012 (9 months): Nil
International Watch Group LLC. (“ IWG USA ”)	No	Distribution agent of four third-party brands of watches in the USA	3.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
SM Hanowa Watch Limited and its wholly-owned subsidiary, SM Hanowa Watch (Shenzhen) Limited* (collectively referred to as “ SM Hanowa ”)	Yes	Wholesale distribution of third-party brands of watches and related accessories to customers which are operators of retail outlets in the PRC	7.5% <i>(Note @)</i>	2010: Nil 2011: HK\$1,328,000 (100%) 2012 (9 months): HK\$12,821,000 (100%)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(3) Minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches (see Note *)

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date <i>(approx.)</i>	Approximate amount (and percentage) of sales in the PRC for each of the two years ended 31 December 2011 and the nine months ended 30 September 2012 <i>(Note #)</i>
East Base	Yes	Supply of third-party brands watches on OEM basis	5.6%	2010: Nil 2011: Nil 2012 (9 months): Nil
Tick Tack AG ("Tick Tack")	Yes	Supply of third-party brands watches on OEM basis	3.8%	2010: Nil 2011: Nil 2012 (9 months): Nil
Tremont (HK) Limited ("Tremont HK")	No	Worldwide supply of packaging materials, watch boxes, display, trays and gift items of watches	7.5%	2010: Nil 2011: Nil 2012 (9 months): Nil

Notes:

Information extracted from the audited financial statements or unaudited management accounts of respective companies.

* Pursuant to a share purchase agreement ("**Stategrace Sale Agreement**") dated 30 March 2012, on 31 March 2012, WMP transferred its 92.5% and 7.5% equity interest in Stategrace Group Limited ("**Stategrace**") to certain Independent Third-Parties and Mr. Michael Tung, respectively, in exchange for the transfer or procuring the transfer by these Independent Third-Parties:

- (i) to Stategrace certain equity interests in various companies so that Stategrace will become the direct or indirect beneficial owner of the entire issued share capital of Tick Tack, Semtek, Tremont HK, and 75% of the entire issued share capital of East Base; and
- (ii) to Mr. Michael Tung 7.5% equity interests in various companies which are the direct or indirect beneficial owner of 50% of the entire issued share capital of Hanowa AG, Roamer AG and IWG USA; and 45% of the entire issued share capital of SM Hanowa; and 35% of the entire issued share capital of SWG FZE, Fortune Concept, PT Far East, PE Time, Swiss Fashion Time and PT Switzerland.

The aggregate consideration for the sale of 92.5% equity interest in Stategrace was a sum representing 92.5% of the consolidated net assets value of Stategrace as at 31 March 2012, which shall be satisfied by these Independent Third-Parties transferring or procuring the transfer to Stategrace and Mr. Michael Tung, respectively, certain equity interests in the companies as mentioned in (i) and (ii) above.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 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. While our Controlling Shareholders understood that its equity interest in the Stategrace 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. As a result of the Stategrace Sale Agreement, our Controlling Shareholders' interests in Semtek, Fortune Concept, Swiss Fashion Time, PE Time, East Base and Tick Tack were diluted but our Controlling Shareholders became interested in the companies as mentioned in (i) and (ii) above. As confirmed by our Controlling Shareholders, these Independent Third-Parties are business partners in the investments in these companies and some of the companies under the Category (2) of the Retained Business and, so far as the Controlling Shareholders understand, these Independent Third-Parties are holding their interests in these companies in their own account and are not holding such interests on behalf of our Controlling Shareholders.

Ⓒ Subsequent to the Stategrace Sale Agreement, our Controlling Shareholders and another shareholder sold their 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, and their equity interest in SM Hanowa was then diluted to approximately 7.5% as at the Latest Practicable Date.

** Subsequent to the Stategrace Sale Agreement, the group of companies listed under category (2) had undertaken a business merger 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. So far as our Directors understand, the sales of watches by such group of companies in the PRC for the year ended 31 December 2011 amounted to approximately US\$0.9 million and were conducted on wholesale basis. Mr. Michael Tung's attributable interests in this group of companies amounted to approximately 2.8%, and none of our Controlling Shareholders is involved in the management of the group of companies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(4) Property investment in the PRC and Hong Kong

Name of the company	Part of the listed group under Time Watch Singapore before its privatisation and delisting from SGX	Nature of business	Attributable interests of our Controlling Shareholders as at the Latest Practicable Date
Time Watch (Zheng Zhou) Property Management Company Limited (“Time Watch Zhengzhou”)	Yes	Property investment in a shopping mall at Zhengzhou, the PRC for leasing	84%
Zhengzhou Hengdi Investment Company Limited (“Zhengzhou Hengdi”)	No	Property investment in commercial premises at Zhengzhou, the PRC for leasing	100%
Winning Asia	Yes	Property investment in Hong Kong	100%

Delineation of Our Businesses from the Excluded Businesses

(1) Retail sales of multi-brand watches outside the PRC

Fortune Silver operates a retail shop in Tsim Sha Tsui, Hong Kong for retail sales of different brands of watches in Hong Kong, including our Tian Wang and Balco watches. Time Watch Taiwan also operates a retail shop in Taiwan for retail sales of different brands of watches in Taiwan, including our Tian Wang and Balco watches.

