SHARE OFFER

Tic Tac International Holdings Company Limited

滴達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1470

Sole Sponsor

Quam CAPITAL 華富嘉洛企業融資

Sole Global Coordinator and Sole Bookrunner

Quam Securities & Futures 華富嘉洛證券期貨

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

Tic Tac International Holdings Company Limited
滴 達 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	**:**	**200,000,000 Shares**
Number of Public Offer Shares	**:**	**20,000,000 Shares (subject to adjustment)**
Number of Placing Shares	**:**	**180,000,000 Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$0.8 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**1470**

Sole Sponsor

Quam CAPITAL 華富嘉洛企業融資

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Quam Securities & Futures 華富嘉洛證券期貨

Joint Lead Managers

Quam Securities & Futures 華富嘉洛證券期貨

億聲證券有限公司 Brilliant Norton Securities Company Limited

Co-Managers

高銀(證券)有限公司 GOLDIN EQUITIES LIMITED

GREAT ROC CAPITAL SECURITIES LIMITED 鴻鵬資本證券有限公司

SBI China Capital 軟庫中華金融服務有限公司 SBI China Capital Financial Services Limited

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above. Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, on or around Monday, 4 May 2015, but in any event no later than Friday, 8 May 2015. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, 8 May 2015, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$0.8 per Offer Share and is currently expected to be not less than HK$0.6 per Offer Share unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative Offer Price range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.tictactime.com.hk** not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the right in certain circumstances, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Tuesday, 12 May 2015). Further details of the terms of the termination provisions are set out in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination". It is important that you refer to that section for further details.

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

No information on any website forms part of this prospectus.

28 April 2015

If there is any change in the following expected timetable, our Company will issue a separate announcement.

	Date[1]
	2015
Application Lists open[2]	11:45 a.m. on Monday, 4 May
Latest time to lodge **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Monday, 4 May
Application Lists close[2]	12:00 noon on Monday, 4 May
Expected Price Determination Date[4]	Monday, 4 May
Announcement of the Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer, and the basis of allocation of the Public Offer Shares under the Public Offer to be published in the South China Morning Post (in English), in the Hong Kong Economic Times (in Chinese), on the website of our Company at **www.tictactime.com.hk**; and on the website of the Stock Exchange at **www.hkexnews.hk** on or before	Monday, 11 May
Announcement of results of applications and Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer to be available under a variety of channels as described in "How to Apply for Public Offer Shares — 9. Publication of results" including the website of our Company at **www.tictactime.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** from	Monday, 11 May
Results of allocations in the Public Offer to be available at **www.ewhiteform.com.hk/results** with a "search by ID" function on	Monday, 11 May
Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[6]	Monday, 11 May
Despatch of refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before[5 and 6]	Monday, 11 May
Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Tuesday, 12 May

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer".

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 May 2015, the Application Lists will not open and close on that day. Further information is set out in "How to Apply for Public Offer Shares — 8. Effect of bad weather on the opening of the Application Lists".

3. Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS".

4. The Price Determination Date is expected to be on or around Monday, 4 May 2015, and in any event not later than Friday, 8 May 2015. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Friday, 8 May 2015, the Share Offer (including the Public Offer) will not proceed and will lapse.

5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, 11 May 2015. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar of our Company must be produced at the time of collection.

   Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

   If an applicant has applied for less than 1,000,000 Public Offer Shares or has applied for 1,000,000 Public Offer Shares or more but does not collect his/her/its share certificate and/or refund cheque, the share certificate and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

   Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in "How to Apply for Public Offer Shares — 11. Refund of application monies".

   Share certificates will only become valid certificates of title provided that, no later than 8:00 a.m. on the Listing Date, the Share Offer has become unconditional and none of the Underwriting Agreements has been terminated in accordance with their respective terms.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in "Structure and Conditions of the Share Offer".

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors, or any other person or party involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" on pages 49 to 52 of this prospectus. You should read that section carefully before you decide whether to invest in the Offer Shares.

OVERVIEW

Established in 1997, we are a watch retailer in Hong Kong focusing on Swiss-made, mid-end watch brands of long years of history. During the Track Record Period, our revenue amounted to approximately HK$304.8 million, HK$351.6 million, HK$446.9 million and HK$241.5 million, respectively. Supplier A, our largest supplier throughout the Track Record Period, is the Hong Kong distribution subsidiary of a globally recognised and reputable watch manufacturer and distributor based in Switzerland and we have maintained over 15 years of business relationship with it. We have established a retail network comprising a total of 17 retail outlets as at the Latest Practicable Date, covering 10 multi-brand outlets and seven single-brand boutique outlets, in prime locations in Hong Kong such as Times Square, Harbour City and iSquare. As at the Latest Practicable Date, we carried over 80 watch brands, covering mainly Swiss, German and Japanese watch brands. During the Track Record Period, the top five brands we carried were Casio, Junghans, Longines, Mido, Roamer of Switzerland, Tissot and Titoni. Besides, we currently operate a small wholesale distribution business which commenced in December 2010.

We conduct research and analysis on market trends, consumers' preference, reputation of watch brands, marketability for sourcing mid-end watches (i.e. watches with retail prices within the price range between approximately HK$5,000 and HK$20,000) suitable for our target customers. We place purchase orders once the terms of our purchases including quantity, delivery and prices are decided, having regard to any written agreement entered into with our suppliers where applicable. We conduct marketing activities including in-store marketing such as designing watch display and layout or joint promotional activities with our suppliers such as media advertisement or joint promotional activities with shopping malls. We maintain a point-of-sales (POS) system to record transactions and sales data at our retail outlets. Our wholesale customers place orders with us for purchases without entering into any written agreement. All subsequent re-stock orders placed with our suppliers require our management's approval. We provide watch repair and maintenance services as part of our after-sales services and currently operate two watch repair centres for such purpose.

OUR BUSINESS

Retail business and our retail network

During the Track Record Period, we derived a substantial majority of our revenue from the retailing of watches in Hong Kong. Under our retail business, we sell watches as retailer directly to retail customers through our retail network. In respect of the 17 retail outlets we operated as at the Latest Practicable Date, we enter into lease agreements with third-party landlords for 14 of our retail outlets and operation agreements with Supplier A for the Relevant Retail Outlets. Two leases of our retail outlets expired after the Track Record Period and prior to the Latest Practicable Date and nine of our current leases for our retail outlets will expire in 2015 as at the Latest Practicable Date. Sales attributable to such 11 retail outlets accounted for approximately 13.4%, 20.2%, 25.7% and 24.3% of our revenue for the Track Record Period, respectively. For the Track Record Period, our property rentals and related expenses (excluding rates) (excluding the property leased by us as director's quarters which is treated as part of directors' remuneration package) accounted for approximately 13.1%, 14.4%, 13.8% and 12.1% of our total revenue, respectively. We have also entered into lease agreements with third-party landlords for three new retail outlets and, as at the Latest Practicable Date, two of such properties were undergoing renovation and the term of lease for the other one has not yet commenced. The leases of the Relevant Retail Outlets are entered into between Supplier A and the relevant landlords and we obtain the right to operate such outlets under the operation agreements. Such operation agreements have a current term of three years, which corresponds to the term of the relevant leases between Supplier A and the relevant landlords. Under the operation agreements, we will make a monthly payment to Supplier A in an amount equivalent to the rental and other costs payable by Supplier A for the retail outlet. The operation agreements can be terminated upon our unrectified breaches or upon termination of the relevant franchise agreement, the agreement for the supply of watches or the relevant lease agreement. Supplier A may also terminate such agreements without reason by giving one month's notice. We obtain the right to utilise the specific brands for operating single-brand boutique outlets (in respect of six single-brand boutique outlets) under separate written franchise agreements and (in respect of one single-brand boutique outlet) under a written authorisation letter. Our franchise agreements, having a term of three years and renewable automatically for successive terms of one year, can be terminated upon notice or with immediate effect for certain breaches, among others. Such franchise agreements specify that the right is granted to the specific outlet, generally prohibit transfer of stocks among our retail outlets, contain requirements on outlet decoration and product display and state that we are entitled to certain sales support from the franchisor.

We have entered into a number of written agreements with three of our five largest suppliers for the Track Record Period, including Supplier A, for the sourcing of watches. In cases where the sourcing arrangements are not reduced into writing, we make purchases either on outright basis by purchase orders or consignment basis. For details, see "Business — Suppliers — Sourcing arrangements" (pages 130 to 134).

During the Track Record Period, we relied on the sales of our single-brand boutique outlets. Sales derived from our single-brand boutique outlets accounted for approximately 74.7%, 70.0% 66.8% and 62.4% of our total retail revenue for the Track Record Period, respectively. For the associated risks, see "Risk Factors — Risks relating to our business — We rely on the sales of our single-brand boutique outlets. Any significant decreases in the strength of our single-brand boutique outlets or our failure to continue to operate such outlets could adversely affect our sales and profitability and financial position." (pages 33 to 34).

During the Track Record Period, we derived a significant portion of our revenue from the sales of Brand B watches. Sales generated from Brand B watches accounted for approximately 64.8%, 61.9%, 63.5% and 61.0% of our total revenue for the Track Record Period, respectively. For the associated risks, see "Risk Factors — Risks relating to our business — We derived a significant portion of our revenue from sales of watches of a few watch brands during the Track Record Period. Any damage to or deterioration in the image of such brands could materially and adversely affect our business and results of operations." (page 33).

For the Track Record Period, the gross profit margins (excluding the provision for slow-moving inventories) for the watches sold in our multi-brand outlets were approximately 39.2%, 37.6%, 34.0% and 33.9% respectively. For the same period, the gross profit margins (excluding the provision for slow-moving inventories) for the watches sold in our single-brand boutique outlets were approximately 40.2%, 39.2%, 38.1% and 37.7% respectively.

We have formulated a brand management strategy which aims to create a cohesive portfolio enabling different watch brands to complement each other in order to raise consumer awareness of the brands and our image and to promote business growth. During the Track Record Period, we conducted sales for almost all watch brands on a non-exclusive basis and we were not the sole retailer of such watch brands. We believe our success in our brand management strategy is attributable to factors including our long operating history, our established relationships with our suppliers and our ability to respond to changing market trends.

Same-store sales growth

The table below sets forth our same-store sales growth for the years/period indicated.

	Year ended 30 April		Six months ended 31 October	Four months ended 28 February
	2013	2014	2014	2015
Same-store sales growth *(Note)*				
Multi-brand outlets	5.9%	3.3%	–2.4%	–13.7%
Single-brand boutique outlets	12.0%	33.9%	11.6%	–25.6%
Overall	10.7%	24.5%	6.5%	–22.3%

Note: Same-store sales growth represents the growth from the same-store sales from a group of retail outlets in a particular year/period to the sales from the same group of retail outlets in the following year/period. The number of multi-brand outlets used in calculating the same-store sales growth for each of the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015 was 5, 6, 8 and 9, respectively. The number of single-brand boutique outlets used in calculating the same-store sales growth for each of the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015 was 5, 3, 4 and 5, respectively.

The general improvement in our overall same-store sales during the Trade Record Period was mainly a result of our same-store sales growth in respect of our single-brand boutique outlets. The same-store sales growth of approximately 12.0% in respect of our single-brand boutique outlets for the year ended 30 April 2013 was primarily attributable to the increase in average selling price of the watches sold. The same-store sales growth of approximately 33.9% in respect of our single-brand boutique outlets for the year ended 30 April 2014 was mainly attributable to the strong growth in the revenue of single-brand boutique outlets under Brand A and Brand B. The decline of our overall same-store sales growth in the four months ended 28 February 2015 was primarily attributable to the decrease in sales of certain outlets which were affected by the Occupy Central movement and the renovation of a shopping mall where our retail outlets are located. For details, see "Financial Information — Summary results of operations — Revenue — Same-store sales growth") (pages 189 to 191).

Wholesale business

Under our wholesale business, we obtain the exclusive wholesale distribution rights of watch brands for distributing them on wholesale basis to our wholesale customers who, to the best of our knowledge, sell the watches to end-consumers through their retail channels. We currently conduct the wholesaling for Brand C, a top five brand.

Pricing strategy

For our retail business, we generally set our selling prices based on the suggested retail prices and discount control policies provided by our suppliers. For our wholesale business, we are generally free to set our selling prices. We are aware of some current news reports and articles mentioning that some watch companies have considered or are considering to raise the prices of their Swiss watches in other currencies to counter the impact of the appreciation in the value of the Swiss Franc against EUR in early 2015, leading to an increase in the costs of exports of watches from Switzerland to other countries. For the associated risks, see "Risk Factors — Risks relating to our business — We derive a large portion of our revenue from Swiss-made watches. The appreciation of Swiss Franc could increase our costs of sourcing and lead to increase in our operating costs and in turn adversely affect our profitability." (page 41). According to the Ipsos Report, the sudden unpegging between Swiss Franc and Euro has brought no actual direct impact on the Hong Kong watch industry since January 2015 relating to the sourcing costs or selling prices of watch distributors or retailers. The ultimate pricing strategy of watches is not solely determined by foreign currency fluctuations but also a number of factors including rental cost, labor cost, economic performance and retail performance. According to the Ipsos Report, the industry has seen price reduction for certain watch brands, such as a luxury Swiss watch brand, which has reduced up to approximately 22% of its selling price since the appreciation of Swiss Franc in January 2015 in order to maintain a stable demand, which goes to show that brand owners may adjust pricing strategy due to a number of factors, not necessarily only foreign currency fluctuations. As at the Latest Practicable Date, we had not experienced any increase in the purchase prices we make for sourcing Swiss watches due to the said appreciation in the value of the Swiss Franc.

Inventory turnover

The table below sets forth our overall average inventory turnover days for the years/period indicated.

	For the year ended 30 April			For the six months ended 31 October
	2012	2013	2014	2014
Overall average inventory turnover days *(Note)*	83.2	98.8	113.4	122.0

Note: Overall average inventory equals total inventory at the beginning of the year/period plus total inventory at the end of the year/period divided by two. Overall average inventory turnover days equal overall average inventory divided by total cost of sales and multiplied by 365 for a year and 183 for six-month period.

Our overall average inventory turnover days increased from approximately 83.2 days for the year ended 30 April 2012 to approximately 98.8 days for the year ended 30 April 2013. Such increase was mainly attributable to the increase in inventory amount in multi-brand outlets as a result of the increase in the number of multi-brand outlets during the year ended 30 April 2013 (our multi-brand outlets generally have higher inventory turnover days as some brands sold in the multi-brand outlets are less popular). The further increase of our overall average inventory turnover days in the year ended 30 April 2014 was mainly attributable to the increase in the inventory amount of Brand B as a result of our inventory purchases made for the opening of two single-brand boutique outlets under Brand B in August 2013 and December 2013, respectively. The overall average inventory turnover days remained relatively stable for the six months ended 31 October 2014. We expect to maintain a steady growth of multi-brand and single-brand boutique outlets going forward and our overall average inventory turnover days are expected to be stable in the year ending 30 April 2016.

RELIANCE ON OUR LARGEST SUPPLIER

During the Track Record Period, we relied heavily on Supplier A, our largest supplier. Purchases from Supplier A accounted for approximately 84.6%, 84.4%, 88.0% and 89.1% of our total purchases for the Track Record Period, respectively. Sales of watches supplied by Supplier A accounted for approximately 84.9%, 83.0%, 84.8% and 86.7% of the total revenue for the Track Record Period, respectively. Among the eight watch brands we currently source from Supplier A, three were the top five brands for the Track Record Period and sales of watches of those three watch brands contributed to approximately 83.8%, 81.7%, 83.0% and 84.8% of our total revenue for the Track Record Period, respectively. Revenue generated from the single-brand boutique outlets we operated under Brand A and Brand B contributed to approximately 73.7%, 68.8%, 65.7% and 61.6% of our total revenue for the Track Record Period, respectively. For the same period, revenue from the Relevant Retail Outlets contributed to approximately 37.0%, 40.0%, 55.6% and 53.3% of our total revenue, respectively. The gross profit margins of watches supplied by Supplier A (excluding the provision for slow-moving inventories) during the Track Record Period and up to the Latest Practicable Date were approximately 38.8%, 37.0%, 35.2%, 34.4% and 35.1%, respectively. For the associated risks, see "Risk Factors — Risks relating to our business — Our largest supplier accounted for over 80% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected." (pages 29 to 30).

Supplier A is the Hong Kong distribution subsidiary of a globally recognised and reputable watch manufacturer and distributor based in Switzerland ("**Supplier A's Parent Company**"). According to the Ipsos Report, Supplier A's Parent Company was the second largest watch distributor in Hong Kong in 2014, with a market share of approximately 15.8% in terms of revenue. Supplier A's Parent Company is a company listed on the SIX Swiss Exchange and as at the Latest Practicable Date, its market capitalisation was approximately CHF23,820.1 million. Based on its 2014 annual report, it recorded operating profit of approximately CHF1,752.0 million and gross sales of approximately CHF9,219.0 million, of which approximately CHF8,936.0 million was derived from its watches and jewellery segment in 2014.

As at the Latest Practicable Date, we sourced eight watch brands from Supplier A, including three of the top five brands. We currently sell the brands we source from Supplier A in seven multi-brand outlets and operate five single-brand boutique outlets under two brands sourced from Supplier A (namely, Brand A and Brand B). We have established business relationship with Supplier A since 1999. We have entered into a number of written agreements with Supplier A (or the relevant group company of Supplier A's Parent Company, where applicable) for the supply of watches and the operation of certain single-brand boutique outlets. We have no information on whether Supplier A is the exclusive distributor in Hong Kong of the eight watch brands supplied to us during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that it is normal for Supplier A or Supplier A's Parent Company to withhold such information as (i) Supplier A's Parent Company has a global sales and distribution network covering a number of local retailers in different regions in the world; and (ii) the information is not necessary for our conducting of business transactions with Supplier A. To the knowledge of our Directors, there is no other authorised distributor of such watch brands in Hong Kong except Supplier A.

Our Directors are of the view that the reliance is mainly due to (i) market dominance of Supplier A's Parent Company; (ii) industry norm; (iii) our inclination to continue to source the brands with satisfactory performance historically; and (iv) our established relationship with Supplier A. Our Directors are also of the view that our business will sustain notwithstanding the reliance due to (i) such reliance is mutual and complementary; (ii) our plans to improve our supplier network; (iii) our multi-brand outlets help in risk diversification; (iv) our contingency plan; and (v) prospects of the industry and viability of our business. For details, see "Business — Suppliers — Reliance on our largest supplier" (pages 124 to 129).

OUR SUPPLIERS AND CUSTOMERS

For the Track Record Period, we had a total of 38, 41, 41 and 37 suppliers, respectively. We had developed close relationships with our major suppliers over the years and, in particular, over 15 years of business relationship with Supplier A.

Our customer base comprises both retail and wholesale customers. We conduct our sales mainly through our retail network in Hong Kong to individual consumers, targeting mid-income consumers and tourists in general. Our wholesale customers comprise mainly watch retailers, jewellers and lifestyle product retailers who, to the best of our knowledge, sell the watches to end-consumers through their retail channels.

INDUSTRY AND MARKET

According to Ipsos Report, Hong Kong was the largest Swiss watch import market in 2013, in terms of the import value. Swiss watches possess a wide range of product portfolio and Swiss brands bear an iconic reputation of high manufacturing technology, good quality and superiority. Of the Swiss-made watches, Brand A and Brand B watches, which are among the world's leading Swiss watch brands, are particularly in high demand by Hong Kong and Chinese consumers. Notwithstanding the popularity of Swiss-made watches, there is also an increasing acceptance over German-made watches from 2009 to 2013.

The steady growth of average annual household disposable income and average annual household consumption expenditure in Hong Kong is expected to stimulate the demand for watches. Hong Kong economy, as well as the Hong Kong retail sales market, have been recovering steadily from the global financial crisis since 2009. For details, see "Industry Overview — Overview of the Hong Kong economy" (pages 64 to 68).

Due to the large economic growth in China, Hong Kong has become one of the preferred visiting cities for PRC tourists due to proximity. PRC tourists constitute one of the major customer groups for our sales in Hong Kong, as evidenced by the fact that approximately 79.8%, 83.4%, 86.2% and 86.9% of our retail turnover in Hong Kong were settled via China UnionPay for each of the three years ended 30 April 2014 and the six months ended 31 October 2014. PRC tourists increased at a CAGR of 22.6% from 2009 to 2013. The increase in the number of PRC tourists has increased the visitor spending in Hong Kong and, overall, the increasing numbers of PRC tourists becomes a market growth driver for the watch retail industry in Hong Kong. There has been recent discussion by government officials in Hong Kong and the PRC on the tightening of the policy on multiple-entry permits implemented in 2009 under the Individual Visit Scheme in 2003. According to the PRC government website, the Hong Kong and Macao Affairs Office of the State Council confirmed on 13 April 2015 the implementation of the "one trip per week" policy, under which Shenzhen residents who hold multiple-entry permits can only visit Hong Kong once a week instead of without limit. According to the Ipsos Report, the impact of tightening on the watch retail industry in Hong Kong is considered minimal or little as the purpose of tightening the policy is to limit the number of parallel goods traders and the consumption pattern of multiple-permit entry has gradually shifted from primarily focusing on purchasing jewellery, watches and clocks and valuable gifts to daily utilities (such as powdered milk and Chinese medicine, among others), subject to the actual policies adopted and practical measures taken. Our target customers include PRC tourists but not parallel import traders. The Ipsos Report points out that if any future changes to the multiple-entry permit policy fail to distinguish the purpose of visits of parallel import traders and tourists, or the policies adopted and measures implemented fail to differentiate tourist areas and areas close to the Shenzhen border which are popular destinations for Chinese using multiple-entry permits and altogether target to curb the growth in the number of PRC visitors and/or their spending in Hong Kong, a significant reduction in the arrivals of PRC tourists to Hong Kong could be resulted. If such occurs, the retail sector in Hong Kong will be adversely affected and we could also experience significant loss in sales. The overall appreciation of Renminbi from 2009 to 2014 has resulted in a more favourable exchange rate against Hong Kong Dollar and has led to the decrease in retail price of Hong Kong products, making it cheaper to purchase the same products in Hong Kong than in China. This created an extra incentive for PRC tourists to spend more in Hong Kong. As it is expected that Renminbi will continue to appreciate in the future, more opportunities will be given to the watch industry, including retail and distribution in Hong Kong.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following of our competitive strengths contribute to our success and enable us to compete effectively in the industry we operate in: (i) large watch brand portfolio with globally recognised Swiss watch brands; (ii) established business relationships with international watch suppliers; (iii) effective retail network in prime locations; (iv) strategic market positioning with established reputation; and (v) experienced management team with in-depth knowledge of the watch market.