We principally focus on the manufacturing of our Tian Wang watches and retail sales of our Tian Wang and Balco watches, with the PRC as our principal market. We principally sell our Tian Wang and Balco watches in the PRC, with our revenue attributable to the sales of our two proprietary brands of watches in the PRC amounted to approximately HK\$548.8 million, HK\$801.8 million, HK\$1,089.0 million and HK\$359.3 million during each of the three years ended 30 June 2012 and the three months ended 30 September 2012, representing approximately 59.7%, 67.4%, 71.4% and 70.7% of our total revenue of the corresponding year/period, respectively. In the PRC, our Tian Wang and Balco watches are principally sold at POS directly managed by us, with our revenue attributable to the sales of our two proprietary brands of watches at POS operated by us in the PRC amounted to approximately HK\$510.3

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

million, HK\$740.7 million, HK\$993.5 million and HK\$338.5 million during each of the three years ended 30 June 2012 and the three months ended 30 September 2012, representing approximately 55.5%, 62.3%, 65.2% and 66.6% of our total revenue during the corresponding year/period, respectively.

Sales of our Tian Wang and Balco watches outside the PRC during the Track Record Period were relatively insignificant to our Group's revenue, with our sales in Hong Kong during each of the three years ended 30 June 2012 and the three months ended 30 September 2012 amounted to approximately 0.6%, 0.4%, 0.8% and 0.8%, respectively. Sales of our Tian Wang and Balco watches in Taiwan during each of the three years ended 30 June 2012 and the three months ended 30 September 2012 amounted to approximately 0.2%, 0.3%, 0.4% and 0.3%, respectively. We do not operate any POS in Hong Kong and Taiwan ourselves but sell our Tian Wang and Balco watches in Hong Kong and Taiwan through our authorised dealers, including Fortune Silver and Time Watch Taiwan. As such, our Directors consider these authorised dealers, including Fortune Silver and Time Watch Taiwan, to be our business partners, as Fortune Silver and Time Watch Taiwan sell our Tian Wang and Balco watches in their retail shops, offer special sales counters for sales of our watches and provide advertising spaces at the retail shops. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for the terms and conditions of our sales of watches to Fortune Silver and Time Watch Taiwan for further details.

On the above basis, our Directors consider that the business of Fortune Silver and Time Watch Taiwan may compete with our Group's business in some respect, but such competition is not, and is unlikely to be significant. First, Fortune Silver, Time Watch Taiwan and our Group operate in different geographical locations. While we focus our business in the PRC, Fortune Silver and Time Watch Taiwan have their businesses in Hong Kong and Taiwan, respectively. Secondly, save for Ms. Tam Fun Hung (being the spouse of Mr. Michael Tung) who is a director of one of our Group companies and is also acting as a director in Fortune Silver without the control of its board of directors and without the involvement in its daily operation and management of Fortune Silver, Fortune Silver, Time Watch Taiwan and our Group have separate management teams. Our Controlling Shareholders only have a minority interest of approximately 21.4% in Time Watch Taiwan. Neither Mr. Michael Tung nor his associates are involved in the daily operation and management of Fortune Silver and Time Watch Taiwan. Thirdly, as the sales of our Tian Wang and Balco watches to Fortune Silver and Time Watch Taiwan were insignificant to our Group's revenue as illustrated above, our Group places no undue reliance on our sales to Fortune Silver and Time Watch Taiwan. Lastly, the business models adopted by Fortune Silver, Time Watch Taiwan and us are different. While our Group focuses on retail sales to general customers in the PRC, Fortune Silver and Time Watch Taiwan focus on tourism sales in Hong Kong and Taiwan, respectively. Given the abovementioned reasons, our Directors do not expect any potential conflict of interests for Mr. Michael Tung by virtue of his investment in Fortune Silver and Time Watch Taiwan.

Fortune Silver and Time Watch Taiwan were not included in our Group as our Directors consider that it has been our Group's business strategy and focus on sales of our own brands of watches and operation of our POS in the PRC and save for the directorship of Ms. Tam Fun

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 and Time Watch Taiwan. Our Controlling Shareholders do not have control of the board of directors of Fortune Silver and Time Watch Taiwan. On the other hand, Fortune Silver and Time Watch Taiwan have been focusing their businesses on their respective operations of their single retail shop, with principal focus on retail sale of multi-brand watches in Hong Kong and Taiwan, respectively, and we understand that they have no present plan to expand their sales network in Hong Kong, Taiwan or elsewhere. In particular, Fortune Silver and Time Watch Taiwan rely 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 respective management teams of Fortune Silver and Time Watch Taiwan in their 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, we have relatively limited experiences and exposure in overseas markets. Also, the business performance of Fortune Silver and Time Watch Taiwan is also 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 or Taiwan 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 and Time Watch Taiwan also sell 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 and Taiwan) by selling our watches through Fortune Silver, Time Watch Taiwan and other business partners.