OUR STRATEGIES

We aim to maintain our growth in the mid-end watch market and enhance our overall competitiveness and market share through the following strategies: (i) expand our retail and sales network; (ii) improve our same-store sales growth and profit margin; (iii) improve our supplier network and enhance the knowledge of our sales staff; and (iv) increase our marketing effort.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Share Offer. These risk factors are further described in "Risk Factors" (pages 29 to 52). Set forth below are some of the major risks that may materially and adversely affect us:

- Our largest supplier accounted for over 80% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected.
- We rely on our retail network for our business operations. Any failure to secure renewal of the current leases of our retail outlets and/or any agreements we enter into with watch suppliers for the operation of single-brand boutique outlets on commercially acceptable terms or at all could adversely affect our growth prospects and business condition.
- In case our written agreements with Supplier A are not renewed or terminated for whatever reason and our contingency plan fails to achieve our desired results, our business condition and operating results will be materially and adversely affected.
- As we lease a number of properties for our business operations including 14 properties on which our retail outlets operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for quality locations.
- We derived a significant portion of our revenue from sales of watches of a few watch brands during the Track Record Period. Any damage to or deterioration in the image of such brands could materially and adversely affect our business and results of operations.
- We rely on the sales of our single-brand boutique outlets. Any significant decreases in the strength of our single-brand boutique outlets or our failure to continue to operate such outlets could adversely affect our sales and profitability and financial position.
- The number of PRC visitors to Hong Kong decreased in March 2015. Any further reduction in the number of PRC tourists to Hong Kong could affect the retail industry and in turn adversely affect our business, results of operations and financial condition.
- Any change in the Hong Kong and PRC government policies regarding PRC tourists visiting Hong Kong could impact our business condition and results of operation.
- We have experienced high staff turnover rate and our operations could be adversely affected by difficulties in recruiting and retaining sufficient workforce to meet our needs.
- Recent developments in the retail industry in Hong Kong may affect our operating environment.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 70.625% by Tic Tac Investment, which is beneficially owned as to 90% by Mr. Lam and 10% by Ms. Chan. Mr. Lam is therefore deemed to be interested in the Shares held by Tic Tac Investment. As Ms. Chan is the spouse of Mr. Lam, she is also deemed to be interested in the Shares in which Mr. Lam is interested. Accordingly, Tic Tac Investment, Mr. Lam and Ms. Chan will be our Controlling Shareholders within the meaning of the Listing Rules.

Apart from our Group, during the Track Record Period, Mr. Lam held interests in Company A and Company B, which are not members of our Group. Company A is principally engaged in the retail of watches in Macau and is owned by Mr. Lam as to 29% and other Independent Third Parties as to 71%. Company B is principally engaged in the wholesale distribution of watches under self-owned brands in Hong Kong and Macau and is owned by Mr. Lam as to 24% and other Independent Third Parties as to 76%. For the reasons of excluding the business of Company A and Company B from our Group, see "Relationship with Controlling Shareholders — Other business interests of our Controlling Shareholders". To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition with us to the effect that each of them will not, and will procure none of their respective close associates will, directly or indirectly, establish, invest, involve in, engage in, manage, operate or otherwise hold any right or interest, directly or indirectly, in any business which is or may be in competition with the business carried out by our Group. For further details of our Controlling Shareholders, see "Relationship with Controlling Shareholders" (pages 156 to 164).

KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of our combined results for the periods indicated, which has been extracted from the Accountant's Report in Appendix I to this prospectus.

Highlights of combined statements of comprehensive income

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	304,819	351,636	446,913	192,690	241,520
Cost of sales	(183,226)	(216,791)	(284,295)	(121,523)	(155,326)
Gross profit	121,593	134,845	162,618	71,167	86,194
Profit before income tax	49,735	43,509	45,524	18,625	25,116
Profit for the year/period	41,646	36,288	37,863	15,402	20,194

Highlights of combined statements of financial position

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	7,504	15,470	18,697	17,192
Current assets	92,334	107,433	133,873	141,586
Non-current liabilities	498	2,021	2,533	2,034
Current liabilities	23,171	39,925	67,317	111,688
Net current assets	69,163	67,508	66,556	29,898
Total assets less current liabilities	76,667	82,978	85,253	47,090

Financial performance during the Track Record Period

Our revenue increased from approximately HK$304.8 million for the year ended 30 April 2012 to approximately HK$351.6 million for the year ended 30 April 2013, representing an increase of approximately 15.4%. The revenue further increased to approximately HK$446.9 million for the year ended 30 April 2014, representing an increase of approximately 27.1%. Our revenue increased from approximately HK$192.7 million for the six months ended 31 October 2013 to approximately HK$241.5 million for the six months ended 31 October 2014, representing an increase of approximately 25.3%. Retail sales contributed to almost all of our revenue during the Track Record Period. The increase in our revenue from retail sales during the Track Record Period was primarily due to an increase in the number of retail outlets and an increase in the same-store sales in the two years ended 30 April 2014. Our net profit margin for the three years ended 30 April 2014 and the six months ended 31 October 2014 were approximately 13.7%, 10.3%, 8.5% and 8.4%, respectively.

Business segment breakdown

The table below sets forth a breakdown of our revenue (and as a percentage of our total revenue), gross profit and gross profit margin by business category for the years/periods indicated.

	Year ended 30 April												For the six months ended 31 October							
	2012				2013				2014				2013				2014			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Retail business *(Note)*	303,065	99.4	119,922	39.6	349,724	99.5	132,467	37.9	444,283	99.4	160,568	36.1	191,762	99.5	70,010	36.5	240,106	99.4	85,600	35.7
Wholesale business	5,741	1.9	1,671	29.1	6,769	1.9	2,378	35.1	7,210	1.6	2,050	28.4	3,092	1.6	1,157	37.4	3,403	1.4	594	17.5
Inter-segment sales	(3,987)	(1.3)	—	—	(4,857)	(1.4)	—	—	(4,580)	(1.0)	—	—	(2,164)	(1.1)	—	—	(1,989)	(0.8)	—	—
Total	304,819	100.0	121,593	39.9	351,636	100.0	134,845	38.3	446,913	100.0	162,618	36.4	192,690	100.0	71,167	36.9	241,520	100.0	86,194	35.7

Note: Our revenue from retail business also includes revenue from after-sales services.

Gross profit margin, sales volume and average selling price

The table below shows a breakdown of our gross profit margin, sales volume and average selling price for our watch retail for the periods indicated.

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
Gross profit margin *(%)*	39.9	38.3	36.4	36.9	35.7
Sales volume *(pieces)*	51,339	55,702	62,486	30,430	32,605
Average selling price *(HK$)*	5,931	6,307	7,145	6,326	7,400

The future price trend of our watches depends on the market trend, among others.

KEY FINANCIAL RATIOS

The table below sets out certain major financial ratios of our Group as at the dates indicated.

	As at/for the year ended 30 April			As at/for the six months ended 31 October
	2012	**2013**	**2014**	**2014**
Gearing ratio	2.9%	17.9%	17.9%	15.9%
Return on equity	51.1%	42.7%	41.6%	N/A
Current ratio	4.0	2.7	2.0	1.3
Quick ratio	2.0	0.9	0.4	0.4
Interest coverage	250.9	175.7	127.1	139.8
Return on total assets	39.0%	28.1%	22.5%	N/A
Debt to equity ratio	0.3	0.5	0.8	2.5

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 30 April 2015 are expected to be adversely affected by, among others, the listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK$28.8 million (based on the mid-point of the indicative Offer Price range of HK$0.7 per Offer Share and 200,000,000 Offer Shares). During the Track Record Period, we incurred listing expenses of approximately HK$7.4 million of which approximately HK$4.9 million was recognised in the combined statements of comprehensive income and approximately HK$2.5 million was recognised as prepayments in the combined statements of financial position. We expect to further incur listing expenses in relation to the Share Offer in the amount of approximately HK$21.4 million prior to the completion of the Share Offer, of which, (i) approximately HK$8.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK$13.2 million and HK$0.2 million are expected to be recognised as expenses in our combined statements of comprehensive income for each of the two years ending 30 April 2016, respectively.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the two years ending 30 April 2016 is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 30 April 2015 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past. For associated risks, see "Risk Factors — Risks relating to our business — Our financial performance for the year ending 30 April 2015 will be affected by certain non-recurring expenses on our financial performance".

USE OF PROCEEDS

We estimate that the net proceeds from the Share Offer which we will receive, after deducting the underwriting fees and estimated expenses in relation to the Share Offer payable by our Company, will be approximately HK$111.2 million (assuming an Offer Price of HK$0.7 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus). We intend to use the net proceeds from the Share Offer for the following purposes:

Business strategy	**Approximate amount of net proceeds or %**
Expand our retail and sales network	HK$38.9 million or 35.0%
Improve our same-store sales growth and profit margin	HK$13.4 million or 12.0%
Improve our supplier network and enhance the knowledge of our sales staff	HK$4.4 million or 4.0%
Increase our marketing effort	HK$7.8 million or 7.0%
Repay a short-term bank loan with interest *(Note)*	HK$38.9 million or 35.0%
Working capital and other general corporate purposes	HK$7.8 million or 7.0%

Note: The short-term bank loan was borrowed for, among others, financing partial payment of dividend which was declared but not yet paid in the six months ended 31 October 2014 and settling certain amounts due to our Directors. Any remaining dividend and amounts due to our Directors not covered by the bank loan will be covered by our internal resources. Our Directors confirm that all remaining unpaid dividends and amounts due to our Directors will be settled before Listing.

DIVIDEND POLICY

Our group companies had declared dividend during each of the three years ended 30 April 2014, and the six months ended 31 October 2014 amounting to approximately HK$13.0 million, HK$31.5 million, HK$38.6 million and HK$72.1 million, respectively. As at the Latest Practicable Date, 100%, 100%, 100% and 37.6% of the declared dividend for the said periods have been settled from our own internal resources, respectively.

Subject to the Companies Law and our Memorandum and Articles, through a general meeting, we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements, future prospects and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the recommendation of our Directors at their discretion and, save as provided in the Articles of Association, approval of our Shareholders. We cannot guarantee then, if and in what form dividends will be paid and the past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period, we have continued to refine our retail network. We had entered into a lease agreement for a term of three years commencing from 1 March 2015 in relation to the opening of a single-brand boutique outlet under Brand C in New Town Plaza in

Shatin. It is expected that this single-brand boutique outlet would commence operation in April 2015. We also plan to relocate Outlet 2 and Outlet 3 (both of which were multi-brand outlets which we operated during the Track Record Period and closed prior to the Latest Practicable Date. The leases of both of which expired on 13 March 2015) to two adjoining premises within the same shopping mall so as to continue operating our retail business in prime locations. The size of the two premises in aggregate is similar to that of the two existing retail outlets in aggregate. We have entered into a lease agreement covering such two premises, one for a term commencing from 30 March 2015 and the other from 12 June 2015, respectively, and both for a term expiring on 29 March 2018. We received a notice of termination from the landlord of Outlet 4 in January 2015 to terminate the lease of Outlet 4 due to improvement work of the shopping mall and we will vacate the premise by 30 April 2015. We plan to close the outlet and our Directors confirm that no leasehold expenses have to be written off as those expenses are fully depreciated. During the Track Record Period, we incurred Listing expenses of approximately HK$4.9 million and we currently expect that our financial results for the year ending 30 April 2015 will be negatively impacted by non-recurring Listing expenses of approximately HK$13.4 million (calculated on the assumption of an Offer Price of HK$0.7 per Share, being the mid-point of the indicative Offer Price range), of which approximately HK$13.2 million and HK$0.2 million are expected be recognised as expenses in our combined statements of comprehensive income for each of the two years ending 30 April 2016, respectively. Our net profit for the year ending 30 April 2015 is expected to be significantly lower than that of the previous financial year.

Occupy Central movement

In late September 2014, a civil disobedience movement referred to as Occupy Central (the "**Movement**") began in Hong Kong which had spread across and mainly affected four districts, including Admiralty, Tsim Sha Tsui, Causeway Bay and Mongkok. 14 out of our 19 outlets we then operated were located in the affected districts. The same-store sales of nine of the affected outlets for the three months ended 31 December 2014 (being the period within which the relevant outlets were affected by the Movement) had experienced different degrees of drop, which have an impact on our revenue for the year ending 30 April 2015. Nevertheless, given that the Movement had been ceased in December 2014, and having considered that the revenue of the retail segment of our Group for the eight months ended 31 December 2014 still experienced growth, our Directors are of the view that the Movement did not have any material adverse effect on our business operations and financial position as a whole. See "Risk Factors — Risks relating to our industry — Macro-economic factors have had and may have a material adverse effect on our business, financial conditions and results of operations." for associated risks.

The drop of visitors to Hong Kong

As widely reported by the media recently, the number of visitors dropped significantly in March 2015 and according to such media reports: (i) the average number of mainland tours registered with the Travel Industry Council of Hong Kong was 320 per day in March 2015 and 470 per day in March 2014, representing an about 30% drop and an about 20% drop in mainland tours during the Easter and Ching Ming holidays in 2015, compared to the same period in the preceding year, was recorded; and (ii) the number of visitors to Hong Kong in March 2015 dropped approximately 8.7%, of which the number of PRC visitors dropped approximately 10.0%, compared to March 2014.

The recent appreciation of US dollar may also affect the tourist industry in Hong Kong. According to the Ipsos Report, as a result of the appreciation of US dollar, tourists may find nearby Asian counties such as Japan, Singapore or South Korea more attractive due to the relatively weaker currencies in Japanese yen, Singapore dollars or South Korean won, and thus reduces the number of visitors to Hong Kong. The Ipsos Report points out that the whole retail industry in Hong Kong, and not exclusively the watch and jewellery sector, will be subject to the impact of the appreciation of the US dollar.

In light of the above and due to the closure of Outlet 2 and Outlet 3 as a result of the expiry of the lease agreements on 13 March 2015 as discussed above, the sales of our Group in March 2015 had substantially dropped as compared to March 2014. In the event that the number of visitors to Hong Kong continues to drop, our Directors expect our revenue and profitability will continue to be affected. For the associated risks, please see "Risk Factors — Risks relating to our business — The number of PRC visitors to Hong Kong decreased in March 2015. Any further reduction in the number of PRC tourists to Hong Kong could affect the retail industry and in turn adversely affect our business, results of operations and financial condition.".

Save as disclosed above, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects subsequent to the Track Record Period.

OFFER STATISTICS

	Based on an Offer Price of	
	HK$0.6 per Offer Share	**HK$0.8 per Offer Share**
Market capitalisation *(Note 1)*	HK$480 million	HK$640 million
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$0.17	HK$0.22

Notes:

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range of HK$0.6 to HK$0.8 per Offer Share and a total of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer but without taking into account of Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any share which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after having made the adjustments referred to in "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis that 800,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 October 2014 but without taking into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) or, where the context so requires, any of them
"Application Lists"	the application lists used in the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 22 April 2015 and to become effective on the Listing Date, as amended from time to time
"Board"	the board of Directors of our Company
"Brand A"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand B"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand C"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand D"	a watch brand for which we operate a single-brand boutique outlet. For details, see "Business — Our retail network — Single-brand boutique outlet — Franchise agreements — Outlet under Brand D"
"Brand E"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand F"	a watch brand for which we conducted wholesaling during the Track Record Period. For details, see "Business — Our business — Wholesale business"
"Brand G"	a watch brand for which we conducted wholesaling during the Track Record Period. For details, see "Business — Our business — Wholesale business"
"Brand H"	a watch brand for which we conducted wholesaling during the Track Record Period. For details, see "Business — Our business — Wholesale business"

"Brand I"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand J"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"Brand K"	a top five watch brand, particulars of which are set out in "Business — Our business — Watch brand portfolio"
"business day"	any day (other than a Saturday, and Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the capitalisation of an amount of up to HK$5,999,000 from the amount standing to the credit of the share premium account of our Company. See "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 and 22 April 2015" in Appendix IV to this prospectus
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"City Great"	City Great Limited (城宏有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2007, which is an indirect wholly-owned subsidiary of our Company

"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Tic Tac International Holdings Company Limited (滴達國際控股有限公司), a company incorporated in the Cayman Islands on 23 June 2014 as an exempted company with limited liability
"Company A"	a company incorporated in Macau on 23 November 2006 with limited liability which is principally engaged in the retail of watches in Macau and is owned by Mr. Lam as to 29% and other four Independent Third Parties as to 32%, 22%, 16% and 1%, respectively
"Company B"	a company incorporated in Hong Kong on 5 July 2010 with limited liability which is principally engaged in the wholesale distribution of watches under self-owned brands in Hong Kong and Macau, and is owned by Mr. Lam as to 24% and other four Independent Third Parties as to 26%, 26%, 14% and 10%, respectively
"Controlling Shareholder(s)"	Mr. Lam, Ms. Chan and Tic Tac Investment
"Deed of Indemnity"	a deed of indemnity dated 21 April 2015 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	a deed of non-competition undertaking dated 21 April 2015 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee of our subsidiaries), particulars of which are set out in "Relationship with Controlling Shareholders — Non-competition undertakings"

"Director(s)"	the director(s) of our Company
"GDP"	gross domestic product
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the content may require) or, where the context so requires in respect of period before our Company becomes the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Boardroom Share Registrars (HK) Limited
"Independent Third Party(ies)"	any individual(s) or company(ies) who or which is/are not our connected persons
"Ipsos" or "Industry Expert"	Ipsos Hong Kong Limited, an industry research consultant and an Independent Third Party
"Ipsos Report" or "Industry Expert Report"	the industry report provided by the Industry Expert, which was commissioned by us in relation to, among other things, the watch industry in Hong Kong
"Issuing Mandate"	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, see "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 and 22 April 2015" in Appendix IV to this prospectus

"Jenus Top"	Jenus Top International Limited (新卓國際有限公司), a company incorporated in Hong Kong with limited liability on 30 June 2004, which is an indirect wholly-owned subsidiary of our Company
"Joint Lead Managers"	Quam Securities Company Limited and Brilliant Norton Securities Company Limited, being the joint lead managers to the Share Offer
"Latest Practicable Date"	18 April 2015, being the latest practicable date for ascertaining certain information in this prospectus prior to the printing of this prospectus
"Legal Counsel"	Mr. Kwong, Alan, a barrister-at-law advising on certain aspects of Hong Kong law relating to our Group's operation
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, currently expected to be on or about Tuesday, 12 May 2015 on which dealings of the Shares on the Main Board first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended from time to time
"Mr. Lam"	Mr. LAM Man Wah (林文華), the chairman of our Board, the chief executive officer, an executive Director, a Controlling Shareholder and the spouse of Ms. Chan
"Ms. Chan"	Ms. CHAN Ka Yee, Elsa (陳嘉儀), an executive Director, a Controlling Shareholder and the spouse of Mr. Lam

"Ms. Ma"	Ms. Ma Lili, a Shareholder interested in approximately 5.833% of issued capital of our Company as at the Latest Practicable Date
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of being not more than HK$0.8 and expected to be not less than HK$0.6, at which the Offer Shares are to be subscribed for and issued, or purchased and sold and which is to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, as described in "Structure and Conditions of the Share Offer — Pricing and allocation — Determining the Offer Price"
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Placing"	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% details of which are described in "Structure and Conditions of the Share Offer"
"Placing Shares"	the 180,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Placing (subject to adjustment as described in "Structure and Conditions of the Share Offer")
"Placing Underwriters"	the group of underwriters led by the Sole Global Coordinator, who are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the conditional placing agreement relating to the Placing and to be entered into by, among others, the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) and our Company on or about the Price Determination Date
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

"Price Determination Agreement"	the agreement expected to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date to fix and record the agreement on the Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, 4 May 2015 but in any event no later than Friday, 8 May 2015, on which the Offer Price is fixed for the purpose of the Share Offer
"Public Offer"	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the "Structure and Conditions of the Share Offer" at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Public Offer Shares"	the 20,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to adjustment as described in "Structure and Conditions of the Share Offer")
"Public Offer Underwriters"	the underwriters of the Public Offer named in "Underwriting — Public Offer Underwriters"
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 27 April 2015 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in "Underwriting — Underwriting arrangements and expenses"
"Relevant Retail Outlets"	the retail outlets in respect of which operation agreements have been entered into between our Group and Supplier A, our largest supplier. For details, see "Business — Our retail network — Single-brand boutique outlet — Operation agreements"
"Reorganisation"	the reorganisation of the companies comprising our Group as set out in "History, Reorganisation and Corporate Structure — Corporate reorganisation"
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 21 April 2015, see "D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Global Coordinator" or "Sole Bookrunner"	Quam Securities Company Limited, being the sole global coordinator and sole bookrunner to the Share Offer
"Sole Sponsor" or "Quam Capital"	Quam Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the Sole Sponsor to the Listing
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Step"	Sun Step Asia Limited (耀進亞洲有限公司), a company incorporated in Hong Kong with limited liability on 17 June 2006, which is an indirect wholly-owned subsidiary of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tic Tac International"	Tic Tac International Company Limited (滴達國際有限公司), a company incorporated in the BVI with limited liability on 1 July 2014, which is a direct wholly-owned subsidiary of our Company
"Tic Tac Investment"	Tic Tac Investment Holdings Limited (滴達投資控股有限公司), a company incorporated in the BVI with limited liability on 18 June 2014, one of our Controlling Shareholders, which is owned by Mr. Lam and Ms. Chan as to 90% and 10%, respectively

"Tic Tac Retail"	Tic Tac Time (Retail) Company Limited (滴達鐘錶連鎖有限公司) (formerly known as Zoom Prospect Limited), a company incorporated in the BVI with limited liability on 4 October 2013, which is an indirect wholly-owned subsidiary of our Company
"Tic Tac Time"	Tic Tac Time Company Limited (滴達鐘錶有限公司), a company incorporated in Hong Kong with limited liability on 28 July 1997, which is an indirect wholly-owned subsidiary of our Company
"Tic Tac Trading"	Tic Tac Time (Trading) Company Limited (滴達鐘錶分銷有限公司) (formerly known as Sky Dynasty Development Limited), a company incorporated in the BVI with limited liability on 4 October 2013, which is an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the three financial years ended 30 April 2014 and the six months ended 31 October 2014
"Treasure Ascent"	Treasure Ascent International Limited (寶高國際有限公司), a company incorporated in Hong Kong with limited liability on 22 October 2008, which is an indirect wholly-owned subsidiary of our Company
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "US"	the United States of America
"**WHITE** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in "How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares"
"**YELLOW** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in the section headed "How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares"
"EUR"	the European currency unit (also referred to as the Euro)
"HK$", "HKD" or "Hong Kong dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"MOP"	Macao patacas, the lawful currency of Macau

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.m." or "m^2"	square metres
"Swiss Franc" or "CHF"	the lawful currency of Switzerland
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the U.S.
"%"	per cent.

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

US$1 : HK$7.757

No representation is made that any amounts in US$ were or could have been converted at the above rate or at any other rates or at all.

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

All times refer to Hong Kong local times.