Moreover, Fortune Silver and Time Watch Taiwan are not wholly-owned by our Controlling Shareholders, and they have separate management teams which are not controlled or managed by our Group or our Controlling Shareholders. Together with the fact that Fortune Silver and Time Watch Taiwan have different business focus from our Group as discussed before, inclusion of our Controlling Shareholders' interests into our Group does not necessarily result in any synergy effect between these companies and our Group.

(2)(a) Minority investments in various companies that distribute multi-brand watches, jewellery and/or other luxury products principally outside the PRC

Semtek, Fortune Concept, Swiss Fashion Time, PE Time, PT Switzerland, PT Far East, SWG FZE, Hanowa AG, Roamer AG, Swiss Moda and IWG USA (collectively, the “**Third-Party Brand Carriers**”) are brand carriers of several third-party international brands, licensed with the rights for the manufacturing, distribution, marketing and/or retail sales of products covering watches, jewellery and/or other luxury products on worldwide basis or in the regions as mentioned in the table above.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Third-Party Brand Carriers distribute their products principally outside the PRC.

Most of our products, including our own Tian Wang and Balco watches and watches of the Other Brands, are sold by us in the PRC, all of which are marketed and sold to retail customers through our extensive and directly managed Sales Network and JV Sales Network in the PRC. As at 30 September 2012, we had 1,706 POS across the PRC. During each of the three years ended 30 June 2012 and the three months ended 30 September 2012, our revenue attributable to sales of our Tian Wang and Balco watches and Other Brands of watches in the PRC through our POS amounted to approximately HK\$581.7 million, HK\$855.0 million, HK\$1,177.7 million and HK\$402.1 million, respectively, representing approximately 63.3%, 71.9%, 77.2% and 79.1% of our total revenue during the corresponding year/period, respectively. Through our direct management of our Sales Network of POS and our direct sales to retail customers, we are able to obtain first-hand market information and direct feedbacks on their satisfaction level for our watches, and their changing tastes and preferences. On the other hand, except for Fortune Concept which operates two retail outlets in Hong Kong for sale of watches of two licensed brands, these Third-Party Brand Carriers do not generally operate other points of sales themselves but distribute the third-party brands of watches, jewellery and other products on wholesales basis to their customers which are operators of other points of sales.

Moreover, as the brands carried by the Third-Party Brand Carriers are foreign brands, their focus is on international markets, and the PRC market just accounted for a less significant portion of their total revenue. On the contrary, the PRC market and the Chinese customers have been, and will continue to be, our focus of business development and our products' target market.

Besides, while our Group does not operate our own POS outside the PRC but sells our Tian Wang and Balco watches through distributorship and consignment sales, given that we are the brand owner of our Tian Wang and Balco, we have full control of the brands and product positioning and management, sales and marketing strategies as well as pricing policies of our Tian Wang and Balco watches, including the terms and conditions in connection with the distribution and consignment sales of our watches outside the PRC. On the other hand, these Third-Party Brand Carriers distribute third-party brands of watches for the owners of respective brands and are generally subject to the restrictions and requirements regarding, among others, brand positioning, sales, marketing and distribution strategies as well as pricing policy as prescribed by the respective brand owners under the relevant license agreements.

Upon completion of the Stategrace Sale Agreement on 30 March 2012 and the business merger as mentioned above, and as at the Latest Practicable Date, our Controlling Shareholders had only insignificant equity interests in these Third-Party Brand Carriers. As our Controlling Shareholders are passive financial investors in these Third-Party Brand Carriers, neither Mr. Michael Tung nor his associates are involved in the daily operation, management or strategic management of these Third-Party Brand Carriers since the incorporation and commencement of businesses of these Third-Party Brand Carriers. Based on the differences in terms of end customers, geographical target markets, nature of operation, operational differences on the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

control of brand positioning, sales, marketing and distribution strategies as well as pricing policy, our Directors consider that the businesses of these Third-Party Brand Carriers may compete with our Group's business in some respect but such competition is limited and does not and is unlikely to have a material adverse effect on our Group's business. Given abovementioned reasons, our Directors do not expect any potential conflict of interests for Mr. Michael Tung by virtue of his investment in these Third-Party Brand Carriers.

(2)(b) Minority investment in SM Hanowa that distributes third-party brands of watches in the PRC

SM Hanowa Watch Limited and its wholly-owned subsidiary, SM Hanowa Watch (Shenzhen) Limited are authorised distributors of certain third-party brands licensed to sell and distribute watches and related accessories to customers which are operators of points of sales on wholesale basis in the PRC. Most of the brands that SM Hanowa sells and distributes are brands which are held by the Third-Party Brand Carriers.

One of our Directors, Mr. Ricky Tung, was a director of SM Hanowa Watch Limited, but he had not been involved in the daily operation and management of SM Hanowa Watch Limited and/or its subsidiary. Mr. Ricky Tung resigned as the director of SM Hanowa in November 2012.

Our Group markets and sells our own brands of Tian Wang and Balco watches and watches of the Other Brands to customers on retail basis in the PRC by operating our extensive and directly managed Sales Network and JV Sales Network in the PRC, with 1,706 POS across the PRC as at 30 September 2012. Through our direct management of our Sales Network of POS and our direct sales to retail customers, we are able to obtain first-hand market information and direct feedbacks on their satisfaction level for our watches, and their changing tastes and preferences. On the other hand, SM Hanowa acts as the distribution arms of some of the Third-Party Brand Carriers, it does not operate any retail outlet in the PRC itself, and it supplies watches to its customers who are retailers and sub-distributors on wholesale basis.

It is our business focus to design, manufacture and sell our own Tian Wang watches and design and sell our Balco watches, while sales of watches of the Other Brands are ancillary to our principal business of sales of our Tian Wang and Balco brands of watches. Please refer to the section headed "Our Business – Sales and Marketing – Diversified Sales Channels – JV Sales Network" in this prospectus for further information. During each of the three years ended 30 June 2012 and the three months ended 30 September 2012, our sales of Other Brands of watches amounted to approximately HK\$71.5 million, HK\$114.3 million, HK\$184.2 million and HK\$63.7 million, respectively, representing approximately 7.8%, 9.6%, 12.1% and 12.5% of our total revenue during the corresponding years/period only.

Based on the differences in terms of customers and sales and distribution methods, and given that our sales of Other Brands of watches are ancillary to our principal business, our Directors consider that even though the business of SM Hanowa may compete with our Group's business in some respect but such competition does not and is unlikely to have a material

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

adverse effect on our Group's business. Given that our Controlling Shareholders have only insignificant equity interest in SM Hanowa and the disposal of our Controlling Shareholders' interests in SM Hanowa as mentioned above, and that neither Mr. Michael Tung nor his associates has involved in the daily operation and management of SM Hanowa since the commencement of businesses of SM Hanowa and Mr. Michael Tung is a passive financial investor, our Directors do not expect any potential conflict of interests for Mr. Michael Tung by virtue of his investment in SM Hanowa.

As at the Latest Practicable Date, our Controlling Shareholders had approximately 7.5% equity interest in SM Hanowa only.

(3) Minority investments in various companies that manufacture and supply of third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches

As part of the supply arm of some of the Third-Party Brand Carriers (namely PT Far East, Fortune Concept, Swiss Fashion Time, Hanowa AG and Roamer AG), East Base and Tick Tack had been supplying third-party brand watches to these Third-Party Brand Carriers on OEM basis during the Track Record Period. East Base and Tick Tack do not manufacture the watches themselves. They subcontract the manufacturing process to other subcontractors for the supply of non-Swiss made watches (in respect of East Base) and Swiss made watches (in respect of Tick Tack) on OEM basis. During the Track Record Period, East Base sub-contracted certain of their manufacturing process to Tian Wang Shenzhen through WMP, until such subcontracting arrangement ceased in November 2011. Semtek operates a design house in Hong Kong and provides product design and development services, and apart from the provision of design services to third parties, it also provides product design and development services to East Base, Tick Tack and their respective third-party licensed brands for the development of their watches, jewellery, manual writing utensils and/or accessories products. Tremont HK is engaged in manufacturing and supply of packaging materials, watch boxes, display materials, trays and gift items for third-party brands of watches.

The OEM business of East Base and Tick Tack involves manufacture and supply of watches of different brands based on the designs and specifications required by the relevant brand owners or carriers and the relevant companies are not responsible for the sales and marketing, distribution and/or retail sales of these brands of watches. East Base and Tick Tack act as the supply arms of some of the Third-Party Brand Carriers only, and the relevant third-party foreign brands licensed to them have different market focuses and target customers as compared with that of our Group. Our Group's design department does not provide product design and development services to third parties. Our Group does not produce packaging materials of watches for sales to third-party.

Our Directors consider that the businesses conducted by East Base, Tick Tack, Semtek and Tremont HK may indirectly compete with our Group's businesses in some respect but such competition is limited and does not and is unlikely to have a material adverse effect on our Group's business. Our Controlling Shareholders have only insignificant equity interests in

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

these companies. As their daily operation and management has been delegated to their management and neither Mr. Michael Tung nor his associates has involved in the daily operation and management of these businesses, our Directors do not expect any potential conflict of interests for Mr. Michael Tung by virtue of his investment in the OEM Business and the packaging materials business.

(4) Property investment in the PRC and Hong Kong

Time Watch Zhengzhou is principally engaged in the property investment in the PRC. Time Watch Zhengzhou is the owner of a shopping mall in Zhengzhou, the premises has been leased to and operated by an Independent Third-Party shopping mall operator in the PRC. Time Watch Zhengzhou receives rent from the department store operator which is determined by a fixed sum and certain percentage of the yearly profit of the shopping mall operator. Time Watch Zhengzhou does not participate in the management or operation of the shopping mall.