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"authorised distributor"	a person or an entity who is authorised to distribute watches of a specific watch brand in certain regions
"authorised retailer"	a person or an entity who is authorised to sell watches of a specific watch brand to consumers in certain regions
"automatic movement"	a movement with a self-winding design by harnessing the energy produced by motion to wind the spring
"chronograph"	a specific type of watch that is used as a stopwatch combined with a display watch
"fashionable watch"	watch of a fashionable watch brand
"fashionable watch brands"	watch brands developed by international high-end luxury fashion, sports and other brands as an extension or secondary line in addition to the main line of products
"German-made watches"	a watch is considered to be German-made if (a) the manufacture of the movement represents the last substantial process in the production of watches, and (b) the final assembly of the movement into its case and the subsequent finishing and checking processes are conducted in Germany
"Japan-made watches"	a watch is considered to be Japan-made if (a) the manufacture of the movement represents the last substantial process in the production of watches, and (b) the final assembly of the movement into its case and the subsequent finishing and checking processes are conducted in Japan
"high-end watches" or "high-end luxury watches" or "luxurious watches"	watches with retail prices above HK$20,000
"mechanical movement"	a movement which uses the power from a wound spring and keeps time by utilising energy from the tension of the spring to power a set of gears
"medium-priced"	the price range between approximately HK$5,000 and HK$20,000

"mid-end watch"	watches with retail prices within the medium-priced range
"mid-end watch market in Hong Kong"	a segment within the watch market in Hong Kong where the unit retail price of watches are generally within the medium-priced range. As there is no official industry classification, such classification is adopted based on our Directors' knowledge and experience as well as market information compiled by Ipsos. For details, see "Industry Overview"
"mid-end watch brand"	watch brands with retail price of most watch products between the medium-priced range
"mid-income consumer"	consumers with an average monthly income of HK$15,000 to HK$40,000
"movement"	the completed individual mechanism contained inside the case of a watch, not including the watch casing or watch dial itself, which is responsible for time keeping
"multi-brand outlet"	a retail outlet for the retailing of different watch brands
"quartz movement"	a movement which utilises power from a small battery to keep time
"same-store sales"	changes in sales on a like-for-like basis by comparing the sales of our retail outlets using the comparable months of operation for retail outlets
"single-brand boutique outlet"	a retail outlet for the retailing of a specific watch brand under a franchising arrangement
"specialist watch"	watch of a specialist watch brand
"specialist watch brands"	watch brands developed by watchmakers
"Swiss-made watches"	a watch is considered as Swiss-made where: (1) the movement is Swiss, (that is (a) assembled in Switzerland; (b) inspected by the manufacturer in Switzerland; and (c) the components of Swiss manufacture make up for at least 50% of the value, without considering the cost for assembly); (2) the movement is cased up in Switzerland; and (3) the manufacturer carries out the final inspection in Switzerland

"watchmaker"	an artisan/master craftsman who makes or repairs watches and/or a person who makes or manufactures watches with high technology
"wholesale distribution"	the distribution of products to wholesale customers

This prospectus contains forward-looking statements in respect of our plans, intentions, beliefs, expectations or predictions for the future, which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our future developments, trends and conditions in the industry and the geographical markets in which we operate;
- our business strategies and operating strategies and our various measures to implement such strategies;
- our ability to meet the changing needs of our customers;
- our dividend distribution plans;
- our financial condition;
- changes in the laws, rules and regulations of the central and local governments in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business, including changes in tax policy and environmental regulations;
- the general economic trends and conditions;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries in which we have operations; and
- other factors beyond our control.

When used in this prospectus, the words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "predict", "project", "propose", "potential", "seek", "should", "will", "would", "with a view to" and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth under "Risk Factors". Our Directors confirm that these forward-looking statements are made after due and careful consideration.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable, we can give no assurance that these views will prove to be correct. You are cautioned that reliance on any forward-looking statements in this prospectus involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in "Risk Factors", many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or reference to our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

Investors should carefully consider all of the information in the prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares in the Share Offer. If any of the possible events described below occurs, our business operations, financial condition or results of operation could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

Our largest supplier accounted for over 80% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected.

Purchases from our largest supplier, Supplier A, accounted for approximately 84.6%, 84.4%, 88.0% and 89.1% of our total purchases for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Sales of watches supplied by Supplier A accounted for approximately 84.9%, 83.0%, 84.8% and 86.7% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Among the eight watch brands we currently source from Supplier A, three were the top five brands for the Track Record Period and sales of watches of those three watch brands contributed to approximately 83.8%, 81.7%, 83.0% and 84.8% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Revenue generated from the single-brand boutique outlets we operated under Brand A and Brand B contributed to approximately 73.7%, 68.8%, 65.7% and 61.6% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. For the same periods, revenue from the Relevant Retail Outlets contributed to approximately 37.0%, 40.0%, 55.6% and 53.3% of our total revenue, respectively. For information on the reasons for and other details of our reliance, see "Business — Suppliers — Reliance on our largest supplier".

We have entered into a number of agreements with Supplier A for the supply of watches and the operation of certain single-brand boutique outlets. For details of such agreements, see "Business — Suppliers — Sourcing arrangements — Retail business" and "Business — Our retail network — Single-brand boutique outlet". If Supplier A terminates or does not renew the agreements with us, we cannot assure that we can continue to source the aforesaid eight watch brands or other watches from it or continue to operate the relevant single-brand boutique outlets under its brands. If we are unable to do so, our performance and financial results would be materially and adversely affected. We also source some watches from Supplier A for our retail outlets (including both multi-brand and single-brand retail outlets) by purchase orders without entering into any long-term written agreement. Under the franchise agreements we have entered into in respect of the single-brand boutique outlets, we can only source the particular watch brand from it. There is no assurance that we are able to maintain business relationship with Supplier A or there will not be unfavourable changes in our current arrangement, such as a substantial reduction of its volume of supply to us or an unexpected termination of its relationship with us for any reason. We cannot assure that we could obtain sufficient quantities of suitable stocks from comparable alternative suppliers in a timely manner or on commercially reasonable terms for replacement for our multi-brand outlets. We would consider to exercise our right under the relevant franchise agreement in respect of the single-brand boutique outlet to terminate such agreement on the ground that the franchisor commits a breach by failing to supply the relevant products to us through its distribution network or by giving six months' notice pursuant to its terms, which could lead to closure of the outlet.

The stability of operations and business strategy of Supplier A which is beyond our control will also affect us. Any material disruption to its operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect our procurement process, such as causing knock-on delays in delivery of stocks to us. If that occurs, our inventory levels and results of operations could be adversely affected. If Supplier A changes its business strategy substantially, for instance, with regards to its watch brand management, distribution channel and geographical coverage, it could reduce its volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

Any insufficient supply and fluctuations in inventory levels due to a substantial reduction of volume of supply by Supplier A and our failure to obtain replacement stocks could impact our ability to sell merchandise to our customers in a timely manner and harm our reputation, which could in turn result in lost sales opportunities or delayed revenue as potential customers could turn to competitors' merchandise that are readily available. We could also incur additional costs to maintain our inventory levels, which could decrease our profit margin.

We rely on our retail network for our business operations. Any failure to secure renewal of the current leases of our retail outlets and/or any agreements we enter into with watch suppliers for the operation of single-brand boutique outlets on commercially acceptable terms or at all could adversely affect our growth prospects and business condition.

In respect of the 17 retail outlets we operated as at the Latest Practicable Date, we enter into lease agreements with third-party landlords for 14 properties on which our current retail outlets operate. We have also entered into lease agreements with third-party landlords for three new retail outlets and, as at the Latest Practicable Date, two of such properties were undergoing renovation and the term of lease for the other one has not yet commenced. Such leases generally have a term of one to three years without an option to renew. We enter into agreements with watch suppliers for certain properties on which our single-brand boutique outlets operate. The operation agreements entered into with Supplier A for the Relevant Retail Outlets have a term of three years without an option to renew. The franchise agreements entered into with our watch suppliers for certain of our single-brand boutique outlets have a term of three years which is renewable automatically unless terminated pursuant to the terms thereto. For the expiry dates of the leases of our retail outlets, see "Business — Our retail network — Our retail outlets".

We cannot assure you that we or Supplier A will be able to renew the leases upon their expiry, or that the rental rates, duration and other terms and conditions will remain at least the same as those of the current leases. Supplier A is not required by us contractually to renew the leases of the Relevant Retail Outlets and that we cannot assure that it will be willing, even if we persuade it, to do so. We also cannot assure we can obtain renewal of the operation agreements upon expiry on at least the same terms or at all. Supplier A is entitled to terminate the operation agreements without reason by one month's notice or upon termination of the relevant franchise agreement, the agreement for the supply of watches or the relevant lease agreement. There is also no assurance that our franchisors will not terminate the franchise agreement. In case of any such non-renewal or termination, we could close the outlet or consider relocating the relevant retail outlet to another site depending on our business needs from time to time. In such events, we could incur relocation costs for renovation, removal and resources allocation and could write off leasehold-improvements, which could in turn result in financial strain in our operations and diversion of management resources. There is also no assurance that we could secure a prompt relocation to similar locations or, even if we could, that we could enter into leasing arrangement on commercially acceptable terms, and failing to do so could adversely impact our business growth. A number of agreements we enter into with our suppliers provide that the specific brand has to be carried by a specific retail outlet. Therefore, if the relevant lease or the relevant agreement with our supplier for the operation of single-brand boutique outlet is not renewed or is terminated, the relevant watch supplier(s) could cease its supply to us, thereby resulting in a material and adverse impact on our revenue and business operations.

In case our written agreements with Supplier A are not renewed or terminated for whatever reason and our contingency plan fails to achieve our desired results, our business condition and operating results will be materially and adversely affected.

We have devised a contingency plan in case our written agreements with Supplier A are not renewed upon expiry or are terminated for whatever reason. For details, see "Business — Suppliers — Reliance on our largest supplier — Sustainability of our business in view of our reliance — Contingency plan".

There is no guarantee that we will be able to secure a suitable and profitable new brand in a timely manner or at commercially desirable costs or at all, or that the new brand will gain traction or generate sufficient demand from our customers or achieve the same level of sales generated by those brands distributed by Supplier A. Based on our industry experience, popularity of the brand, size and reputation of the supplier and any selection criteria of the supplier, among others, affect the chance of success in securing a brand and the costs of sourcing. There can be no assurance that we will be able to source the brands on similar terms under which we source the brands from Supplier A or on commercially acceptable terms, particularly so when we source from a new supplier with whom we have yet to develop a strong and mutually dependent business relationship. Even if we manage to secure a popular brand, it would take time and resources to develop the newly sourced brands. Substantial demands will be placed on our managerial and operational resources, including the need to reallocate our staffing resources (including relocating and training staff to be familiar with the new brand), adapting our systems and procedures to meet any requirements of the new supplier, deploying new marketing strategies for the new brand, communicating and building a relationship with the new supplier and monitoring the performance of new brand. There is no assurance that the sourcing costs, marketing costs and other operating costs, which are relatively fixed in nature, could be covered by revenues, if any, generated from the new brand. If we fail to secure any new brand or if the new brand fails to generate sufficient sales due to ineffective marketing strategies or other reasons, our revenue will be materially and adversely affected.

In case we decide to convert our single-brand boutique outlets under Brand A and Brand B into multi-brand outlets or operate such single-brand boutique outlets for other brands, we will have to go through the various stages of our retail outlet opening procedures. During the pre-opening stage, we will need to incur additional costs covering renovation and decoration, among others, and divert managerial resources in contract negotiation with our suppliers and landlords. Depending on the new brand we source, we may need to ramp up our marketing efforts and the new brand may not achieve profitability to cover the costs incurred at that stage. Low or slow sales may also lead to excess inventory and surplus capacity. There is no guarantee that we could recoup our investment costs or that the outlet will achieve breakeven. If we fail to convert our single-brand boutique outlets under Brand A and Brand B into multi-brand outlets or operate such single-brand boutique outlets for other brands and we have to close such outlets, or if the Relevant Retail Outlets are closed due to our cessation of business relationship with Supplier A, we may experience a significant loss in revenues and build up costs associated with surplus employees, inventory and storage, which will materially and adversely affect or business condition and operating results. Closure of such retail outlets could also harm our reputation.

As we lease a number of properties for our business operations including 14 properties on which our retail outlets operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for quality locations.

As at the Latest Practicable Date, we have entered into lease agreements for a total of 21 properties, including 14 of our current retail outlets and three new retail outlets, from third-party landlords for our business operations in Hong Kong. For the three years ended 30 April 2014 and the six months ended 31 October 2014, our property rentals and related expenses (excluding rates) (excluding the property leased by us as director's quarters which is treated as part of directors' remuneration package) accounted for approximately 13.1%, 14.4%, 13.8% and 12.1% of our total revenue, respectively. We compete with other retailers for prime locations, particularly popular locations in shopping malls and shopping centres targeting mainland tourists. Coupled with the general rising trend in rentals in Hong Kong, our landlords could increase the rent or impose more stringent payment terms when renewing our leases, which could in turn adversely affect our profitability and results of operations. Further, the lease agreements we entered into for our retail outlets typically require us to pay a monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds the monthly fixed rent. We expect our landlords, when renewing the leases, to increase the percentage of turnover for the calculation of turnover rent if there is an increase in our turnover rental payments historically, meaning it is possible that we will be required to pay more rent for increased revenues. If we find the terms of the proposed renewal leases unacceptable, we would consider relocating the retail outlet to another site with lower rentals under a commercially acceptable leasing arrangement but in a possibly less attractive location, which could harm our reputation and result in decrease in sales. If relocation occurs, we will incur relocation costs and could write off leasehold-improvements, which could in turn adversely affect our financial condition. There is no objective way to precisely predict the rate of increase in the commercial real estate rental market, and our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

We derived a significant portion of our revenue from sales of watches of a few watch brands during the Track Record Period. Any damage to or deterioration in the image of such brands could materially and adversely affect our business and results of operations.

We derive a significant portion of our revenue from sales of watches of the top five brands. For the three years ended 30 April 2014 and the six months ended 31 October 2014, sales of watches of the top five brands for the Track Record Period accounted for approximately 89.4%, 89.6%, 90.4% and 92.2% of our total revenue, respectively. In particular, the revenue from retail sales of Brand A and Brand B together accounted for approximately 83.3%, 81.0%, 82.0% and 83.0% of our total revenue for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. We believe that our customers and target customers consider brand image a critical factor affecting their decision to purchase watches of the top five brands. As such, if such watch brands become less attractive to our customers or less popular due to our failure to continue to maintain and promote the image of such watch brands in our target customer segments, ineffective marketing strategies of our watch brand suppliers or any negative publicity or dispute relating to such watch brands, including product defects and counterfeit products, the marketability of such watch brands will deteriorate, and our business, financial condition and results of operations could be materially and adversely affected.

We rely on the sales of our single-brand boutique outlets. Any significant decreases in the strength of our single-brand boutique outlets or our failure to continue to operate such outlets could adversely affect our sales and profitability and financial position.

Our single-brand boutique outlets make up a majority of our total revenue. Sales generated from our single-brand boutique outlets accounted for approximately 74.7%, 70.0% 66.8% and 62.4% of our total retail revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. We closed seven single-brand boutique outlets during the Track Record Period due to various reasons including substantial increase in rent. For details, see "Business — Our retail network — Network expansion". As the entire operations of each single-brand boutique outlet centers on a single watch brand, the marketability and image of the particular watch brand are conducive to the sales performance of the single-brand boutique outlet. If the relevant watch brands no longer appeal to our customers due to ineffective marketing strategies or changes in consumer preferences, the watch brand could lose customer loyalty. As a result, we could experience loss in store sales, accumulate slow-moving inventory and operate inefficiently. Even if the watch brands remain strong or competitive or otherwise valuable to us, if we fail to continue to source the watch brands from our watch suppliers for retailing at the single-brand boutique outlets or if we or Supplier A fail to obtain renewal of the leases for the single-brand boutique outlets or if we fail to obtain the renewal of the operation agreements in respect of the Relevant Retail Outlets which are all single-brand boutique outlets or if our franchisors terminate the franchise agreements for our single-brand boutique outlets, our operations at such outlets could cease and any lost sales opportunities could adversely impact our business, financial condition and results of operations.

The number of PRC visitors to Hong Kong decreased in March 2015. Any further reduction in the number of PRC tourists to Hong Kong could affect the retail industry and in turn adversely affect our business, results of operations and financial condition.

According to the Ipsos Report, the number of PRC visitors to Hong Kong decreased by about 10.0% in March 2015 compared to March 2014. This could impact on the retail market in Hong Kong and coupling with the effect of recent appreciation of US$, as HK$ is pegged to US$ and the relatively weaker currencies in Japanese yen, Singapore dollars or South Korean won, PRC tourists could find nearby Asian countries such as Japan, Singapore or South Korea more attractive when compared to Hong Kong. Furthermore, as widely reported by the media recently, PRC visitors to Hong Kong have been treated with hostility. It has been reported that, in addition to protests against parallel import traders, some PRC tourists have also been blamed and criticised for their behaviour while shopping in Hong Kong. If hostility between Hong Kong civilians and PRC visitors continue to rise and intensify, it could result in a negative impact on the tourism and retail industries in Hong Kong which could deter PRC tourists from visiting Hong Kong. If the number of PRC tourists to Hong Kong continues to decrease, our business, results of operations and financial condition could be adversely affected.

Any change in the Hong Kong and PRC government policies regarding PRC tourists visiting Hong Kong could impact our business condition and results of operation.

To the best of our Directors' knowledge, tourists, particularly tourists from the PRC, constitute one of the major customer groups for our sales in Hong Kong, as evidenced by the fact that approximately 79.8%, 83.4%, 86.2% and 86.9% of our retail turnover in Hong Kong were settled via China UnionPay for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. The Individual Visit Scheme, which was introduced in July 2003, allows PRC citizens from certain cities to visit Hong Kong on an individual basis. Our Directors believe that the growth in travel from the PRC to Hong Kong has contributed to increased sales of our merchandise in Hong Kong over the past years. There has been recent discussion by government officials in Hong Kong and the PRC that the multiple-entry permits under the Individual Visit Scheme be tightened. According to the PRC government website, the Hong Kong and Macao Affairs Office of the State Council confirmed on 13 April 2015 the implementation of the "one trip per week" policy, under which Shenzhen residents who hold multiple-entry permits can only visit Hong Kong once a week instead of without limit. Our target customers include PRC tourists but not parallel import traders. According to the Ipsos Report, if any future changes to the multiple-entry permit policy fail to distinguish the purpose of visits of parallel import traders and tourists, or the policies adopted and measures implemented fail to differentiate tourist areas and areas close to the Shenzhen border which are popular destinations for Chinese using multiple-entry permits and altogether target to curb the growth in the number of PRC visitors and/or their spending in Hong Kong, a significant reduction in the arrivals of PRC tourists to Hong Kong could be resulted. If such occurs, the retail sector in Hong Kong will be adversely affected and we could also experience significant loss in sales. Any measures adopted by the Hong Kong government and/or the PRC government to discourage PRC tourists visiting Hong Kong could result in decreased sales of our Group. The travel industry is highly susceptible to certain kinds of events that can negatively affect the reputation of Hong Kong or demand for travel to Hong Kong, including changes in the PRC government's policies on granting tourist visas to enter Hong Kong or other tightening measures by the PRC government or other governments affecting travelling to Hong Kong, outbreaks of contagious diseases such as SARS, avian flu, swine flu or similar epidemics, natural disasters and massive riots. Significant economic downturns and decrease in consumer confidence in the PRC could also affect demand for travel to Hong Kong. In particular, there is no assurance that the Individual Visit Scheme will continue in the future. To the extent that the tourism industry is significantly impacted by events that adversely affect tourism to Hong Kong, our sales in Hong Kong could decline significantly, which could have a material adverse effect on our business, results of operations and financial condition.

We have experienced high staff turnover rate and our operations could be adversely affected by difficulties in recruiting and retaining sufficient workforce to meet our needs.

We experienced high staff turnover rate during the Track Record Period. Our staff turnover rate was approximately 28.6%, 14.6%, 20.2% and 4.8% for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. As we operate in the watch retail industry which is competitive and we consider the skills of our sales staff relatively transferrable from one sales environment to another, we compete with watch and other retailers for skilled sales staff. A large number of our staff is sales staff and performance-driven incentive or bonus generally makes up a large component of their remuneration. Our Directors consider such remuneration structure could lead to uncertainties of future income for our sales staff and could affect employee loyalty. If we are unable to maintain the stability of our sales staff, our quality of services, operation and financial results would be adversely affected.

Part or all of the current sites of our retail outlets could become unattractive and in such cases, if we fail to find alternative attractive site, our performance and business growth could be adversely affected.

We cannot assure that the current sites of our retail outlets could remain attractive or always commensurate with our site selection criteria as demographic patterns of the surrounding environment could decline or otherwise adversely change in the future. If there are adverse changes to the surroundings of the areas where our retail outlets are currently located, such as the closure of transportation system or the development of heavy construction works affecting pedestrian flow, sales from our retail outlets could drop significantly. As at the Latest Practicable Date, all of our retail outlets were located in major shopping malls or shopping centers in Hong Kong. We are thus subject to the development and management of such premises, which are outside our control. If these premises are required to close or temporarily suspend operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems, or if the management company or office of these premises introduces operational policies unfavourable to tenants such as stringent requirements in refurbishment and restrictions in store front design, we could experience drop in profitability of the relevant retail outlets. We have no control over the mix and placement of tenants of the premises where our retail outlets are located. Any substantial increases in the number and proximity levels of competitors in these premises would intensify surrounding competition and could in turn affect our business performance. A significant decrease in the number of retail shops, restaurants and anchor tenants in these premises will reduce shopper flow and adversely impact our ability to attract customers. If we decide to relocate the retail outlet from a location that has become unattractive but fail to find an attractive location that is available on commercially acceptable terms, we could experience delay in implementation of our business strategies and our business performance could be adversely affected.

If we fail to successfully track the fast changing consumer preference and market trends and respond to customer demands for watch products, our sales could be materially and adversely affected.

We cannot accurately predict the supply and demand for particular watch products which could change from season to season and from year to year due to factors such as changing consumer preference and market trends. If we fail to anticipate, identify and respond promptly to such changes, the watch products we carry could cease to generate sufficient market appeal, and our operating results could be materially and adversely affected due to fluctuation in sales. There is also no assurance that we will be able to adjust our operations or introduce effective changes to our brand management strategy to cope in a timely manner. For example, we cannot assure that we will be able to identify watch suppliers with ability to provide us with commercially viable and marketable products to align with key market trends or that we will be able to recruit or train suitable personnel or introduce appropriate changes to our operation model. If such occurs, we could experience lower sales, excess inventories and lower gross margins, which could have an adverse effect on our results of operations and financial position.

We derived almost all of our revenue during the Track Record Period from our retail business in Hong Kong, and if we fail to implement and manage our sales strategies effectively, we would face lost sales.

For the three years ended 30 April 2014 and the six months ended 31 October 2014, revenue generated from our retail business in Hong Kong contributed to approximately 99.4%, 99.5%, 99.4% and 99.4% of our total revenue, respectively, while revenue generated from our wholesale business contributed to approximately 0.6%, 0.5%, 0.6% and 0.6% of our total revenue, respectively. Competition in the mid-end watch market in Hong Kong is keen and our operating results could fluctuate from time to time due to various factors outside our control including changes in consumer tastes and economy performance. The approach and strategies adopted for our sales channels are determined by our management mainly based on the nature of watch products and its experience in the mid-end watch market in Hong Kong. If there is any significant deterioration of the mid-end watch market in Hong Kong and our management fails to adjust the current approach and strategies or introduce new sales channel to cope with changing consumer behaviour, our business could be materially and significantly affected.

We face direct competition from other watch retailers.

We conduct sales for almost all watch brands on a non-exclusive basis and we are not the sole retailer of such watch brands. We have no control over the watch suppliers' decision and strategies as to their sales and distribution channel which affect the number of their distributors and watch retailers in the market nor the extent and nature of their co-operation with their distributors and watch retailers. The current or future distributors and watch retailers of our watch suppliers could have a more extensive retail network or a stronger customer base compared with us. As a result, we could face direct competition if our watch suppliers supply the same watch brands we carry or more popular watch brands to other watch retailers in Hong Kong.

As we source all the watches we carry to customers from our watch suppliers, if our watch suppliers were unable to develop and maintain watch brands effectively, our performances and financial results could be adversely affected.

Our performance depends on customer preferences to the watch brands we carry and whether the brands correspond to the market trends. Business and marketing strategies adopted by our watch suppliers and their ability to manage and develop the watch brands are hence crucial to our future development. As we do not have any direct control over the decisions on the style and design (including components and movements) of the watches and the promotional and business strategies of our watch suppliers, there is no assurance that such watches will continue to suit customers' taste and thus we cannot assure the marketability of the watch brands we carry and that such watch brands will continue to attract customers and generate sales. If our watch brand suppliers fail to develop watch brands to capture the changes on customer's purchasing habits or preferences or in market trends or formulate effective marketing strategies to maintain the marketability of the watch brands, and that these brands no longer appeal to customers, our performances and financial results could be adversely affected. Further, there is no assurance that the Swiss-made watches we currently source from our suppliers will continue to achieve such label or that our suppliers will continue to supply Swiss-made watches to us. For instance, according to the Ipsos Report, the new Swiss competition regulation states that the subsidiary of Supplier A's Parent Company will no longer need to exercise its obligations to supply mechanical movements to third parties from 2020. In the event that such company ceases to supply mechanical movements to Supplier A's Parent Company, the Swiss-made watches we currently source from Supplier A may not continue to achieve such Swiss-made label. If we can no longer obtain Swiss-made watches from our suppliers, our reputation could be harmed and our customers could turn to alternative retailers in the market, which in turn could materially affect our business, financial positions and results of operations.

We could build up slow-moving inventories or fail to maintain adequate supplies of inventories and in such cases, our cash flow and liquidity could be adversely affected.

Our business focuses on the retailing of watches of mid-end watch brands, including fashionable watch brands (the marketability of which we believe is also related to fashion and sports trends as well as image of the brand). If the watches we offer fail to meet the changing trends of the market and consumers' tastes or we fail to implement our inventory management policies effectively, we would build up slow-moving inventory. We experienced increase in our average inventory turnover days and our inventories. Our average inventory turnover days were approximately 83, 99, 113 and 122 days for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Our inventories (after provision for slow-moving inventories) as at 30 April 2012, 2013 and 2014 and 31 October 2014 accounted for approximately 46.0%, 58.1%, 68.9% and 64.2% of our total assets, respectively. Increase in inventory levels could adversely affect our working capital, liquidity and cash flow. If we under-stock inventories due to our failure to predict market trends and consumer preferences or to continue to source key watch brands from our watch suppliers to accommodate the needs of customers, we would need to incur additional costs to maintain our inventory levels such as by identifying alternative sources, and failing to do so could result in loss of sales and adversely impact our performance. For details of our inventory turnover days and amounts of provision for slow-moving inventory, see "Financial Information — Discussion of selected items from combined statements of financial position — Inventories".

We are subject to restrictions or obligations imposed by our watch suppliers and any failure to comply with such restrictions or obligations could adversely affect our relationship with our watch suppliers.

Our business and operations are subject to restrictions or obligations imposed by our watch suppliers under written agreements, such as prohibition to transfer stocks to different outlets, inventory levels, payment term, minimum purchase requirement, pricing and discount policies and product display. Further, our watch suppliers have the right to change or cancel the merchandising discount (if any) or other incentives (if any) granted to us under the relevant agreements. For the three years ended 30 April 2014 and the six months ended 31 October 2014, total incentive bonus (including sales incentive bonus, inventory incentive bonus and staff incentive bonus) received from watch suppliers accounted for approximately 10.0%, 12.6%, 11.2% and 9.9% of our gross profit, respectively. We had been entitled to staff incentive bonus (an incentive payment for the handling staff to whom we distribute based on satisfactory performance) from Supplier A before it terminated such arrangement in July 2013. This had partly contributed to a slight decrease in our gross profit margin for the year ended 30 April 2014. For details, see "Financial Information — Results of operation — Year ended 30 April 2014 compared with year ended 30 April 2013 — Gross profit and gross profit margin". In the event that our suppliers discontinue to grant us the incentive bonus, our gross profit and gross profit margin could decrease. It is stated in a number of agreements that our watch suppliers have no liability to us if there is any delay in delivery and thus we are exposed to the shortage risk. For salient terms of these agreements, see "Business — Suppliers — Sourcing arrangements" and "Business — Our retail network — Single-brand boutique outlet". Any increase in the level of restrictions or obligations affecting our business and operations could limit our ability to timely respond to changes in market conditions or to appropriately implement our business strategies, which could adversely affect our business and results of operations. In addition, we depend on the cooperation of our watch suppliers in different aspects of our operations and if our relationship with any them were to deteriorate, our business, financial position, results of operations and growth prospects could be materially and adversely affected.

We could encounter difficulties in expanding our retail network and failure to effectively execute our expansion strategy could result in limited growth and reduced profitability.

Our ability to successfully expand our retail network is subject to a number of risks and uncertainties, including:

- difficulties in identifying suitable sites for new retail outlets and securing leases on terms acceptable to us;
- shortage of qualified operating personnel and/or delays or difficulties in training them;
- renovation delays or cost overruns;
- delays or difficulties in securing adequate inventory of branded watches from our watch suppliers;
- potential cannibalization effects between existing and new locations of our retail outlets; and
- significant deterioration in the economic conditions in Hong Kong.

There is no assurance that we could achieve retail network expansion on a timely basis or will be able to maintain the number of retail outlets we operated as at the Latest Practicable Date. If we encounter significant under-expansion, we would miss the opportunities to capture market growth. If we experience over-expansion without sufficient demand, we could accumulate inventories and face other operational inefficiencies, which could adversely affect our results of operations, financial condition and profitability and we could be forced to close down certain retail outlets. During the Track Record Period, we closed 11 retail outlets, comprising four multi-brand outlets and seven single-brand boutique outlets due to various reasons including substantial increase in rent (for details, see "Business — Our retail network — Network expansion"). We received a notice of termination from the landlord of Outlet 4 in January 2015 to terminate the lease and we will vacate the premises by 30 April 2015. We plan to close the outlet and our Directors confirm that no leasehold expenses have to be written off as those expenses are fully depreciated. For the three years ended 30 April 2014 and the six months ended 31 October 2014, revenue attributable to Outlet 4 accounted for approximately 0.06%, 0.04%, 0.02% and 0.03% of our total revenue, respectively. In the event that we close any of our retail outlets in the future due to financial pressure, adverse economic conditions or reasons beyond our control, our business, financial condition and results of operations could be materially and adversely affected. Our ability to manage our future growth will depend on our ability to successfully implement and improve our operation, financial and management systems in the evolving competitive markets.

Further, we cannot assure that we can always operate the expanded retail network on a profitable basis. We expect to incur higher rental commitments, renovation expenses, inventory carrying costs and financing costs as we expand. Our retail outlets could operate at a loss, which could adversely affect out financial performance and business. Two retail outlets we opened during the Track Record Period and which were in operation as at the Latest Practicable Date failed to achieve breakeven/recoup costs of investment as at the Latest Practicable Date (for details, see "Business — Our retail network — Financial performance"). Certain retail outlets generated low profits or losses during the Track Record Period and a provision for onerous operating leases of approximately HK$4.5 million was recognised for the year ended 30 April 2014 as our Group has entered into onerous operating leases for certain retail outlets where the unavoidable costs of meeting the obligations under the leases exceeded the economic benefits expected to be received under them. Failing to achieve desired profitability levels timely or at all could strain our operational and financial resources.

Any failure for new retail outlets to reach planned operating levels could negatively impact our overall performance and profitability.

Opening new retail outlets requires significant capital outlay up front, including rental deposits for leased premises and costs of setting up, renovation and hiring and training of employees. We cannot assure that any new retail outlet will attract enough customers to generate demand and sales and that the revenue of any new retail outlet would be equal to or exceed those of our existing ones. In addition, each of our retail outlets could take several months to reach planned operating levels due to factors such as inefficiencies involved in the ramp-up of the new retail outlet. Our progress in opening single-brand boutique outlets from period to period may also occur at an uneven rate as our suppliers generally have the right to fully oversee the renovation process. We could experience a decrease in same-store sales initially. If the new retail outlets experience prolonged delays in breaking even or achieving our desired level of profitability, our overall profitability could be affected.

Any failure to maintain an effective quality management system could have a material adverse effect on our reputation, operations and financial condition.

All of the watches we carry are sourced from third-party watch suppliers. We rely on our internal quality control system to ensure the levels of quality of the watch products we source. We cannot assure that we would be able to discover all defects in quality or title of the goods with our internal quality control system, and thus it is possible that there could be claims from customers against our Group directly after making purchases from us resulting from product quality problems. In such event, our reputation could be damaged and we would need to divert management and financial resources to handle such claims regardless of the merit of the claims. If we fail to obtain recourse from our watch suppliers such as by claiming against them, our financial condition could be adversely affected.

We have no long-term written contract with watch suppliers of a large number of watch brands we carry and therefore we cannot assure a constant and stable supply of such watch brands to meet the needs of our business.

We source a large number of watches for retailing at our multi-brand outlets by purchase orders without entering into any long-term written agreements. We cannot assure that we will not have any dispute with the suppliers of these watches or that we will be able to maintain business relationships with them. If they cease to supply watch products to us for any reason and if we fail to locate alternative suppliers promptly and on comparable commercial terms, it is possible that we will have to adjust our brand portfolio and branding strategy and our business operation could be interrupted or discontinued and, as a result, our financial performance and results of operations could be adversely affected.

We derive a large portion of our revenue from Swiss-made watches. The appreciation of Swiss Franc could increase our costs of sourcing and lead to increase in our operating costs and in turn adversely affect our profitability.

We derive a large portion of our revenue from Swiss-made, mid-end watches and Swiss-made, mid-end watches are also our major sales focus. We are aware of some current news reports and articles mentioning that some watch companies have considered or are considering to raise the prices of their Swiss watches in other currencies to counter the impact of the appreciation in the value of the Swiss Franc against EUR in early 2015, leading to an increase in the costs of exports of watches from Switzerland to other countries. According to the Ipsos Report, Swiss Franc against Hong Kong Dollar has increased from approximately CHF1.0 to HK$7.2 in 2009 to about CHF1.0 to HK$8.5 in 2014, representing a CAGR of about 3.5% and, in particular, as Swiss National Bank announced that Swiss Franc will no longer hold a fixed exchange rate with EUR in January 2015, the exchange rates between Swiss Franc and Hong Kong Dollar have been fluctuating. The sudden unpegging between Swiss Franc and EUR has led the exchange rates between Swiss Franc against Hong Kong Dollar reached its peaks on 16 and 17 January 2015, to approximately CHF1.0 to HK$8.8 and CHF1.0 to HK$9.1, respectively. The purchase prices we make for sourcing Swiss watches could increase in the future which could increase our operating costs and in turn adversely affect our profitability.

Any unforeseeable disruptions to our retail outlets could materially and adversely affect our business, reputation and financial condition.

Our operations are vulnerable to interruption by accidents and natural disasters such as typhoons, fires, floods, earthquakes, power failures and power shortages, computer hardware and software failures, computer viruses, massive riots and other events beyond our control. For example, any prolonged interruption to the operation of our retail outlets due to blackouts or shortage of electricity and/or water could have a material adverse effect on our business and financial results. Further, our business also relies on prompt delivery and quality transportation of our watches by our suppliers and the provision of services by certain third-party vendors. Certain events, such as adverse weather conditions, riots, natural disasters, severe traffic accidents and delays, suspension of public transportation systems, non-cooperation of our suppliers or their logistics partners and labour strikes, could lead to delayed or lost deliveries, which could result in the loss of revenue.

If we are not able to successfully implement our business objectives, the timing, implementation and success of our expansion plans could be adversely affected.

Our business objectives are accomplished by implementing various future business plans. Our Directors believe that our future success depends on our ability to continually expand our retail and sales network, improve our same-store sales growth, improve our supplier network and enhance the knowledge of our sales staff and increase our marketing efforts. However, our expansion plan is formulated based on assumptions as to the occurrence of certain future events, which may or may not materialise, and thus it is subject to a series of uncertainties and risks, including but not limited to:

- lack of sufficient capital financing;
- failure to achieve the intended level of profitability;
- delays or difficulties in securing suitable new watch suppliers; and
- diversion of resources and management attention.

As such, there is no assurance that our expansion plan will materialise within the planned timeframe, or at all, or that our business objectives will be fully or partially accomplished. In the event that we fail to accomplish our expansion plan or to do so in a timely manner, it is possible that we will not be able to achieve our planned future business growth and our operating results could be adversely affected.

We expect to incur significant costs in connection with the expansion of our business. If we are unable to generate sufficient revenue from our business or our financial needs are larger than expected, it is possible that we will raise funds from debt or equity financing means or make certain modifications to our current intended use of proceeds as described in "Future Plans and Use of Proceeds", which could have an adverse effect on our operations and future profitability.

If we fail to continue to improve the management of our operations, our sourcing capabilities, our retail network, our quality control systems and other systems and procedures to cope with our expansion plan, it is possible that we will not be able to achieve our expansion objectives and our business operations could be seriously harmed.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties which could subject us to financial losses and harm our reputation.

As a watch retailer, we receive and handle cash and credit card transactions in our daily operations. We cannot assure that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties in future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

We operate our multi-brand outlets under our different brands and our failure to adequately protect our intellectual property could result adverse impact on our reputation and business.

We operate our multi-brand outlets under our different brands. Although we have seven trademarks registered and two trademark applications pending registration in Hong Kong as at the Latest Practicable Date, we cannot assure that we could successfully protect our registered trademark or our trademark registration applications would be successful. Any infringement upon our intellectual property rights or misappropriation of our proprietary knowledge by third parties would negatively affect our image, brand name recognition and the effect of our marketing efforts and in turn result in a material adverse effect on its business, financial condition or operating results. If we were to initiate litigations to protect and enforce our trademark and other intellectual property rights, and to protect our trade secrets, we could incur substantial costs and suffer from diversion of resources, which could negatively affect our sales, profitability and prospects. Moreover, even if any such litigation is resolved in our favour, there is no assurance that we could successfully enforce the judgment and remedies awarded by the court and it is possible that such remedies are inadequate to compensate our loss.

Our business performance depends on our ability to retain the services of our senior management and key personnel including our experienced sales staff, and any failure in retaining any one of them could adversely affect our financial condition and results of operations.

Our business performance, expansion plans and future success depends, to a significant extent, on the continuous service of key members of our management team. There is no assurance that these key executives or personnel will not voluntarily terminate their employment with our Group. If we experience any significant changes to the composition of our management team, we cannot assure that we could recruit suitable or qualified replacements, and we would have to incur additional expenses to recruit and train new personnel, which could disrupt our business and limit our ability to grow. If we lose our key executives or personnel to our competitors, our competitiveness, operations and our ability to grow could be adversely affected. In addition, we have assigned certain experienced sales staff to liaise with specific watch supplier. Any unanticipated departure of experienced sales staff with significant knowledge of a particular watch supplier or watch brand could have an adverse impact on our business. We could incur significant costs and resources in recruiting suitable replacements or training our existing staff as replacements and there is no assurance that we will be successful in doing so.

Our insurance coverage could be inadequate and potential losses borne by us could adversely affect our cash flow and liquidity.

For information on our insurance policies, see "Business — Insurance". There is no assurance that our insurance coverage would be sufficient to cover all our potential losses or that we will be able to successfully claim any of our losses under our current insurance policies. The occurrence of any of these events could result in our incurring substantial costs and the diversion of our resources. There is no assurance that our insurance coverage will be sufficient to prevent us from such loss. In the event that we incur a loss that is not covered by our insurance coverage, or our insurance policies fail to sufficiently compensate for our actual losses, we would have to pay for the loss or the difference (as the case may be) ourselves and our cash flow and liquidity could be adversely affected.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on a retail point-of-sale (POS) system to monitor the daily operations of our retail outlets and to collect accurate up-to-date sales and inventory data. Any damage or failure of our computer system that causes an interruption in our operations could have a material adverse effect on our business and results of operations. We also receive and maintain certain personal information about our customers when accepting credit cards or debit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and card-issuing financial institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our Group could also be negatively affected by these events, which could further adversely affect our business and results of operations.

We generally do not enter into any written sales agreement with our wholesale customers. If they fail to follow our discount control policy resulting in the watches being sold in a manner inconsistent with the brand image, the brand reputation of the watches we offer at our retail outlets could be harmed and could in turn adversely affect our sales.

We currently conduct the wholesaling of Brand C, a top five brand, and we generally do not enter into any written sales agreement with our wholesale customers. We rely on our ability to control our wholesale distribution network in Hong Kong and Macau to ensure that the watches are sold in the manner consistent with our policy. We require our wholesale customers to follow our discount control policy. Non-compliance of our policy by our wholesale customers could damage the brand image. If the occurrence of any such events results in our non-compliance with the distribution agreement we entered into with the supplier of Brand C (for details of such agreements, see "Business — Suppliers — Sourcing arrangements — Wholesale business"), it could initiate claims against us and we would need to divert management and financial resources to defend or settle the claims regardless of the merit of the claims.

We experienced incidents of non-compliance with the Predecessor Companies Ordinance.

We have on various occasions not fully complied with statutory requirements in the Predecessor Companies Ordinance with respect to matters such as timely convening of annual general meeting and adoption of audited financial statements. See "Business — Legal compliance and proceedings — Non-compliance" for further details. If the Registrar of Companies in Hong Kong takes any action against the relevant subsidiaries in our Group, including the assessment of fines or other penalties and/or if our Controlling Shareholders fail to indemnify us in full, our reputation, cash flow and results of operation may be adversely affected.

Our financial performance for the year ending 30 April 2015 will be affected by certain non-recurring expenses.

Notwithstanding our financial performance for the three years ended 30 April 2014 and the six months ended 31 October 2014 disclosed in this prospectus, our financial results for the year ending 30 April 2015 will be affected by certain non-recurring expenses, including the expenses in relation to the Listing. Currently, we only have an estimate of our Listing expenses to be incurred and the actual amount to be recognised in the financial statements of our Group for the two years ending 30 April 2016 is subject to adjustment based on the audit and the changes in variables and assumptions. Accordingly, our financial results for the year ending 30 April 2015 will be affected by the expenses in relation to the Listing.

We declared dividends during the Track Record Period but we cannot assure that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all.

Our group companies had dividend declared during the three years ended 30 April 2014 and the six months ended 31 October 2014 amounting to approximately HK$13.0 million, HK$31.5 million and HK$38.6 million and HK$72.1 million, respectively. As at the Latest Practicable Date, 100%, 100%, 100% and 37.6% of the declared dividend for the said periods have been settled from our own internal resources. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by us will be made at the discretion of our Directors and will depend upon our financial results, Shareholders' interest, general business conditions, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Company and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past distribution record should not be used as a reference of the amount of dividends payable in the future and historical dividend distributions are not indicative of our future dividend distribution policy.

RISKS RELATING TO OUR INDUSTRY

Recent developments in the retail industry in Hong Kong may affect our operating environment.

We have recently been facing certain challenges in the retail industry in Hong Kong. These include the appreciation of Swiss Franc against other currencies due to the unpegging between Swiss Franc and EUR in January 2015 which may increase the purchase prices for sourcing Swiss watches; the drop in the number of PRC visitors to Hong Kong by about 10.0% in March 2015 compared to March 2014; and the increase in competition from PRC tourist destinations in Europe due to the recent fall in EUR, as well as Japan, Singapore and South Korea with the weaker currencies in Japanese yen, Singapore dollars and South Korean won due to the appreciation of the US dollar. These developments may adversely affect the economy in Hong Kong and cause uncertainties to the prospects of the retail sector in Hong Kong. As we are a watch retailer and generate almost all of our revenue from our watch retail business, a significant decline in the retail sector in Hong Kong could affect our business performance.

We also face other uncertainties in our business environment. Attractive tax schemes in Hong Kong have encouraged Chinese visitors to shop in Hong Kong. According to the Ipsos Report, Chinese visitors need to pay 20.0% of luxury goods consumption tax and 17.0% of value-added tax when purchasing watches in the PRC, whereas none of the above taxes need to be paid in Hong Kong. The PRC Ministry of Commerce has previously announced its intention to reduce certain duties on luxury goods in the PRC in an effort to stimulate domestic consumption. If the tax cut materialises, the price gap between luxury products sold in China and the ones sold overseas, including Hong Kong, could be narrowed and the price difference might no longer be a strong factor affecting the decision of PRC persons to obtain a visa and incur the additional expenses to travel outside the Mainland. Furthermore, as widely reported by the media recently, PRC visitors to Hong Kong have been treated with hostility. It has been reported by the media that, in addition to protests against parallel import traders, some PRC tourists have also been blamed and criticised for their behaviour while shopping in Hong Kong. If hostility between Hong Kong civilians and PRC visitors continue to rise and intensify, it could result in a negative impact on the tourism and retail industries in Hong Kong, which could deter PRC tourists from visiting Hong Kong. In addition, the official launch of a smart watch, which is marketed as a wearable smart device, by one of the world's leading information technology and mobile phone manufacturing companies, is widely reported in the media to take place in late April 2015 for the Hong Kong market. According to media reports, the smart watch is expected to be highly popular in the market, due to that company's loyal consumer base, deep retail presence and wide range of products with applications being syncable to each other. While the level of impact brought by the launch of the smart watch to the mid-end watch market in Hong Kong, if any, is unclear, it is uncertain if other watch retailers in Hong Kong will ramp up their efforts to improve their product offering by introducing similar smart watches or wearable gadgets, which could intensify competition in the watch retail market in Hong Kong. If we are unable to identify market trends and enhance product offerings in time, we could fail to compete effectively and in such case, our business, financial condition and results of operations may be materially and adversely affected.

Macro-economic factors have had and may have a material adverse effect on our business, financial conditions and results of operations.

We conduct all our retail business operations through our retail network in Hong Kong. Almost all our revenue generated during the Track Record Period was derived in Hong Kong. Our Directors expect Hong Kong will continue to be the dominant geographical presence of our Group in the foreseeable future. Our results of operations are heavily dependent on the Hong Kong economy and, in particular, the local mid-end watch market. In addition, we currently conduct the wholesaling of one watch brand in Hong Kong and Macau. Watches are not necessities, and demand for watches is largely dependent on macro-economic factors, such as financial and economic condition, political stability, general market sentiment, general business conditions, stock market and real estate market conditions, changes in the regulatory environment, fluctuations in employment rates, inflation and interest rates, consumer preferences and spending patterns and employment levels, are prone to affecting the overall performance of the Hong Kong and Macau economy. Unforeseen circumstances such as economic downturn, natural disaster and significant changes in consumer spending pattern which are beyond our control may affect our business. Our business performance has been affected by Occupy Central, a civil disobedience movement which began in Hong Kong around 28 September 2014. For details, see "Financial Information — Recent developments and material adverse change". If there occurs any significant decline in the Hong Kong and Macau economy and we are unable to divert our business to other geographic locations, our revenue, profitability and business prospects will be materially affected.