Zhengzhou Hengdi is principally engaged in the property investment, property services and property leasing in the PRC. Zhengzhou Hengdi is the owner of a commercial building in Zhengzhou, a unit of which was leased to our Group as one of our regional offices. Please refer to the section headed “Continuing Connected Transactions” in this prospectus for details of the lease.

Winning Asia is principally engaged in the property investment in Hong Kong. It owns the premises and parking spaces that are currently leased to our Group as our head office in Hong Kong. Please refer to the section headed “Continuing Connected Transactions” in this prospectus for details of the lease.

As our Group does not engage in property investment, our Directors consider that the Property Investment Businesses do not compete, either directly or indirectly, with our Group’s businesses.

The Excluded Businesses were not included in our Group as our Directors are of the view that these Excluded Businesses are different from our own principal businesses for the reasons as mentioned above, and inclusion thereof are not in line with our overall strategy to maintain and further strengthen our market position as a leading manufacturer, brand-owner and retailer of watches in the PRC. Besides, except for our Controlling Shareholders’ Property Investment Businesses, the daily operation and management of the other Excluded Businesses are not controlled by our Group or our Controlling Shareholders, and except for the Property Investment Businesses, Fortune Silver and Time Watch Taiwan, our Controlling Shareholders have only insignificant equity interests in the Excluded Businesses and therefore our Group would not be able to have any significant influence over the Excluded Businesses even if the minority interests in these Excluded Businesses are included in our Group. Our Controlling Shareholders have no present intention to inject any of the Excluded Businesses into our Group in the future.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Except for our Controlling Shareholders' Property Investment Businesses, and save for Mr. Michael Tung's and/or his family members who are directors in some of the companies without the control of the boards of directors and any involvement in the daily operation and management thereof, there is no overlapping of management between our Group and the Excluded Businesses. The table below summarises the roles and positions which each of our Directors and members of our senior management currently holds in those watch related businesses of the Excluded Businesses:

	Retail sales of multi-brand watches outside the PRC	Minority investments in Third-Party Brand Carriers	Minority investment in SM Hanowa that distributes third-party brands of watches in the PRC	Minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and packaging materials
Directors				
Mr. Tung Koon Ming (董觀明)	N/A	N/A	N/A	N/A
Mr. Lo Wing Sang (勞永生)	N/A	N/A	N/A	N/A
Mr. Hou Qinghai (侯慶海)	N/A	N/A	N/A	N/A
Mr. Tung Wai Kit (董偉傑)	N/A	N/A	Director of SM Hanowa (resigned on 8 November 2012)	N/A
Mr. Ma Ching Nam (馬清楠)	N/A	N/A	N/A	N/A
Mr. Wong Wing Keung Meyrick (王泳強)	N/A	N/A	N/A	N/A
Dr. Tam Hok Lam Tommy (譚學林)	N/A	N/A	N/A	N/A

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

			Minority investment in SM Hanowa that distributes third-party brands of watches in the PRC	Minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and packaging materials
Senior management				
Mr. Deng Guang Lei (鄧光磊)	N/A	N/A	N/A	N/A
Mr. Li Yu Zhong (李育忠)	N/A	N/A	N/A	N/A
Ms. Low Mui Kee (劉美琪)	N/A	N/A	N/A	N/A
Ms. Wong Siu Yu Rachel (黃少如)	N/A	N/A	N/A	N/A
Others				
Ms. Tam Fun Hung (spouse of Mr. Michael Tung and a director of Win Source, one of our subsidiaries)	Director of Fortune Silver	N/A	N/A	N/A

As a measure to avoid potential conflict of interest arising out of any transaction to be entered into between our Group and the Excluded Businesses, interested Directors should abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum of such meetings. Please refer to paragraphs headed “Independence from Our Controlling Shareholders – Management independence” and “Non-compete Undertaking” in this section for the measures adopted by us to manage any potential conflict of interests between our Group and the Excluded Businesses.

Except for the transactions contemplated thereunder, the Tenancy Agreements, the Hong Kong Distribution Agreement and the Taiwan Distribution Agreement (details of which are set forth in the section headed “Continuing Connected Transactions” in this prospectus), there is no other material transaction between our Group and the Excluded Businesses as of the date of this prospectus. Having considered the nature (being wholesale supply of watches and leasing of properties with defined terms for determining the purchase prices or rents payable

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and therefore frequent re-approval thereof by the Board is not required) and the relatively small in sizes of the transactions contemplated under these agreements (which are not expected to exceed the respective annual caps as set out in the section headed “Continuing Connected Transactions” in this prospectus), our Directors expect that the frequency of Mr. Michael Tung and Mr. Ricky Tung having to abstain from voting at board meetings of our Company is low.