According to the composite consumer price index ("**Composite CPI**"), a key inflation indicator, released by the Census and Statistics Department of Hong Kong, overall consumer prices rose by 5.1% in November 2014 over the same month a year earlier. Netting out the effects of all government's one-off relief measures, the year-on-year rate of increase in the Composite CPI in November 2014 was 3.3%. Any significant increase in inflation, which is beyond our control, will increase our costs of business, reduce the disposable incomes of our customers and create uncertainty over future inflation.

We operate in a highly competitive environment and we could lose our market share if we do not compete successfully.

Our Directors believe that the mid-end watch retail market is highly competitive in Hong Kong. These competitors include single-brand boutique outlets, department stores, major chain stores and international retailers. Based on our Directors' knowledge and experience industry players compete with one another based on, among other things, product variety, product design, product quality and price. There is no assurance that we will be able to compete with others in the future in light of the changing and competitive market environment. Increasing competition in the industry may affect the pricing and profitability of our merchandise.

Our sales performance is affected by seasonality. Any significant seasonal fluctuations could adversely affect our financial conditions and results of operations.

Our sales performance is affected by seasonality. Revenue fluctuations throughout the year are common for the watch industry which is subject to the seasonal and festival purchase patterns of consumers. Our sales vary from month to month and we generally record higher sales revenue during major holidays or festivals, such as Chinese New Year and Christmas, which fall in or about the months of January, February and December, respectively. Any change in purchasing power, spending patterns or market trends could intensify such fluctuations and affect our revenue and financial performance. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between corresponding periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. Any seasonal fluctuations reported in the future may not match the expectations of investors. This could cause fluctuation in the trading price of the Shares.

Further, our revenue flow and periodical financial performance are also influenced by a number of factors, including changes in our brand mix, effectiveness of our inventory management, level of pre-opening expenses associated with opening of new retail outlets, timing and effectiveness of our marketing activities, actions by our existing and new competitors, and employee motivation and effectiveness, among others. As a result of these fluctuations, comparison of sales and operating results from different periods in different financial years should not be relied on as indicators of our performance.

Incidents of parallel imports and counterfeit products could adversely affect the demand of the watches we offer and negatively impact our brand image, reputation and profitability.

We are a watch retailer carrying a large number of branded watches. If a significant number of our customers turn to parallel imports or counterfeit products of the watches we carry, our sales could suffer. Incidents of parallel imports and counterfeit products could also affect the value and image of the brands under which we operate our retail outlets and result in a loss of customer confidence in the watches we offer at our retail outlets and, as a result, adversely affecting our financial performance.

Any changes in the regulatory environment resulting in the imposing of import tariffs and sales tax on the watches we offer could adversely affect our profitability.

At present, there is no import tariff, sales tax or other tax on the watches we offer in Hong Kong. If Hong Kong were to introduce or impose import tariffs, sales tax and/or other taxes on those products, our Directors would anticipate that the relevant profit margin of our Group could be reduced. Such introduction of tariff or tax could also result in a corresponding increase in the price of those products and can eventually lead to decrease in customers' demand for our merchandise. All these factors could have an adverse impact on our performance and profitability.

The development of business-to-customer e-commerce platforms may result in an adverse effect on our business and financial conditions.

We sale watches mainly through our retail stores. However, as the development of business-to-customer e-commerce platforms, our customers may change their consumption model and behaviour and our competitors or suppliers may build up their own international online retail stores. As a result, we could experience loss in store sales, accumulate slow-moving inventory and operate inefficiently.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Offer Shares. An active trading market may not develop for the Offer Shares and the liquidity and market price of the Offer Shares following the Share Offer may be volatile.

Prior to the Share Offer, no public market for the Offer Shares existed. The initial Offer Price range issued to the public for the Offer Shares was the result of negotiations between our Company and the Underwriters. The Offer Price may not be indicative of the price at which the Offer Shares will trade following the completion of the Share Offer. We have applied to list and deal in the Offer Shares on the Stock Exchange. There can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the Share Offer, or that the price at which the Offer Shares will trade will not decline below the Offer Price.

In addition, the price and trading volumes of the Offer Shares may be volatile. Such volatility in the price of the Offer Shares may be caused by factors such as variations in our operation results and financial position, investors' perception of us and our future business plans and prospects, or any other developments in our business or industries or the financial markets.

The market price of the Offer Shares when trading begins could be lower than the Offer Price.

The Offer Price of the Offer Shares is expected to be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fourth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time when trading begins.

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of the Offer Shares.

The market price of the Offer Shares could decline as a result of future sales of substantial amounts of the Offer Shares or other securities relating to the Offer Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Except for certain amounts of the Offer Shares currently outstanding that are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Share Offer as described in "Underwriting — Underwriting arrangements and expenses — Public Offer", there are no restrictions imposed on our Controlling Shareholders to dispose of their shareholdings in our Company. Any major disposal of the Offer Shares by any of our Controlling Shareholders may cause the market price of the Offer Shares to fall. In addition, future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price our Directors deem appropriate, thereby limiting our ability to raise capital.

Issuance of additional Shares in the future may cause dilution of your shareholding in our Company.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, any acquisitions, or any expansion of our Retail Outlets. If additional funds are raised by way of the issuance of new Shares or equity-linked securities other than on a pro rata basis to existing Shareholders, then the shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Share would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of our existing Shareholders.

As the Offer Price of the Offer Shares is higher than the net tangible asset value per Offer Share, purchasers of the Offer Shares will experience immediate dilution in the value of the Offer Shares.

Investors who purchase the Offer Shares in the Share Offer will pay a price per Offer Share that exceeds the net asset value of such Offer Share. As a result, investors of the Offer Shares in the Share Offer will experience an immediate dilution in the net tangible asset value per Offer Share of their purchased Offer Shares. Moreover, we have adopted the Share Option Scheme (see "D. Share Option Scheme" in Appendix IV to this prospectus). Issuance of Shares pursuant to the exercise of the Share Option Scheme will result in an increase in the number of Shares in issue after such issuance thereby causing dilution to the percentage of ownership of the existing Shareholders and the earnings per Share, and may cause dilution to the net tangible asset value per Share.

Shareholders and investors could face difficulties in protecting their interests because the Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

Investors should read the entire prospectus carefully and should not rely on any information contained in press articles and/or other media coverage regarding us and the Share Offer.

Prior to the publication of this prospectus, and possibly subsequent to the date of this prospectus but prior to the completion of the Share Offer, there might have been press articles and/or media coverage regarding us and the Share Offer, which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters or any other person involved in the Share Offer. Hence, none of these parties accept any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or other media coverage regarding us and the Share Offer. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any material information has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Underwriters, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus could be inaccurate or there is a risk that they are not comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

Forward-looking statements in this prospectus could prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group to the public. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Placing and the Public Offer and are subject to, in each case, re-allocation described in "Structure and Conditions of the Share Offer".

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Global Coordinator. Subject to the terms of the Public Offer Underwriting Agreement (including the determination of the Offer Price by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Monday, 4 May 2015, but in any event no later than Friday, 8 May 2015, being the expected Price Determination Date), the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For more information about the Underwriters and the underwriting arrangements, see "Underwriting — Underwriting arrangements and expenses".

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 4 May

2015, but in any event no later than Friday, 8 May 2015. If, for whatever reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are not able to agree on the Offer Price by Friday, 8 May 2015, the Share Offer will not proceed and will lapse.

SELLING RESTRICTIONS

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdictions or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue, and upon the exercise of the options that may be granted under the Share Option Scheme.

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

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares in issue must be registered on our Company's branch register of member to be maintained in Hong Kong by our Hong Kong Branch Share Registrar and transfer office, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong.

Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Only Shares registered in our Company's Hong Kong branch register of members may be traded on the Stock Exchange. Dealings in Shares registered on the register of members kept by our Company's Hong Kong Branch Share Registrar and transfer office will be subject to Hong Kong stamp duty.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of holders of our Shares resulting from the subscription, purchase, holding or disposal of our Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Applications Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer".

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 12 May 2015. Shares will be traded in board lots of 4,000 Shares each.

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

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

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Lam Man Wah (林文華)	Flat B, 29/F Block 1 Elegant Terrace 36 Conduit Road Hong Kong	Chinese
Ms. Chan Ka Yee, Elsa (陳嘉儀)	Flat B, 29/F Block 1 Elegant Terrace 36 Conduit Road Hong Kong	Chinese
Mr. Tsang Hok Man (曾學文)	Room A, 4/F, Po Wing Building No. 26 Bowrington Road Wan Chai Hong Kong	Chinese
Independent non-executive Directors		
Mr. Fung Tat Man (馮達文)	Flat E, 47/F Tower 11, Ocean Shores 88 O King Road Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Cheng Kin Chung (鄭建中)	Flat F, 1/F, Jardine Court 34 Mount Butler Drive Jardine's Lookout Hong Kong	Chinese
Mr. Lo Wai Kei, Wilkie (盧暐基)	Flat B, G/F, Block 5 5 Lung Ping Road Phase 1, Beacon Heights Kowloon Tong Hong Kong	Chinese

See "Directors and Senior Management" for further details of our Directors and senior management.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Quam Capital Limited** *(a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO)* 18/F–19/F, China Building 29 Queen's Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	**Quam Securities Company Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong
Joint Lead Managers	**Quam Securities Company Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong **Brilliant Norton Securities Company Limited** Room 804, 8/F., Jubilee Centre 46 Gloucester Road, Wan Chai Hong Kong
Co-Managers to the Public Offer	**Goldin Equities Limited** 23/F Two International Finance Centre 8 Finance Street, Central Hong Kong **Great Roc Capital Securities Limited** Suite 3712, 37th Floor West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong **SBI China Capital Financial Services Limited** Unit A2, 32nd Floor, United Centre, 95 Queensway, Hong Kong

Legal advisers to our Company	*As to Hong Kong law:* **Tung & Co.** **in association with Jia Yuan Law Office** Office 1601 16/F, LHT Tower 31 Queen's Road Central Hong Kong *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to Macau law:* **FC Law (Lawyers and Private Notaries)** Avenida de Almeida Ribeiro Nº 61 Edificio Circle Square 13º B-E Macau
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Pinsent Masons** 50/F Central Plaza 18 Harbour Road Hong Kong
Reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F Prince's Building Central Hong Kong
Receiving banker	**Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong

Compliance adviser	**Quam Capital Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Suite No. 9, 11/F, Tower 1 China Hong Kong City China Ferry Terminal Canton Road, Kowloon Hong Kong
Company's website	**www.tictactime.com.hk** *(the information contained in this website does not form part of this prospectus)*
Company secretary	Mr. Wong Chi Wai (黃志威) (*HKICPA*) Flat 604 Lei Yi House Lei On Court Lam Tin, Kowloon Hong Kong
Authorised representatives	Mr. Wong Chi Wai (黃志威) Flat 604 Lei Yi House Lei On Court Lam Tin, Kowloon Hong Kong Mr. Lam Man Wah (林文華) Flat B, 29/F Block 1 Elegant Terrace 36 Conduit Road Hong Kong
Audit committee	Mr. Cheng Kin Chung *(Chairman)* Mr. Fung Tat Man Mr. Lo Wai Kei, Wilkie

Remuneration committee	Mr. Fung Tat Man *(Chairman)* Mr. Cheng Kin Chung Mr. Lo Wai Kei, Wilkie
Nomination committee	Mr. Lo Wai Kei, Wilkie *(Chairman)* Mr. Fung Tat Man Mr. Cheng Kin Chung
Principal share registrar and transfer office in the Cayman Islands	**Codan Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and transfer office in Hong Kong	**Boardroom Share Registrars (HK) Limited** 31/F, 148 Electric Road North Point Hong Kong
Principal bankers	**Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Ipsos, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their affiliates or advisors, nor any other party involved in the Share Offer and no representation is given as to its accuracy. Please refer to "Risk Factors — Risks relating to the Share Offer — Statistics and facts in this prospectus have not been independently verified." for details. We believe, after taking reasonable care, that there have been no adverse changes in the market information since the date of the Industry Expert Report which may qualify, contradict or have an impact on the information in this section.

INTRODUCTION

In connection with the Share Offer, we commissioned Ipsos, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of the watch industry in Hong Kong. We have incurred total fee and expenses of approximately HK$406,000 for the preparation of the Industry Expert Report. The information and statistics set forth in this section have been extracted from the Industry Expert Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Industry Expert Report.

Ipsos SA is a global research company which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos SA conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos, the wholly-owned subsidiary of Ipsos SA, has experience in conducting market research for various industries for initial public offerings of companies listed on the Stock Exchange.

Ipsos's approach has combined the following data and intelligence gathering methodology:

- Desk research
- Client consultation — background information about the Company
- Primary research — interviews with associations and industry experts in Hong Kong, including watch distributors and retailers, etc. in Hong Kong

This methodology has guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy.

Intelligence gathered has been analyzed, assessed and validated using Ipsos' in-house analysis models and techniques for the preparation of the Industry Export Report. This is the basis upon which we consider the data and statistics to be reliable.

PARAMETERS AND ASSUMPTIONS USED IN THE INDUSTRY EXPERT REPORT

Assumptions

- The supply and demand of watches provided by the watch industry in global are assumed to be stable and without shortage over the forecast period.
- Hong Kong economies are assumed to maintain a steady growth over the forecast period.
- It is assumed that there is no external shock such as financial crisis or natural disasters in the global market to affect the demand and supply for the products and service of watch industry in Hong Kong over the forecast period.

Parameters

- GDP growth rates in Hong Kong from 2009 to 2018
- Average annual disposable income and consumption expenditure in Hong Kong from 2009 to 2018
- Total sales value of watches in Hong Kong from 2009 to 2018

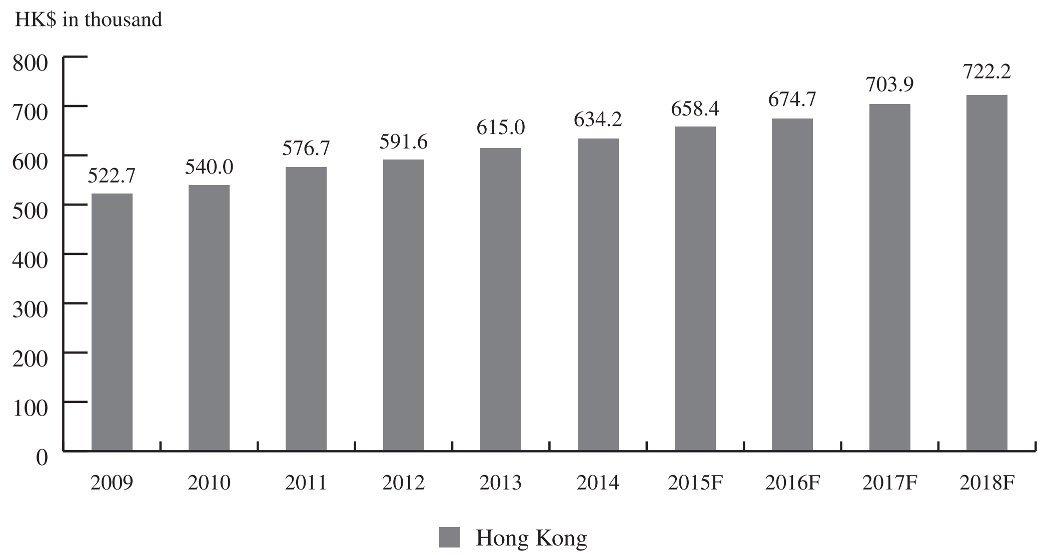
OVERVIEW OF THE HONG KONG ECONOMY

Average annual household disposable income in Hong Kong

Hong Kong's average annual household disposable income grew at a CAGR of about 3.9%, from about HK$522,700 in 2009 to about HK$634,200 in 2014. As the economy in Hong Kong began to exit the global financial crisis in 2009, the labor market thrived, which shows unemployment rate decrease from about 5.5% in 2009 to about 3.3% in 2014. This helped to increase average annual household disposable income over the same period. Moreover, the establishment of the statutory minimum wage in 2011 benefited the average annual household disposable income.

Propelled by Hong Kong's economic growth, its closer economic ties with the PRC and stabilisation of growth in the global economy, it is anticipated that Hong Kong's average annual household disposable income will grow from about HK$658,400 in 2015 to about HK$722,200 in 2018, at a CAGR of about 3.1%. Such positivity will help steer growth in revenue of watch industry in Hong Kong, as more households in Hong Kong may have more income to potentially spend on watches.

Average Annual Household Disposable Income in Hong Kong from 2009 to 2018



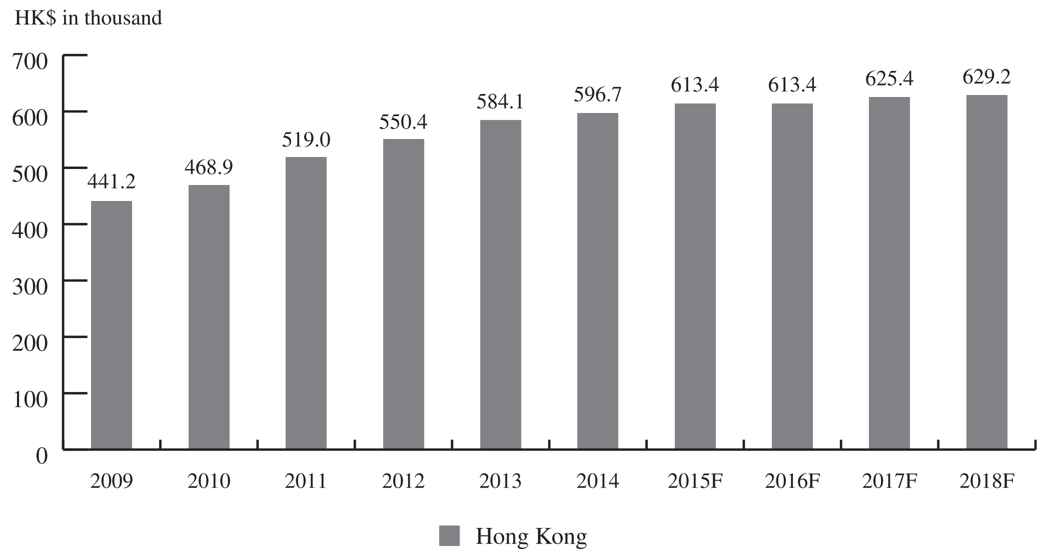
Source: Ipsos Report

Average annual household consumption expenditure

Hong Kong's average annual consumption expenditure grew at a CAGR of about 6.2%, from about HK$441,200 in 2009 to about HK$596,700 in 2014. The increase in average annual consumption expenditure was a result of the increase in average annual household disposable income and rising inflation (from about 0.5% in 2009 to about 4.4% in 2014 during the period).

In 2013 and 2014, as the PRC government continues to tackle an estimated US$1.5 trillion (or approximately HK$11.7 trillion) debt wall, credit markets are being tightened and liquidity is scarce. This will exert a modest drag on Hong Kong's private consumption. Coupled with the stabilisation of inflation in the short to medium term, the CAGR of average annual household consumption expenditure is expected to slow down to about 0.9% from 2015 to 2018.

Average Annual Household Consumption Expenditure in Hong Kong from 2009 to 2018



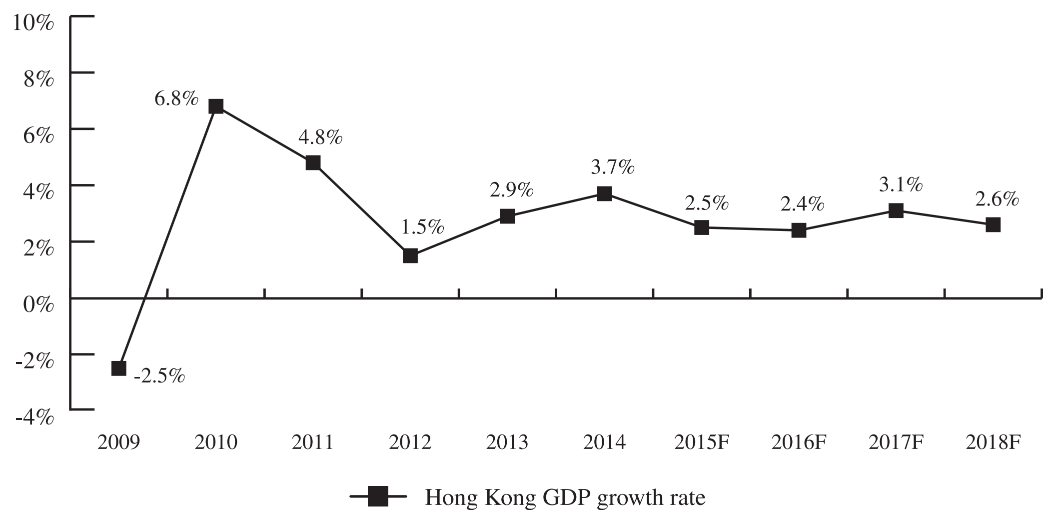
Source: Ipsos Report

GDP growth rate

The GDP growth rate increased from about –2.5% in 2009 to about 6.8% in 2010. Since 2011, the impact of the outbreak of the European sovereign debt crisis, coupled with the Chinese economy's slowdown, negatively impacted Hong Kong's economy during 2012 to 2013. This saw GDP growth rate declined to about 1.5% in 2012 and about 2.9% in 2013.

As the trough of the European sovereign debt crisis begins to subside, the economy in Hong Kong is expected to grow at about 2.5% in 2015. From 2015 to 2018, the improvement in global trade and bottoming-out of the European sovereign debt crisis are likely to have a stabilizing effect on Hong Kong's GDP growth rate. In addition, the economic partnership between Hong Kong and Mainland China, along with the well-performing financial sector will continue to support the growth of the economy of Hong Kong, exhibiting consistent growth around 2.5% in 2015 to about 2.6% in 2018. As Hong Kong's economy is expected to grow in the future, it may contribute to the increasing demand for newest models of watches, leading to an increase in the market demand for watch distribution industry in Hong Kong.