Even if both of Mr. Michael Tung and Mr. Ricky Tung have to abstain from voting in any meeting, our Directors believe that our Board can still function efficiently and competently. Among our disinterested Directors, Mr. Hou Qinghai has over 20 years of experiences in manufacturing of watches and has joined our Group since 1990. One of our independent non-executive Directors, Mr. Wong Wing Keung Meyrick, had also been an independent non-executive director of Time Watch Singapore (from November 2005 to June 2011) from which he obtained some relevant experience of the watch industry. Dr. Tam Hok Lam Tommy, our independent non-executive Director, also had over 30 years of experience in the watch industry. Mr. Lo Wing Sang, our executive Director, and all of our independent non-executive Directors are professionals with relevant knowledge in handling corporate governance matters.

Competition between our Group and the Excluded Businesses

Having considered the reasons specified in the paragraph headed “Our Controlling Shareholders’ interests in businesses other than business of our Group” in this section, our Directors consider that:

- the business of Fortune Silver and Time Watch Taiwan (i.e. retail sales of multi-brand watches outside the PRC) may compete with our Group’s business in some respect. However, as our Group’s overall sales of watches outside the PRC was just approximately HK\$7.7 million, HK\$8.7 million, HK\$20.3 million and HK\$6.3 million, which accounted for approximately 0.9%, 0.7%, 1.3% and 1.2% of our total revenue for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively, our Directors consider that such competition is not, and is unlikely to be significant;
- the businesses of these Third-Party Brand Carriers (i.e. distribute multi-brand watches, jewellery and/or other luxury products principally outside the PRC) may compete with our Group’s business in some respect. However, as the sales amount and the percentage of sales in the PRC of each of these Third-Party Brand Carriers were as low as nil to approximately HK\$3.2 million per annum, nil to approximately 2.3% of their respective sales during the two years ended 31 December 2011 and the nine months ended 30 September 2012 (for details, please refer to the paragraph headed “Our Controlling Shareholders’ interests in businesses other than business of our Group – (2)(a) Minority interest in various companies that distribute multi-brand watches, jewellery and/or other luxury products principally outside the PRC” in this section) and the aggregate amount of sales in the PRC of these Third-Party Brand Carriers amounted to only approximately HK\$4.1 million, HK\$5.9 million and HK\$4.5 million during the corresponding period, respectively, and that our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders' equity interests in each of these companies were less than 10%, our Directors consider that such competition is limited and does not and is unlikely to have a material adverse effect on our Group's business;

- the business of SM Hanowa (i.e. distribute third-party brands of watches in the PRC) may compete with our Group's business in some respect. However, taking into account that our business focus on manufacturing of Tian Wang watches and sales of our Tian Wang and Balco brands of watches, while sales of watches of the Other Brands are ancillary to our principal business, that our sales of Other Brands of watches amounted to approximately HK\$71.5 million, HK\$114.3 million, HK\$184.2 million and HK\$63.7 million, representing approximately 7.8%, 9.6%, 12.1% and 12.5% of our total revenue for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively. Our Controlling Shareholders confirm that SM Hanowa's sales in the PRC during each of the two year ended 31 December 2011 and the nine months ended 30 September 2012 were insignificant, amounting to nil, approximately HK\$1.3 million and HK\$12.8 million, respectively, and that our Controlling Shareholders' equity interest in SM Hanowa was only approximately 7.5% as at the Latest Practicable Date, our Directors consider that such competition does not and is unlikely to have a material adverse effect on our Group's business;
- the businesses conducted by East Base, Tick Tack, Semtek and Tremont HK (i.e. manufacture and supply of third party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches) may indirectly compete with our Group's businesses in some respect. However, as our Group neither provides product design and development services nor produces packaging materials of watches for sales to third-party, our Directors consider that such competition is limited and does not and is unlikely to have a material adverse effect on our Group's business; and
- the Property Investment Businesses do not compete, either directly or indirectly, with our Group's businesses as our Group does not engage in property investment.

The Joint Sponsors concurred with the views of our Directors.

Our Group is capable of carrying on our own businesses independently of, and at arm's length from, these Excluded Businesses as more particularly illustrated in the paragraph headed "Independence from our Controlling Shareholders" below.

Our Directors have confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, save as the Excluded Businesses, none of our Controlling Shareholders nor Directors and any of their respective associates has interest in business, other than our Group businesses, which may directly or indirectly compete against the businesses of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholders and their respective associates based on the following reasons:

Operational independence

We are a leading manufacturer, brand-owner and retailer of watches in the PRC national brand watch market, and we operate most of our POS ourselves rather than through our distributors. In particular, while we have appointed Fortune Silver and Time Watch Taiwan, associates of our Controlling Shareholders, as our distributor and authorised dealer to sell and distribute our Tian Wang and Balco watches at their shop in Hong Kong and Taiwan, respectively, we have other distributors and POS for distribution of our watches in Hong Kong and Macau, and our sales to Fortune Silver contributed only approximately 0.6%, 0.4%, 0.8% and 0.8% of our total revenue during each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively. Our sales to Time Watch Taiwan contributed only nil, approximately 0.1%, 0.4% and 0.3% of our total revenue during each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively. As such, we do not place any undue reliance on any customer or distributor of our Group. We have independent access to customers and suppliers. Except that East Base is one of our customers for watch movements, which amounted to approximately HK\$14.2 million, HK\$20.0 million, HK\$9.4 million and HK\$3.5 million for each of the three years ended 30 June 2012 and the three months ended 30 September 2012, respectively, representing approximately 1.5%, 1.7%, 0.6% and 0.7% of our total revenue during the corresponding year/period, respectively, and Fortune Silver and Time Watch Taiwan are our distributors for sale of our Tian Wang and Balco watches in Hong Kong and Taiwan during the Track Record Period, respectively, none of our Controlling Shareholders and Directors nor their respective associates has been our major supplier or customer which provided any critical services or materials for our operation during the Track Record Period.

As disclosed in the section headed “Continuing Connected Transactions” in this prospectus, we leased our office premises from Winning Asia, a company wholly-owned by WMP, as our Group’s headquarters and principal place of business in Hong Kong during the Track Record Period. We also leased two premises in the PRC from Mr. Michael Tung and Zhengzhou Hengdi (a company which is wholly and beneficially owned by Mr. Michael Tung), as two of our 36 regional offices. Nevertheless, given that (i) as advised by our property valuer, LCH (Asia-Pacific) Surveyors Limited, the rents payable pursuant to the tenancy agreements and that the annual rents payable by us under the tenancy agreements for these leases are fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations; (ii) we have the right to terminate the tenancy agreements and to renew the tenancy agreements upon expiry of the existing term as we may consider appropriate; and (iii) there are similar premises available in the vicinity offered in the market, our Directors do not consider any material reliance on our Controlling Shareholders in this regard. Save for such leases, we do not use any facilities of our Controlling Shareholders or their respective associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, our Directors consider that our operation does not depend on our Controlling Shareholders for the following reasons:

- (a) we have our own operational structure made up of separate departments, such as design, manufacturing and sales and marketing, each with a specific area of responsibility. We have also established a set of internal procedures to facilitate the effective operation of our business. We have independent access to suppliers of raw materials and have our own distribution, sales and marketing network; and
- (b) we own or have the rights to use all the trademarks, designs and other intellectual property necessary or desirable for our business. Our trademarks are either registered in the name of or are in the process of being transferred to members of our Group, and we have the exclusive rights to use these trademarks pending completion of the transfers.

Financial independence

To meet our working capital requirements, during the Track Record Period, we had bank borrowings of approximately HK\$285.5 million and HK\$273.3 million as at 30 June 2012 and as at 30 September 2012, respectively. Most of our banking facilities were secured by (i) corporate guarantees put up by our Controlling Shareholders and/or members of the WMP Group; (ii) investment property and building owned by the WMP Group; and/or (iii) personal guarantee put up by Mr. Michael Tung. The banks have given their in principle consent to release all such security provided by our Controlling Shareholders and/or their respective associates upon the Listing.

Amounts due from Mr. Michael Tung, our other Controlling Shareholders and their fellow subsidiaries amounted to approximately HK\$234.0 million, HK\$256.0 million, HK\$0.8 million and HK\$0.5 million as at 30 June 2010, 2011 and 2012 and 30 September 2012, respectively. Amounts due to Mr. Michael Tung, our other Controlling Shareholders and their fellow subsidiaries amounted to approximately HK\$88.6 million, HK\$80.4 million, HK\$33.8 million, HK\$33.2 million and HK\$40.6 million as at 30 June 2010, 2011 and 2012, 30 September 2012 and 30 November 2012, respectively. On 12 November 2012, we obtained a banking facility of HK\$39.0 million from the DBS Bank (Hong Kong) Limited which is secured by, among others, a charge on Mr. Michael Tung's cash deposit and personal guarantee and the corporate guarantee of WMP in favour of the bank and we expect that HK\$39.0 million will be drawn down on or around the date on which the International Underwriting Agreement is entered into and together with our Company's internal funding resources of approximately HK\$1.6 million for full repayment of the amounts due to Mr. Michael Tung prior to the date of Listing. The bank had agreed that the charge on cash deposit and personal and corporate guarantees provided by Mr. Michael Tung and/or WMP will be released upon the Listing. As at the Latest Practicable Date, except for the amounts due to Mr. Michael Tung of approximately HK\$40.6 million, any outstanding amounts due from or to any of our Controlling Shareholders and/or their respective associates, except in respect of trade payable or receivables which will be settled in accordance with the relevant agreements or purchase orders governing the transactions, have been repaid and/or settled in full.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholders and/or their associates by virtue of their provision of financial assistance.