GDP Growth Rate in Hong Kong from 2009 to 2018



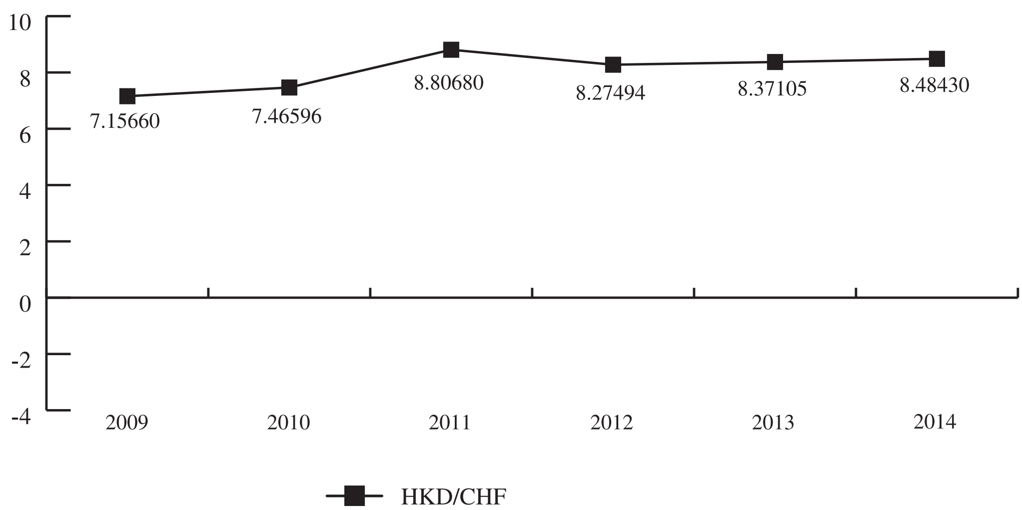
Source: Ipsos Report

Foreign Exchange

Swiss Franc against Hong Kong Dollar has increased from approximately CHF1.0 to HK$7.2 in 2009 to approximately CHF1.0 to HK$8.5 in 2014, representing a CAGR of about 3.5%. In particular, as Swiss National Bank announced that Swiss Franc will no longer hold a fixed exchange rate with EUR in January 2015, the exchange rates between Swiss Franc and Hong Kong Dollar have been fluctuating. The sudden unpegging between Swiss Franc and EUR has led the exchange rates between Swiss Franc against Hong Kong Dollar reached its peaks on 16 and 17 January 2015, to approximately CHF1.0 to HK$8.8 and CHF1.0 to HK$9.1, respectively. The sudden unpegging between Swiss Franc and Euro has brought no actual direct impact on the Hong Kong watch industry since January 2015 relating to the sourcing costs or selling prices of watch distributors or retailers. The ultimate pricing strategy of watches is not solely determined by foreign currency fluctuations but also a number of factors including rental cost, labor cost, economic performance and retail performance. Additionally, the industry has seen price reduction for certain watch brands, such as a luxury Swiss watch brand, which has reduced up to approximately 22% of its selling price since the appreciation of Swiss Franc in January 2015 in order to maintain a stable demand, which goes to show that brand owners may adjust pricing strategy due to a number of factors, not necessarily only foreign currency fluctuations.

The recent appreciation of US dollar may hinder the development of the watch retail industry in Hong Kong. As the retail price of watches is generally set by the brand owners, the long term appreciation of the US dollar may affect the pricing strategies of the brand owners and thus, may affect the retail price. Also, as a result of the appreciation of US dollar, tourists could find nearby Asian countries such as Japan, Singapore or South Korea more attractive due to the relatively weaker currencies in Japanese yen, Singapore dollars or South Korean won, and thus reduces the number of visitors to Hong Kong. It is to note that the whole retail industry in Hong Kong, and not exclusively the watch and jewellery sector, will be subject to the impact of the appreciation of the US dollar.

Swiss Franc against Hong Kong Dollar



Source: Ipsos Report

OVERVIEW OF THE WATCH INDUSTRY IN HONG KONG

Swiss-made, Italian-made, German-made and Japanese-made watches are the major country origins for watches available in Hong Kong.

- Most of the luxury watches are Swiss-made and German-made. These watches are known for their hand craftsmanship and with very limited production, adding to their exclusivity. Swiss-made watches in particular, are worn as a high fashion and status symbol.

- Mid-end watches in Hong Kong are mostly Swiss-made and Italian-made. Mid-end watches are well-reputed of their purpose-built and hand craftsmanship. Mechanical watches and quartz watches are the common types for mid-end watches.

- Most of the mass market watches in Hong Kong are Swiss-made and Japanese-made, which capture the main mass market watch retail market in Hong Kong. Mass market watches mainly refer to quartz watches and electronic watches, the brands of which are mostly Japanese-made, Chinese-made and Hong Kong-made watches.

Note: Watches in the retail market in Hong Kong are categorised into luxury, mid-end and mass market according to their retail price, with the price per unit over HK$20,000, between HK$5,000 to HK$20,000, and at or below HK$5,000, respectively.

The major distribution channels of watch industry in Hong Kong include two major business models, they are authorised distributorship and exclusive distributorship. The authorised distributorship is the main watch distribution model in Hong Kong, and most of them possess the distributorships for several watch brands. The exclusive distributorship refers to the sole distributorship for specific watch brands.

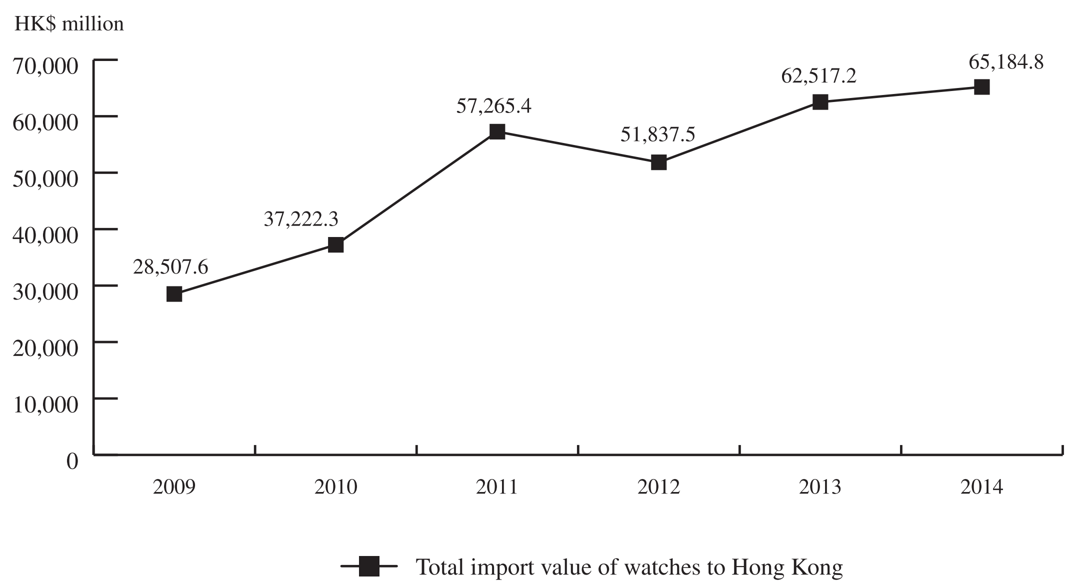
The watch distribution industry in Hong Kong was dominated by five players, which accounted for an aggregate market share of approximately 72.8% in terms of revenue in 2014.

Top five watch distributors in Hong Kong in 2014

Rank	Name of company	Brief description of the company	Revenue in 2014	Share of total industry revenue
			(HK$ million)	
1	Distributor 1	Headquartered in France and carrying watch brands such as TAG Heuer, Hublot and Zenith, etc.	1,605.9	26.2%
2	Supplier A's Parent Company	Headquartered in Switzerland and carrying watch brands such as Hamilton, Rado, Omega, etc.	969.2	15.8%
3	Distributor 3	Headquartered in Switzerland and carrying watch brands such as Cartier, Vacheron Constantin and Piaget, etc.	885.9	14.4%
4	Distributor 4	Headquartered in Hong Kong and carrying watch brands such as Seiko, Solvil et Titus and Casio, etc.	516.5	8.4%
5	Distributor 5	Headquartered in Switzerland and carrying one luxury watch brand	491.1	8.0%
Others			1,670.5	27.2%
Total			6,139.1	100.0%

Total import value of watches to Hong Kong

Total import value of watches to Hong Kong from 2009 to 2014



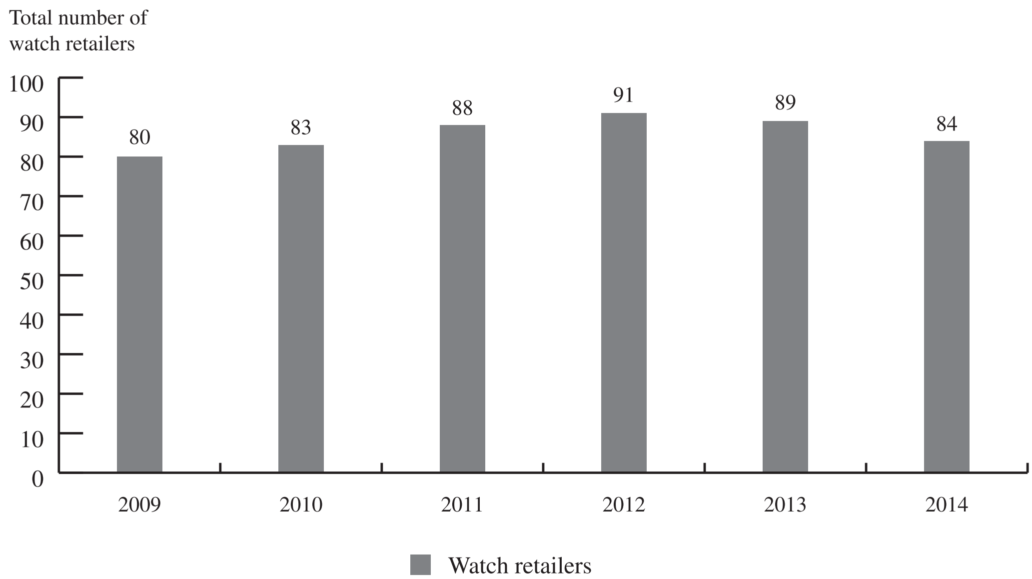
Source: Ipsos Report

From 2009 to 2014, the total import value of watches to Hong Kong showed a general increase. The total import value of watches to Hong Kong grew from about HK$28,507.6 million in 2009 to about HK$65,184.8 million in 2014, representing a CAGR of about 18.0%. Notwithstanding a drop in total import value of watches to Hong Kong in 2012, which was primarily attributable to the decrease in the average price of imported watches to Hong Kong, the overall trend of the import value of watches kept increasing gradually.

In 2014, the average price of imported watches to Hong Kong increased to about HK$243.65, which brought up the total import value of watches to Hong Kong. Major reasons include the design advancement in watches and technological improvement of the imported watches.

Total number of watch retailers in Hong Kong

Total number of watch retailers in Hong Kong from 2009 to 2014

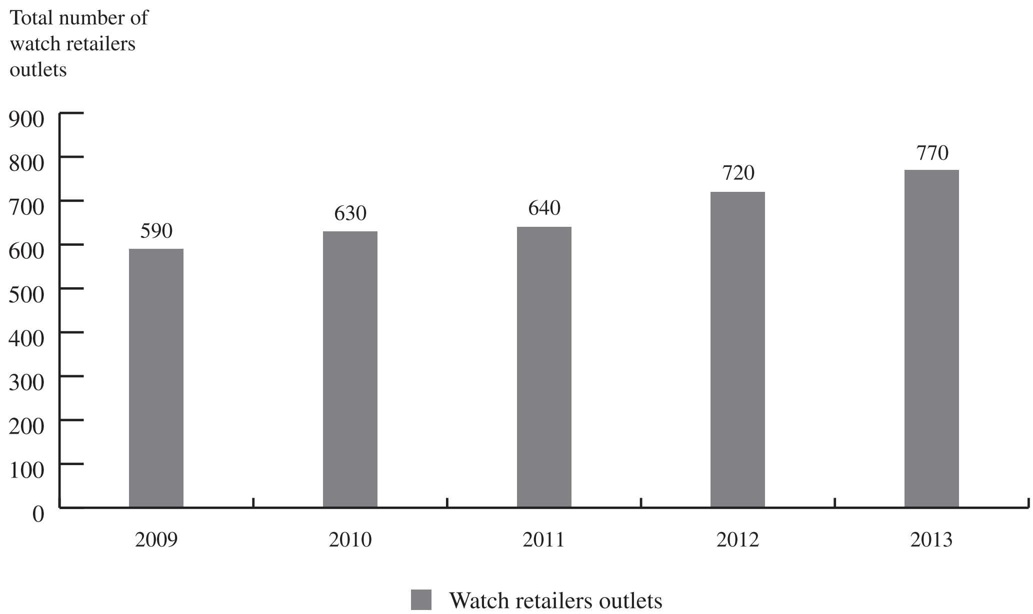


Source: Ipsos Report

Total number of watch retailers in Hong Kong rose from about 80 in 2009 to about 84 in 2014, at a CAGR of about 1.0%. It reached its peak in 2012 which recorded about 91 watch retailers in Hong Kong, but has been gradually declining from 91 in 2012 to about 84 in 2014. The overall rising number of watch retailers from 2009 to 2014 was caused by the increase in demand for watches as a result of tourism development in Hong Kong and economic growth in China. The rising number of Chinese visitors with strong purchasing power in Hong Kong leads to higher demand for consumption goods (i.e. watch), and therefore raised the total number of watch retailers in Hong Kong. However, the gradual decline from of total number of watch retailers from 2012 to 2014 was attributed to the increase in the rental costs and the impact of declined retail sales of watches from non-chained watch retailers. It is believed that the rise in rental costs in Hong Kong have a bigger impact on the non-chained watch retailers than the chained retailers, as the former possess relatively inadequate resources to compensate with the rising rental costs.

Total number of watch retail outlets in Hong Kong

Total number of watch retailer outlets in Hong Kong from 2009 to 2013

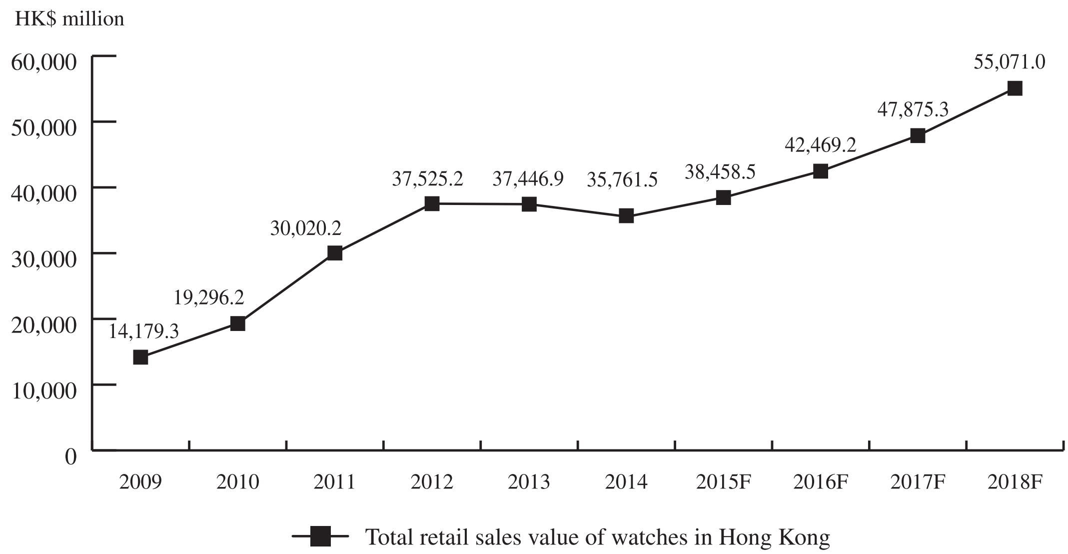


Source: Ipsos Report

The total number of watch retail outlets in Hong Kong increased from about 590 in 2009 to about 770 in 2013 at a CAGR of around 6.9%. The increasing number of watch retail outlets was caused by the higher demand of watches as a result of development of tourism in Hong Kong, particularly the growing number of mainland visitors from the PRC and the trend of expansion in the mid-end watch market. Attractive tax schemes in Hong Kong also encouraged consumption of watches. Chinese visitors need to pay 20.0% of luxury goods consumption tax and 17.0% of value-added tax when purchasing watches in the PRC, whereas none of the above taxes need to be paid in Hong Kong. The attractive tax schemes encouraged Chinese visitors to purchase watches in Hong Kong, and therefore lead to rising number of watch retailer outlets.

Total retail sales value of watches in Hong Kong

Total retail sales value of watches in Hong Kong from 2009 to 2018



Source: Ipsos Report

Note: In forecasting the above growth rates, Ipsos had taken into account (i) the historical and forecast growth of the GDP in Hong Kong and China; (ii) the historical proportion of retail sale of jewellery, watches and clocks, and valuable gifts from 2009 to 2014; and (iii) historical proportion and growth momentum of revenue from watch retailers in Hong Kong from 2009 to 2014 with reference to market consensus among watch retailers in Hong Kong.

Total retail sales value of watches in Hong Kong grew at a CAGR of about 20.3%, from about HK$14,179.3 million in 2009 to about HK$35,761.5 million in 2014. The jump of retail sales of watches was attributed by the policy of Multiple-Entry permit (一簽多行) implemented in 2009. As a result, the number of visitors from the PRC increased at a CAGR of about 22.6% from about 18.0 million in 2009 to about 40.7 million in 2013, rapidly expanding the customer base particularly high-income groups in this market.

It is expected to see a minor drop in the total retail sales value from 2013 to 2014 as the PRC government has strengthened its effort to fight against internal corruption in 2013. To a certain extent, as gift-giving culture is the main source of revenue in Chinese enterprises, this policy will repress the demand for watch from the PRC visitors. As a result, the consumption pattern of multiple-permit entry has gradually shifted from primarily focusing on purchasing jewellery, watches and clocks and valuable gifts to daily utilities (such as powdered milk and Chinese medicine, among others), in particular after the launch of anti-corruption scheme implemented in China in 2013. The gradual change in the consumption pattern of the multiple-permit entry holders can be shown by the increase in the retail sales value on three sectors in Hong Kong from 2013 to 2014, including medicine and cosmetics, department stores and supermarkets, with an average year-over-year growth rate of about 13.9%; whilst the retail value of jewellery, watches and clocks, and valuable gifts recorded an about -13.7% year-over-year growth rate. However, during the forecast period, the total retail sales value of watches in Hong Kong is forecasted to increase gradually at a CAGR of about 15.5%, from about HK$35,761.5 million in 2015 to about HK$55,071.0 million in 2018.

OVERVIEW OF THE MID-END WATCH MARKET IN HONG KONG

Total retail sales value of luxury, mid-end and mass market watches in Hong Kong from 2009 to 2018

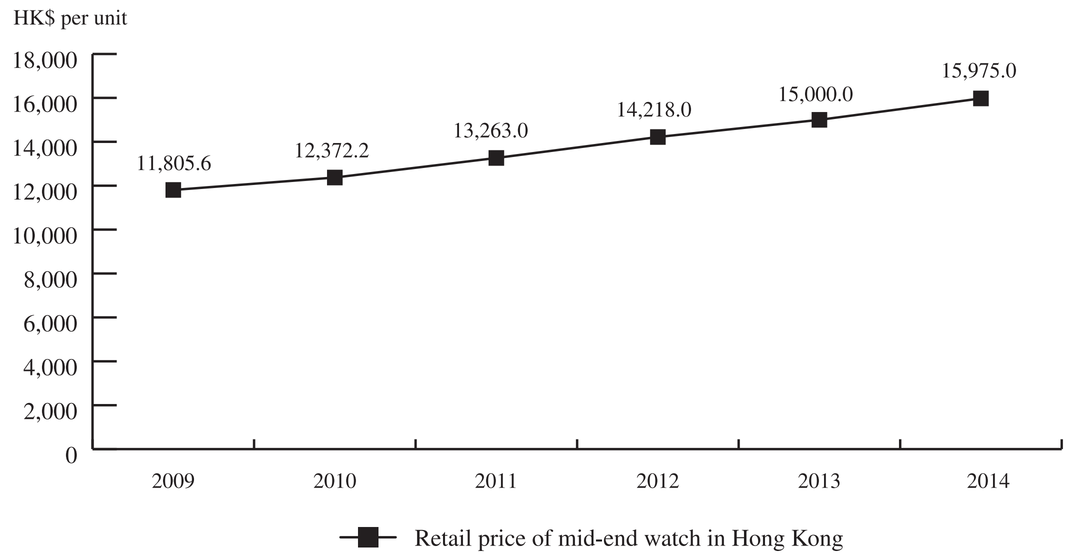
	Luxury		Mid-end		Mass Market		Total	
Year	Revenue	Percentage to total	Revenue	Percentage to total	Revenue	Percentage to total	Revenue	Percentage to total
	(HK$' million)	*(%)*	*(HK$' million)*	*(%)*	*(HK$' million)*	*(%)*	*(HK$' million)*	*(%)*
2009	8,918.8	62.9	2,935.1	20.7	2,325.4	16.4	14,179.3	100.0
2010	12,504.0	64.8	4,225.9	21.9	2,566.4	13.3	19,296.2	100.0
2011	20,053.5	66.8	6,724.5	22.4	3,242.2	10.8	30,020.2	100.0
2012	26,793.0	71.4	7,167.3	19.1	3,564.9	9.5	37,525.2	100.0
2013	24,981.4	66.7	8,048.1	21.5	4,417.5	11.8	37,446.9	100.0
2014	22,136.4	61.9	9,047.7	25.3	4,577.5	12.8	35,761.5	100.0
CAGR 2009–2014 (%)	19.9		25.3		14.5		20.3	
2015F	23,209.2	61.4	9,828.0	26.0	4,762.8	12.6	37,799.9	100.0
2016F	23,989.9	60.1	10,897.3	27.3	5,029.5	12.6	39,916.7	100.0
2017F	24,387.0	57.8	12,615.4	29.9	5,189.6	12.3	42,192.0	100.0
2018F	25,009.9	56.4	13,702.2	30.9	5,631.7	12.7	44,343.8	100.0
CAGR 2015F–2018F (%)	2.5%		11.7%		5.7%		5.5%	
CAGR 2009–2018F (%)	12.1%		18.7%		10.3%		13.5%	

Source: Ipsos Report

Note: In forecasting the above revenue of watches, Ipsos had taken into account (i) the historical and forecast the growth of GDP in Hong Kong and China; (ii) the historical numbers of tourists to Hong Kong from 2009 to 2014; and (iii) historical proportion and growth momentum of revenue from watch retailers in Hong Kong from 2009 to 2014 with reference to market consensus among watch retailers in Hong Kong; (iv) the consumption pattern of consumers from 2009-2014; and (v) policies of mainland China.

The increase in sale of luxury watches from 2009 to 2012 was mainly due to the Individual Visit Scheme and the increasing numbers of tourists from the PRC. However, after the "Establish a Sound System for Punishing and Preventing Corruption 2013–2017 Work Plan" policy launched in 2013, the consumption pattern of watches switched from luxury watches to less expensive watches. The sale of luxury watch experienced a decrease from 2012 to 2013 while sale of the mid-end watches continues to grow in 2013. The total retail sales of middle-end watches increased from about HK$2,935.1 million in 2009 to HK$9,047.7 million in 2014, at a CAGR of about 25.3%. The increasing retail sales of mid-end watches is attributed to the increasing numbers of mainland tourists in Hong Kong and the rise of middle class population in Asia who have strong demand in mid-end watch products. The total sales of watches are expected to increase at a CAGR of about 5.5% from about HK$37,799.9 million in 2015 to about HK$44,343.8 million in 2018.