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. Even though Mr. Michael Tung, an executive Director, is a Controlling Shareholder, we consider that our Board will function independently from our Controlling Shareholders because each of our Directors is aware of his fiduciary duties as a Director of our Company 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, or any Director(s) is otherwise interested in the business to be transacted at any board meeting of our Company (including but not limited to the enforcement of any non-compete undertakings given by the Director(s)), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company 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. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

NON-COMPETE UNDERTAKING

Save and except as disclosed in this prospectus, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable non-compete undertaking in our favour on 11 January 2013 pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the Exempted Business (as defined below) but subject to paragraph (ii) below, not, directly or indirectly, participate in, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (the “**Restricted Business**”) including but not limited to (a) the design, development, manufacturing, distribution and/or retail sales of watches; and (b) the sales and distribution of watch movements;
- (ii) in respect of our Controlling Shareholders’ interests in Fortune Silver and Time Watch Taiwan, in the event of our Group’s business expansion to engage in the retail

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

sale of multi-brand watches in Hong Kong and/or Taiwan as one of our principal businesses so that the business of Fortune Silver and/or Time Watch Taiwan may compete with that of our Group, our Group may, by giving a notice in writing to our Controlling Shareholders, request our Controlling Shareholders to dispose of all their interests (the “**Relevant Interests**”) in Fortune Silver or, as the case may be, Time Watch Taiwan within six months after the date of such notice. Without affecting our Controlling Shareholders’ obligations to dispose of the Relevant Interests within the prescribed time limit, our Controlling Shareholders have also granted to us the right of first refusal (the “**ROFR**”) in respect of such disposal so that our Controlling Shareholders shall first offer to sell the Relevant Interests to our Group by giving a written notice (the “**Offer Notice**”) in writing containing, among others, the proposed terms and conditions of sale. Subject to compliance with the applicable requirements under the Listing Rules by our Company, if we fail or decline to exercise the ROFR and accept the offer within 30 days after the date of the Offer Notice, our Controlling Shareholders may proceed to sell the Relevant Interests to third party purchaser(s) within the said six-month period on terms no more favourable than that specified in the Offer Notice;

- (iii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iv) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (v) in respect of any order undertaken or proposed to be undertaken by them or their respective associates involving the marketing, sales, distribution, production and/or processing of any Restricted Products (as defined below), unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the marketing, sales, distribution, production and/or processing of the Restricted Products under the relevant order.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:
 - (a) the date on which our Controlling Shareholders (individually or taken as a whole) ceases to be the controlling shareholders for the purpose of the Listing Rules; or
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (B) the “Exempted Business” means:
- (a) any existing direct or indirect investment in the Excluded Businesses (as defined above) of our Controlling Shareholders and/or their respective associates and expansion or further investment thereat, provided that, in respect of any expansion of or further investment in any of the Excluded Businesses, such expansion of, or further investment in, any of the Excluded Business shall not be regarded as “Exempted Business” if such expansion or further investment will result in either:
 - (i) a material change from the existing nature and/or geographical coverage of the businesses of such Excluded Business; or
 - (ii) the aggregate interests held by our Controlling Shareholders and/or their respective associates in such Excluded Businesses (other than that of Fortune Silver and Time Watch Taiwan) exceeding 20% of the entire equity interest of that company; or
 - (iii) any of our Controlling Shareholders and/or their respective associates involving in the daily operation and management of such Excluded Business; and/or
 - (b) any direct or indirect investments of our Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group; and/or
 - (c) any direct or indirect investment of our Controlling Shareholders and/or their respective associates (excluding our Group) in the design, development, manufacturing, distribution and/or retail sales of watches outside the PRC or such other jurisdictions in which our own brands of watches are sold from time to time; and/or
 - (d) any direct or indirect investment of our Controlling Shareholders and/or their respective associates (excluding our Group) in the sales and distribution of watch movements outside the PRC and Hong Kong; and/or
 - (e) any direct or indirect investment in shares of a publicly listed company (other than any member of our Group) whereby:
 - (i) the aggregate interests held by such Controlling Shareholder and/or his/its associates shall not exceed 5% of the entire issued shares of that company, and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) none of such Controlling Shareholder and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and
- (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.

(C) the “Restricted Products” means watches and watch movements.

Each of our Controlling Shareholders has undertaken under the Non-compete Undertaking that he or it shall provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the auditors and/or independent non-executive Directors with regard to compliance with the terms of the non-compete undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the non-compete undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the non-compete undertaking have been complied with and enforced;
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the non-compete undertaking, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and
- (v) we are committed that our Board should include a balanced composition of executives and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, namely, Dr. Tam Hok Lam Tommy, Mr. Ma Ching Nam and Mr. Wong Wing Keung Meyrick. Mr. Ma and Mr. Wong are solicitor and barrister, respectively, each of whom has

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

practised law for over 20 years. Dr. Tam is a certified public accountant and has over 30 years of experience in watch industry. We believe our independent non-executive Directors possess sufficient expertise and experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of independent judgment and will be able to provide an impartial external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and staff – Directors – Independent Non-executive Directors” in this prospectus.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.