Retail price trend of mid-end watch in Hong Kong from 2009 to 2014



Source: Ipsos Report

The retail price of mid-end watch in Hong Kong has been rising constantly from about HK$11,805.6 in 2009 to about HK$15,975.0 in 2014, recording at a CAGR of about 6.2%. The continual development of tourism in Hong Kong is a crucial factor for the growth in the retail price of mid-end watch from 2009 to 2014. The continual rise in the number of Chinese visitors with strong purchasing power, have raised the demand for mid-end watches in Hong Kong. With regard to this positive trend, the brand owners therefore raised the price of mid-end watches in order to capture the profitability. The rising price trend of mid-end watches can also be attributed to the anti-corruption activities (i.e. the Central Committee‘s eight-point regulations) which was launched in 2012. The frequent anti-corruption activities implemented by the PRC government has caused a major shift from purchasing luxurious watches to mid-end watches. The change in consuming behavior and pattern is an important factor for the continual growth in mid-end watches in Hong Kong, and explain the rise in retail price of mid-end watch in Hong Kong.

COMPETITIVE LANDSCAPE AND COMPETITIVE ADVANTAGES

Competitive landscape of the watch retail industry in Hong Kong

The watch retail industry in Hong Kong is mature and dominated by the top five players. The Company recorded an about HK$446.9 million watch retail sales revenue for the year ended 30 April 2014, which accounted for about 1.3% share of total sales revenue in the industry and about 5.5% of the retail sales revenue of the mid-end watch retail industry in 2013. The top five watch retailers accounted for about 38.0% share of total sales revenue in the industry in Hong Kong and the industry revenue was about HK$35,761.5 million in 2014. These major players have developed strong retail reputation and broad network of upstream watch distribution channels. Therefore, the market is considered mature.

Top 5 watch retailers in Hong Kong in 2014

Rank	Name of company	Brief description of the company	Headquarter location	Retail sales revenue of watch in 2014	Share of the retail sales of watch in Hong Kong
				(HK$' million)	
1	Company 1	the watch retailer with more than 20 retail stores and selling more than 30 brands	Hong Kong	4,037.9	11.3%
2	Company 2	the watch retailer with more than 20 retail stores and selling more than 50 brands	Hong Kong	3,265.1	9.1%
3	Company 3	the watch retailer with more than 10 retail stores and selling more than 100 brands	Hong Kong	2,365.9	6.6%
4	Company 4	the watch retailer with more than 10 retail stores and selling more than 40 brands	Hong Kong	2,209.6	6.2%
5	Company 5	the watch retailer with more than 10 retail stores and selling about 50 brands	Hong Kong	1,707.5	4.8%
Others				22,175.5	62.0%
Total				35,761.5	100.0%

Source: Ipsos Report

Top 5 mid-end watch retailers in Hong Kong in 2014

Rank	Name of company	Brief description of the company	Headquarter location	Retail sales revenue of watch in 2014	Share of the retail sales of watch in Hong Kong
				(HK$' million)	
1	Company 1	the watch retailer with more than 20 retail stores and selling about 11 mid-end watch brands	Hong Kong	1,233.8	13.6%
2	Company 4	the watch retailer with more than 10 retail stores and selling about 16 mid-end watch brands	Hong Kong	785.6	8.7%
3	Company 2	the watch retailer with more than 20 retail stores and selling about 9 mid-end watch brands	Hong Kong	554.5	6.1%
4	Company 5	the watch retailer with more than 10 retail stores and selling about 15 mid-end watch brands	Hong Kong	512.2	5.7%
5	Company 6	the watch retailer with more than 80 retail stores and selling about 19 mid-end watch brands	Hong Kong	402.8	4.5%
Others				5,558.8	61.4%
Total				9,047.7	100.0%

Source: Ipsos Report

COMPETITIVE ADVANTAGES

The Company offers a wide range of watch brands

The Company currently offers over 80 watch brands. The Company is able to provide a wide range of watches. Thus, the Company enjoys the competitive advantage of providing a wide range of watch brands in the market.

Stable relationship with brand owners and watch distributors

The Company has established a stable relationship with brand owners, which ensures a stable supply of watches. Other than that, the Company also enjoys a competitive advantage of the developed strong network of retailers. For instance, the Company has retail stores in the main shopping areas such as Tsim Sha Tsui and Causeway Bay. The geographical advantage of the Company's retail stores enables it to capture more customers.

Nature of competition

Track record of existing and former business partners build reputation to differentiate from competitors

With a number of watch retailers obtaining watch authorised distributorship from the brands, a strong track record of existing and former business partners of a watch distributor in Hong Kong can distinguish itself from its competitors. Many watch distributors rely on their coverage and network with the watch retailers, in order to stay competitive. Therefore, the track record of their availability of selling popular brands is an effective marketing tool to draw in new customers as proof of their competence and capacities.

Solid retail reputation is a crucial factor to outstand from the competitors

Good reputation is vital for watch retailers to maintain their consumers and attract potential consumers in Hong Kong. Both Mainland Chinese consumers and local consumers tend to purchase watches through watch retailers with famous and reputable brand names. Therefore, it is easier for famous and reputable watch retailers to stand out from the fragmented watch retail market.

Brands carry and store number affect the performance of watch retailers

The top five mid-end watch retailers provide from about 33 to about 139 brands, and most of which are sourced from the five largest watch distributors in Hong Kong, and approximately 33.5% of them are mid-end watches. Additionally, the top five mid-end watch retailers have more than 12 retail stores locating in the main shopping area such as Causeway Bay, Tsim Sha Tsui. The number of brands the watch retailers carry and their number of stores are major factors for differentiating them from competitors.

Entry barriers

Established reputation of the watch retailers

Established reputation in watch retail industry is a favorable factor to attract consumers, which is developed through years of operating history in the industry, track record of quality service and the relationship with brand owners. This provides consumers with confidence in the product quality, consumers are therefore preferred to purchase from the watch retailers with solid reputation. However, reputation building and brand cognition is a gradual cumulative process that requires huge capital investment. The importance of establishing reputation may pose an entry barrier for new entrants looking to enter the watch retail industry in Hong Kong.

High level of monetary commitment

High level of monetary commitment is required in entering the watch retail industry, especially the mid-end and luxury watch segments. The difficulty of entering the industry mainly lies in the amount of resources required in sourcing watches. For example, watch retailers have to afford high rental costs and ensure the availability of all watch models. The new entrants who intend to enter the watch retail market may not have sufficient resources to commit to the high capital required investment.

Requirement of retailers' network location and coverage

Comprehensive customer base can maintain the stability in demand for watches. A complete and stable customer base is based on the watch retailers' network location and coverage. This posts challengers for new market entrants without watch retailers' network location and coverage.

Opportunities and threats

Opportunities

Tourists from the PRC prefer purchasing mid-end to luxury watches in Hong Kong due to their confidence in the authenticity of watches purchased in Hong Kong and the relatively low retail prices of the mid-end to luxury watches in Hong Kong as compared with the same available in the PRC. Notwithstanding that the PRC import duties for Swiss watches would reduced by 60.0% in the next ten years in light of the free-trade agreement entered between the PRC and Switzerland, Swiss watches are still subject to the value-added tax of 17.0% and consumption tax of 20.0% in the PRC.

The continuous appreciation of the Renminbi has resulted in a more favorable exchange rate against the Hong Kong Dollar. In other words, a relatively low retail price on the products purchased in Hong Kong as compared with those in the PRC. Although the annual average exchange rate for Renminbi to Hong Kong dollar has slightly depreciated, the over time appreciation of Renminbi from 2009 to 2014 has increased the incentive for Chinese tourists to spend in Hong Kong. Hence, the rise in demand for watches from Chinese visitors creates opportunities for watch retail industry in Hong Kong.

Threats

- The high rental cost in Hong Kong, especially in key shopping districts such as Causeway Bay, Central, Tsim Sha Tsui and Mong Kok hinders the store expansion for watch retailers in Hong Kong. The high rental poses threats for the development of watch retail industry in Hong Kong.

- Parallel imports of watches may impose a potential threat to retail market sales performance in Hong Kong. Parallel imports of watches in Hong Kong are commonly found, the retail prices of parallel imports sold in Hong Kong are generally about 10.0% to 15.0% cheaper than watches sold by authorised distributors. Moreover parallel imports of watches are not entitled to warranty services aftersales as they are not sold by authorised distributors of watch brand owners. For some consumers in Hong Kong, however, who are looking into fashion trend may prefer to purchase watches from parallel imports, due to its lower retail price. The loss of market share to parallel imports may pose a threat to watch retail market sales performance.

- The decrease in the number of PRC visitors to Hong Kong could impact on the retail market in Hong Kong and coupling with the effect of recent appreciation of US dollar, as HK dollar is pegged to US dollar and the relatively weaker currencies in Japanese yen, Singapore dollars or South Korean won, tourists could find nearby Asian countries such as Japan, Singapore or South Korea more attractive when compared to Hong Kong. If the number of tourists to Hong Kong continues to decrease, the sales performance of retail market in Hong Kong could be adversely affected.

BUSINESS HISTORY

We principally engage in the retail of mid-end watches in Hong Kong. Our Group's history can be traced back to 1997 when Mr. Lam, the chairman of our Board, the chief executive officer and an executive Director, together with Ms. Chan, the spouse of Mr. Lam and an executive Director, established Tic Tac Time for retailing of watches in Hong Kong by using their personal funds. Mr. Lam brings to our Group more than 22 years of experience in the watch retail industry. For details of background and industry experience of Mr. Lam, see "Directors and Senior Management". Mr. Lam's in-depth knowledge and extensive experience in the industry has provided solid foundation for our success.

At the early stage of our business, we operated mainly through multi-brand outlets where various watch brands were sold. At that time, we focused on fashionable watch brands, targeting mid-income consumers. Since the launch of the individual visit scheme in 2003 which opened doors for visitors from the PRC, to the best knowledge of our Directors, tourists have also become a major source of customers for us. Since our establishment, we expanded our retail network in Hong Kong with outlets strategically located in major shopping areas, including Tsim Sha Tsui, Causeway Bay and Mongkok.

In 2004, we launched our first single-brand boutique outlet, where only one specific watch brand was sold. We believe that by operating single-brand boutique outlets for well-established watch brands, we would be able to leverage on the long history and reputation of these watch brands and capture brand-loyal customers. In addition, throughout the process of establishing and operating single-brand boutique outlets, we have established a close relationship with our watch suppliers, which is also crucial to our success. As at the Latest Practicable Date, we had launched seven single-brand boutique outlets for four watch brands, including two internationally renowned watch brands of Swiss-made watches, Brand A and Brand B, and two other Swiss watch brands Brand D and Brand E.

Having been established in 1997, our Group has over 17 years of experience in the watch retail business in Hong Kong. We have established a good and long-term relationship with international watch brand suppliers and carried over 80 watch brands as at the Latest Practicable Date. We are also the exclusive wholesale distributor for Brand C in Hong Kong and Macau.

As at the Latest Practicable Date, we operated through our retail network comprising 17 retail outlets (10 multi-brand outlets and seven single-brand boutique outlets) in major shopping malls of prime locations, such as Times Square in Causeway Bay, Harbour City and iSquare in Tsim Sha Tsui, Festival Walk in Kowloon Tong, Langham Place in Mongkok and New Town Plaza in Shatin.

Set out below are the key milestones in the development of our business:

Month/Year	Event
July 1997	Tic Tac Time, our first operating company, was incorporated and we commenced our business in retailing of watches in Hong Kong.
November 2003	We started selling Brand A watches in our multi-brand outlets.
October 2004	Our first single-brand boutique outlet for Brand A was opened in Causeway Bay, Hong Kong.
April 2007	We started selling Brand B watches in our multi-brand outlets.
November 2007	We were accredited with the No Fakes Pledge Scheme (正版正貨承諾計劃) certification by the Hong Kong Intellectual Property Department.
February 2008	We were authorised to operate our first single-brand boutique outlet for Brand B in Ocean Centre, Tsim Sha Tsui, Hong Kong.
December 2010	We commenced our wholesale distribution business.
June 2011	We became the exclusive wholesale distributor for Brand C in Hong Kong and Macau.
February 2013	A single-brand boutique outlet for Brand D was opened in iSquare, Tsim Sha Tsui, Hong Kong.
December 2013	A single-brand boutique outlet for Brand E was opened in China Hong Kong City, Tsim Sha Tsui, Hong Kong.

CORPORATE STRUCTURE AND HISTORY

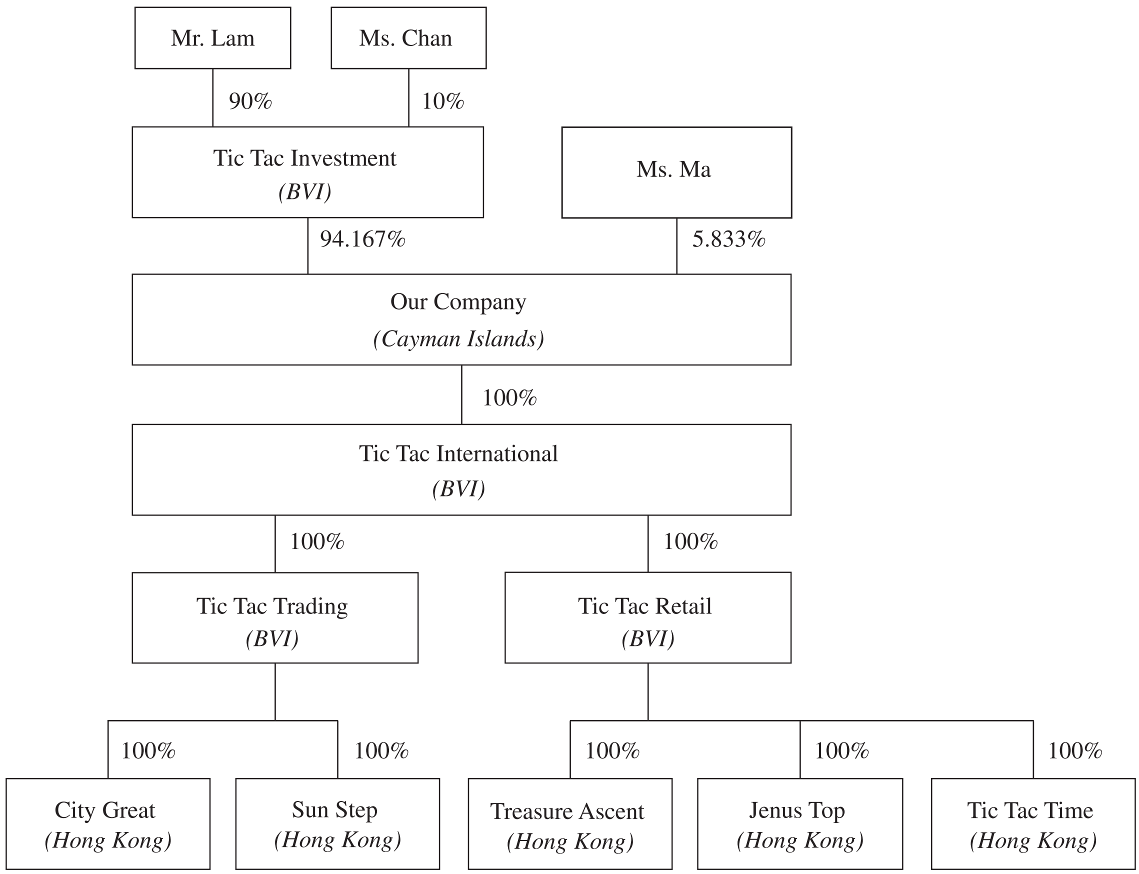
Set out below is the brief corporate history of each of the members of our Group:

Our Company

Our Company was incorporated in the Cayman Islands on 23 June 2014 with authorised capital of HK$100,000,000.00 divided into 10,000,000,000 Shares of HK$0.01 each. Our Company was incorporated as part of our Reorganisation in preparation for the Listing, details of which are set out in "— Corporate reorganisation".

As at the Latest Practicable Date, our Company had five operating subsidiaries in Hong Kong, namely, City Great, Sun Step, Treasure Ascent, Jenus Top and Tic Tac Time, and three investment holding companies in BVI, namely, Tic Tac International, Tic Tac Trading and Tic Tac Retail.

The following chart sets out the shareholding and corporate structure of our Group as at the Latest Practicable Date:



Tic Tac International

Tic Tac International is an investment holding company incorporated in the BVI on 1 July 2014 which is authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On its date of incorporation, one share at par were allotted and issued as fully paid to our Company.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Tic Tac International during the period from its incorporation up to the Latest Practicable Date.

As at the Latest Practicable Date, Tic Tac International was a direct wholly-owned subsidiary of our Company.

Tic Tac Trading

Tic Tac Trading acts as the holding company of two operating subsidiaries, namely City Great and Sun Step, which are principally engaged in the trading and wholesale of watches in Hong Kong. Tic Tac Trading was incorporated in the BVI on 4 October 2013 which is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. On the date of its incorporation, one share at par were allotted and issued as fully paid to Mr. Lam.

As part of the Reorganisation, Tic Tac International acquired the entire issued share capital of Tic Tac Trading on 20 January 2015. Since then, Tic Tac Trading has become an indirect wholly-owned subsidiary of our Company.

The above acquisition was properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Tic Tac Trading during the period from its incorporation up to the Latest Practicable Date.

Tic Tac Retail

Tic Tac Retail acts as the holding company of three operating subsidiaries, namely Treasure Ascent, Jenus Top and Tic Tic Time, which are principally engaged in the retail of watches in Hong Kong. Tic Tac Retail was incorporated in the BVI on 4 October 2013 which is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each. On the date of its incorporation, one share at par were allotted and issued as fully paid to Mr. Lam.

As part of the Reorganisation, Tic Tac International acquired the entire issued share capital of Tic Tac Retail on 20 January 2015. Since then, Tic Tac Retail has become an indirect wholly-owned subsidiary of our Company.

The above acquisition was properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Tic Tac Retail during the period from its incorporation up to the Latest Practicable Date.

City Great

City Great was incorporated in Hong Kong on 25 January 2007. On the date of its incorporation, one share of City Great was allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Mr. Lam at par on 29 January 2007. The principal activity of City Great is the trading of watches.

As part of the Reorganisation, Tic Tac Trading acquired the entire issued share capital of City Great on 31 March 2015. Since then, City Great has become an indirect wholly-owned subsidiary of our Company.

The above acquisitions were properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of City Great during the period from the commencement of the Track Record Period up to the Latest Practicable Date.

Sun Step

Sun Step was incorporated in Hong Kong on 17 June 2006 as a limited liability company. On the date of its incorporation, one share of Sun Step was allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Mr. Lam at par on 2 August 2006. On the same day, additional 249,999, 150,000 and 100,000 shares of Sun Step were allotted and issued as fully paid at par to Mr. Lam, Ms. Ma and Mr. Tsang Hok Man, one of our executive Directors, respectively. At that time, Sun Step was principally engaged in the retail of handbags.

On 18 June 2009, as the financial performance of the handbag retailing business was not satisfactory, Mr. Lam, Ms. Ma and Mr. Tsang decided to discontinue such business and Ms. Ma and Mr. Tsang transferred all their shares in Sun Step to Mr. Lam at a consideration of HK$2,400 and HK$1,600 respectively, at arm's length negotiation between the parties with reference to the then financial position of Sun Step. At that time, Sun Step suffered a significant loss with a net liability. Since then, Sun Step has been wholly-owned by Mr. Lam and has been principally engaged in the wholesaling of watches.

As part of the Reorganisation, Tic Tac Trading acquired the entire issued share capital of Sun Step on 31 March 2015. Since then, Sun Step has become an indirect wholly-owned subsidiary of our Company.

The above acquisitions were properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Sun Step during the period from the commencement of the Track Record Period up to the Latest Practicable Date.

Treasure Ascent

Treasure Ascent was incorporated in Hong Kong on 22 October 2008. On the date of its incorporation, one share of Treasure Ascent was allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Mr. Lam at par on 3 November 2008. The principal activity of Treasure Ascent is the retailing of watches.

On 12 November 2008, 77 and 22 shares of Treasure Ascent were allotted and issued as fully paid at par to Mr. Lam and Mr. Chiu Ah Hung, an Independent Third Party, respectively. At that time, Mr. Lam would like to expand the business of Treasure Ascent and therefore invited his friend, Mr. Chiu to join Treasure Ascent. On 8 January 2009, a further 389,922 and 109,978 shares of Treasure Ascent were allotted and issued as fully paid at par to Mr. Lam and Mr. Chiu respectively.

On 23 June 2011, as Mr. Chiu would like to realise its investment in Treasure Ascent and Mr. Lam was confident about the prospects of retail of watches in Hong Kong, he acquired 110,000 shares of Treasure Ascent, representing 22% of the then issued capital of Treasure Ascent, from Mr. Chiu at a consideration of HK$8,058,458, which was determined with reference to the net profit of Treasure Ascent at the material time. Mr. Chiu was not a director of Treasure Ascent during the relevant time when he was a shareholder of Treasure Ascent.

As part of the Reorganisation, Tic Tac Retail acquired the entire issued share capital of Treasure Ascent on 31 March 2015. Since then, Treasure Ascent has become an indirect wholly-owned subsidiary of our Company.

The above acquisitions were properly and legally completed and settled.

Save as disclosed above and in "— Corporate reorganisation", there had not been any change in the shareholding of Treasure Ascent during the period from the commencement of the Track Record Period up to the Latest Practicable Date.

Jenus Top

Jenus Top was incorporated in Hong Kong on 30 June 2004. On the date of its incorporation, one share of Jenus Top were allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Mr. Lam at par on 21 August 2004. On the same day, one share of Jenus Top was allotted and issued as fully paid to Ms. Ma at par and Mr. Lam and Ms. Ma were appointed as the managing director and non-executive director of Jenus Top, respectively. The principal activity of Jenus Top is the retailing of watches.

On 22 August 2006, additional 149,999 and 149,999 shares of Jenus Top was allotted and issued as fully paid to Mr. Lam and Ms. Ma respectively at par. Ms. Ma is a family friend of Mr. Lam who, to the best of our Directors' knowledge, invested in Jenus Top because she was optimistic about its business prospect. Ms. Ma is a passive investor of our Group. Since Mr. Lam and Ms. Ma's investment in Jenus Top in August 2004, Mr. Lam has been the one to exercise and implement the management and operation of Jenus Top, in particular, Mr. Lam has been the one who manages the daily operation of Jenus Top and makes decisions in respect of the key financial and operating policies of Jenus Top at his sole discretion.

On 10 December 2008, Mr. Lam transferred his 150,000 shares in Jenus Top, representing 50% of the then issued capital of Jenus Top, to Ms. Lin Xiao Bo ("**Ms. Lin**"), the elder sister of Mr. Lam, at a consideration of HK$600,000 ("**Consideration I**"). Such transfer was made in favour of Ms. Lin to secure the repayment and discharge by Mr. Lam of an interest-free loan in the amount of HK$600,000 advanced by Ms. Lin to Mr. Lam (the "**Loan**") in the form of Consideration I.

On 16 March 2011, Ms. Lin transferred 150,000 shares in Jenus Top, representing 50% of the then issued capital of Jenus Top, back to Mr. Lam at a consideration of HK$600,000 ("**Consideration II**") as Mr. Lam had repaid the Loan in full to Ms. Lin in the form of Consideration II, whereby Ms. Lin discharged and released Mr. Lam absolutely from any obligations in respect of the Loan.

Despite the aforementioned transfer of shares in Jenus Top to Ms. Lin, Mr. Lam had, at all material times during the period from 10 December 2008 to 16 March 2011 (the "**Relevant Period**") remained as the managing director of Jenus Top and was responsible for, at his sole discretion, making commercial decisions in relation to the operation and management of Jenus Top. Whereas Ms. Lin had, at all material times during the Relevant Period, never been involved in the management and operation of Jenus Top and had merely, in her capacity as the then legal owner of the relevant shares in Jenus Top, attended and voted in all shareholders' meeting of Jenus Top held during the Relevant Period in accordance with the instructions of Mr. Lam. During the Relevant Period, Ms. Lin did not receive any dividends distributed by Jenus Top and all such dividends had been paid to Mr. Lam directly.

As part of the Reorganisation, Tic Tac Retail acquired the entire issued share capital of Jenus Top on 31 March 2015. Since then, Jenus Top has become an indirect wholly-owned subsidiary of our Company.

The above acquisitions were properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Jenus Top during the period from the commencement of the Track Record Period up to the Latest Practicable Date.

Tic Tac Time

Tic Tac Time, our first operating company, was incorporated in Hong Kong on 28 July 1997. On the date of incorporation, nine shares and one share of Tic Tac Time were allotted and issued as fully paid at par to Mr. Lam and Ms. Chan respectively. The principal activity of Tic Tac Time is retailing of watches.

On 12 November 2001, 499,990 shares of Tic Tac Time were allotted and issued as fully paid to Mr. Lam at par. On 11 October 2013, a further 2,500,000 shares of Tic Tac Time were allotted and issued as fully paid at par to Mr. Lam.

As part of the Reorganisation, Tic Tac Retail acquired the entire issued share capital of Tic Tac Time on 31 March 2015. Since then, Tic Tac Time has become an indirect wholly-owned subsidiary of our Company.

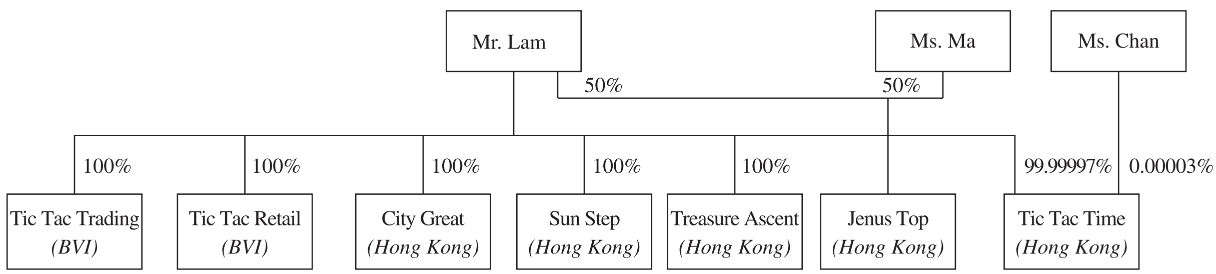
The above acquisitions were properly and legally completed and settled.

Save as disclosed in "— Corporate reorganisation", there had not been any change in the shareholding of Tic Tac Time during the period from the commencement of the Track Record Period up to the Latest Practicable Date.

CORPORATE REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation to implement a structure where our Company became the holding company of our Group.

The following chart sets out our corporate and shareholding structure immediately before the Reorganisation:



Note: Mr. Lam is also interested in 29% and 24% in Company A and Company B respectively. For details, see "Relationship with Controlling Shareholders — Other business interests of our Controlling Shareholders".

(1) Setting up of the offshore structure

On 18 June 2014, Tic Tac Investment was incorporated in the BVI with limited liability, which is authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of its incorporation, 90 shares and 10 shares of Tic Tac Investment were allotted and issued as fully paid to Mr. Lam and Ms. Chan at par respectively.

On 23 June 2014, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with authorised capital of HK$100,000,000.00 divided into 10,000,000,000 Shares of HK$0.01 each. On the date of its incorporation, one Share was allotted and issued as fully paid to the initial subscriber at par and was transferred to Tic Tac Investment on the same day at par.

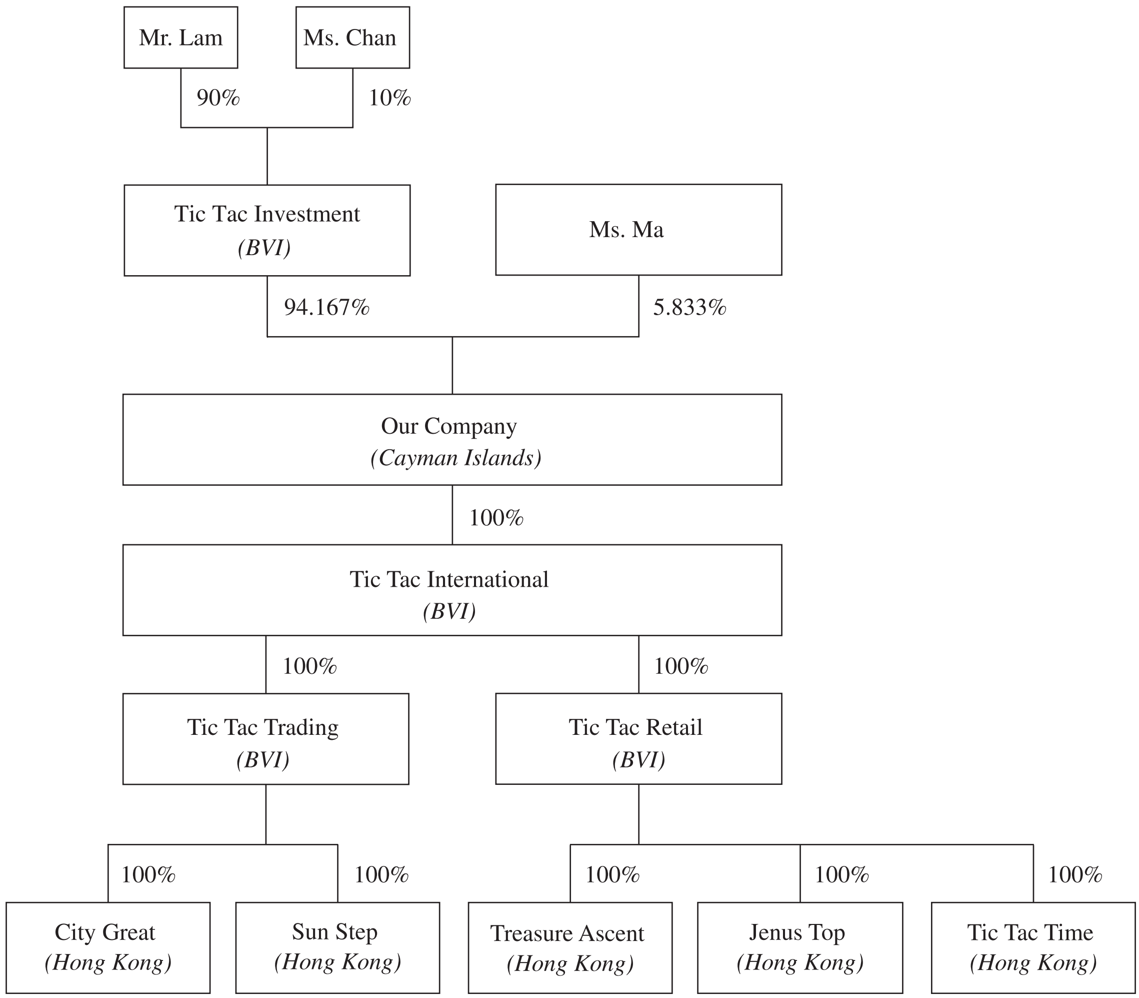
On 1 July 2014, Tic Tac International was incorporated in the BVI with limited liability, which is authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On the date of incorporation, one share of Tic Tac International was allotted and issued as fully paid to our Company at par.

(2) Transfer of our operating subsidiaries to our Group

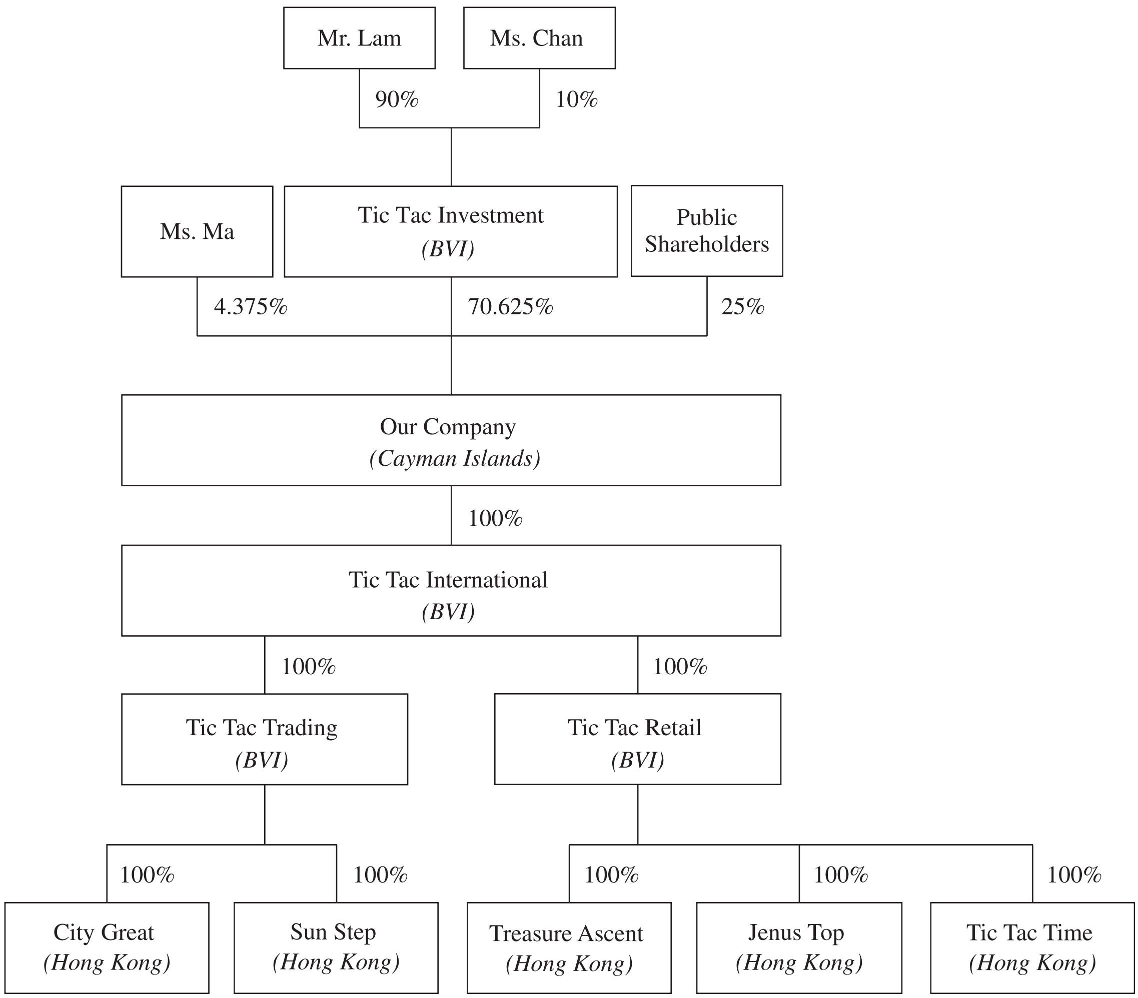
On 20 January 2015, the entire issued capital of each of Tic Tac Trading and Tic Tac Retail was transferred to Tic Tac International by Mr. Lam at par.

On 31 March 2015, Mr. Lam, Ms. Chan, Ms. Ma, Tic Tac Retail, Tic Tac Trading, Tic Tac International, Tic Tac Investment and our Company entered into a sale and purchase agreement (the "**SP Agreement**") in respect of the sale and purchase of the entire issued capital of each of City Great, Sun Step, Treasure Ascent, Jenus Top and Tic Tac Time. Pursuant to the SP Agreement, (i) Mr. Lam transferred the entire issued share capital in City Great and Sun Step to Tic Tac Trading; and (ii) Mr. Lam, Ms. Chan and Ms. Ma transferred all of their respective interests in Treasure Ascent, Jenus Top and Tic Tac Time to Tic Tac Retail, and in return, our Company allotted and issued 94,166 and 5,833 Shares to Tic Tac Investment and Ms. Ma respectively, whereby immediately after completion of the share transfers, Tic Tac Investment and Ms. Ma held approximately 94.167% and 5.833% of the issued share capital of the Company. Such proportion was determined on arm's length basis with reference to the average net profit of our Group for the three years ended 30 April 2014 on a pro-rata basis. In the consideration of 94,166 Shares and 5,833 Shares to be allotted and issued to Tic Tac Investment and Ms. Ma by our Company, Tic Tac International allotted and issued one share in its share capital credited as fully paid to the Company. Whereas in the consideration of the allotment and issue of one share in its share capital to the Company by Tic Tac International, each of Tic Tac Retail and Tic Tac Trading allotted and issued one share in their respective share capital credited as fully paid to Tic Tac International. On 9 April 2015, the Company allotted and issued 94,166 Shares and 5,833 Shares to Tic Tac Investment and Ms. Ma Lili, respectively. Such acquisitions were legally and properly completed and settled.

The following chart sets out our corporate and shareholding structure as at the Latest Practicable Date, which was after completion of the Reorganisation but before the Capitalisation Issue and the Share Offer:



The following chart sets out our corporate and shareholding structure immediately after completion of the Capitalisation Issue and the Share Offer:



OVERVIEW

Established in 1997, we are a watch retailer in Hong Kong focusing on Swiss-made, mid-end watch brands with long years of history.

We principally engage in the retail of mid-end watches in Hong Kong. We offer a wide range of branded mid-end watches with diverse design, styles and functionality for business and casual uses targeting mid-income consumers and tourists. During the Track Record Period, we derived a substantial majority of our revenue from watch retail sales in Hong Kong. As at the Latest Practicable Date, we carried over 80 watch brands, which we generally categorise into specialist watch brands (being watch brands developed by watchmakers) and fashionable watch brands (being watch brands developed by international high-end luxury fashion, sports and other brands as an extension or secondary line in addition to the main line of products). During the Track Record Period, the top five brands we carried were Casio, Junghans, Longines, Mido, Roamer of Switzerland, Tissot and Titoni. Our watch brand portfolio covers mainly Swiss, German and Japanese watch brands. The top five brands for the Track Record Period were all specialist watch brands with long years of history and, except for one German brand and one Japanese brand, all of them were Swiss-made mid-end watch brands. Swiss-made, mid-end watch brands are our sales focus as we consider them the most preferred watch brands for mid-income consumers of watches in Hong Kong. We commenced our wholesale business in 2010 and currently conduct the wholesaling of one brand, being a top five brand. We also generate revenue from the provision of after-sales services to our customers.

Supplier A, our largest supplier throughout the Track Record Period, is the Hong Kong distribution subsidiary of a globally recognised and reputable watch manufacturer and distributor based in Switzerland ("**Supplier A's Parent Company**"). According to the Ipsos Report, Supplier A's Parent Company was the second largest watch distributor in Hong Kong in 2014, with a market share of approximately 15.8% in terms of revenue. We had developed close relationships with our major suppliers over the years and over 15 years of business relationship with Supplier A.

We control, operate and manage our retail network comprising a total of 17 retail outlets as at the Latest Practicable Date in prime locations in major shopping areas in Hong Kong. For details of the locations of our retail outlets, see "— Our retail network — Our retail outlets". Our retail network covered 10 multi-brand outlets and seven single-brand boutique outlets as at the Latest Practicable Date. By offering different brands that complement each other in multi-brand outlets, we aim to promote same-store sales growth, deliver a portfolio of diverse mid-end watch brands and be able to introduce and market new or less popular brands without significant capital outlay, which will in turn increase our leverage in the market. Operating single-brand boutique outlets enables us to establish closer collaboration with our watch suppliers, enhance consumer trust and image for specific watch brands and capture brand-loyal customers. We currently operate single-brand boutique outlets for four brands. We have developed and structured our retail network in a way to achieve consistency with our overall brand management strategy.

For a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by business segment, see "Summary and Highlights — Key operational and financial data — Business segment breakdown".

The table below shows a breakdown of our revenue by delivery destination and as a percentage of our total revenue of the periods indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*
Hong Kong	303,517	99.6	350,321	99.6	445,862	99.8	192,122	99.7	240,771	99.7
Macau	1,302	0.4	1,315	0.4	1,051	0.2	568	0.3	749	0.3
Total	304,819	100.0	351,636	100.0	446,913	100.0	192,690	100.0	241,520	100.0

We operate under a scalable and easy-to-manage business model. We base our operations vastly on our retail business. We do not own proprietary brands and are not engaged in the production process of any watch component or finished watch products. We concentrate our efforts in growing our business by expanding our supplier base, generating sales, diversifying our brand portfolio and growing our retail network.

We have formulated a brand management strategy which aims to create a cohesive portfolio enabling different watch brands to complement each other in order to raise consumer awareness of the brands and our image and to promote business growth. We believe our success in our brand management strategy is attributable to factors including our long operating history, our established relationships with our suppliers and our ability to respond to changing market trends.

Our marketing strategies primarily focus on promoting customers' in-store shopping experience and creating a comfortable shopping environment with store format, design and accessibility, marketing campaigns and promotions and after-sales services. Our after-sales services include providing repair and maintenance services to our customers.

As at the Latest Practicable Date, all our multi-brand outlets have been accredited the No Fakes Pledge Scheme (正版正貨承諾計劃) certification by the Hong Kong Intellectual Property Department. We have not applied for such certification for our single-brand boutique outlets as we consider that the strength of the brands under which those outlets operate could be demonstrated through the appeal of single-brand boutique outlets.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

Large watch brand portfolio with globally recognised Swiss watch brands

We strategically focus on Swiss-made, mid-end watch brands. Our watch brand portfolio covers mainly Swiss, German and Japanese watch brands, including well-known brands with strong international reputation, such as Brand A and Brand B. Brand A is a Swiss watch brand with over 160 years of history and, according to the 2014 annual report of Supplier A's Parent Company, the brand received high awards in the famous Concours International de Chronométrie (an international watch competition on watch performance levels) in 2013 and recorded positive growth and has a worldwide retail network in the Swiss watchmaking industry. Brand B is also a Swiss watch brand which has over 180 years of history and, according to said annual report, the brand expanded international presence and is associated with certain world's equestrian sports events. Many of our fashionable watch brands are developed by international high-end luxury fashion, sports and other brands as an extension or secondary line in addition to their respective main line of products to capture wider consumer segments. We believe that our well-balanced portfolio of established brands enables us to satisfy consumers in our target market segment with different preferences and needs.

We place a strong emphasis on Swiss-made, mid-end watches when building our watch brand portfolio and developing marketing synergies. According to the Ipsos Report, approximately 80% to 90% of watches sold in Hong Kong were Swiss-made watches in 2013 in terms of sales value. The top five brands for the Track Record Period were all specialist watch brands with long years of history and, except for one German brand and one Japanese brand, all of them were Swiss watch brands. The Ipsos Report shows that both Hong Kong and PRC consumers have preference for Swiss-made watches given "Swiss-made" embodies the concept of high manufacturing technology, good quality and superiority. In view of the globally recognised Swiss-made, mid-end watch brands we carry, we believe that we can leverage on our well-established market position to further extend our sales in the mid-end watch market in Hong Kong.

Established business relationships with international watch suppliers

As at the Latest Practicable Date, our business relationships with our five largest suppliers ranged from over two to over 15 years and we had over 15 years of business relationship with Supplier A, our largest supplier. Supplier A is the Hong Kong distribution subsidiary of Supplier A's Parent Company. According to the Ipsos Report, Supplier A's Parent Company was the second largest watch distributor in Hong Kong in 2014, with a market share of approximately 15.8% in terms of revenue. We believe that the solid business relationships we have with our watch suppliers demonstrate that both our watch suppliers and our Group have identified each other as business partners suitable for mutual business needs and desirable for creating and fostering long-term relationships.

We have entered into a number of written agreements with three of our five largest suppliers for the supply of watches and the operation of certain of our single-brand boutique outlets (if applicable), including Supplier A, the supplier of Brand C and the supplier of Brand D. We have entered into a number of written agreements with Supplier A for the supply of watches (including three of the top five brands) for an indefinite period of time and for the operation of single-brand boutique outlets under its brands for a term of three years which is automatically renewable in accordance with its terms. We have also entered into a written wholesale distribution agreement with the supplier of Brand C, a top five brand, under which we are granted the exclusive wholesale distribution rights for Hong Kong and Macau for a term commencing from June 2011 and ending in December 2017 which is automatically renewable in accordance with its terms. We have also entered into a written agreement with the supplier of Brand D for the supply of Brand D watches and the operation of a single-brand boutique outlet under Brand D for a term of three years which is automatically renewable in accordance with its terms.

We implement a supplier selection process which we believe helps us identify key watch suppliers suitable for our business needs and desirable for creating and fostering long-term relationships. Throughout the process of establishing the single-brand boutique outlets, we maintain frequent communications with our watch suppliers to ensure mutual understanding of each other's business needs, which helps promote closer relationships with the supplier.

Effective retail network in prime locations

With our long years of presence and operations in the watch retail business in Hong Kong, we have successfully established a retail network comprising 17 retail outlets as at the Latest Practicable Date covering prime locations in Hong Kong, all of which being located in major shopping malls or shopping centres such as Times Square in Causeway Bay, Harbour City and iSquare in Tsim Sha Tsui and Langham Place in Mongkok which are widely perceived as shopping landmarks in Hong Kong. As at the Latest Practicable Date, we had operated our retail outlets in Times Square, Festival Walk and Langham Place, for over 10, 10 and eight years respectively. Our continuing presence in prime locations in major shopping malls in Hong Kong demonstrates our strong local knowledge and connections, which we consider key to our success. We believe shopping malls attract huge shopper traffic and are highly accessible and visible. We consider the benefits afforded by shopping mall management including quality control of common areas and customer support to shoppers desirable to our business. In addition, these shopping areas and shopping malls are frequented by tourists, especially tourists from the PRC. As we believe that tourists are a major source of customers for us, our retail network helps us capture business opportunities and enhance our brand image in such customer segment.

Strategic market positioning with established reputation

We were established in 1997 and have over 17 years of experience in watch retail business in Hong Kong.

We are strategically positioned in the mid-end watch market in Hong Kong targeting mid-income consumers and tourists. We have identified consumer needs in the watch market in Hong Kong for medium-priced Swiss-made watches of international brands, other foreign watch brands and fashionable watches selling under a single retail chain. We offer a wide range of branded mid-end watches with diverse designs (from classic to contemporary), styles (from sporty to elegant) and functionalities (from time-displaying to chronograph) for business and casual uses and watches featuring quartz, automatic and mechanical movements. We appeal to mid-income consumers and tourists who will consider the technical performance (accuracy, reliability, water-resistance and shock-resistance) and aesthetic qualities (elegance and originality of design of watches) of watches as well as watch brand and price.

Given our long operating history in the mid-end watch market in Hong Kong, we have built up a strong reputation, established long-term business relationships with international watch brand suppliers and developed a loyal customer base. Our Directors believe that we are well-positioned to achieve timely ramp-up of sales and capture the increasing business opportunities available in the expanding mid-end watch market. Our Directors are of the view that the outlook of the watch retail industry in Hong Kong will remain positive in the foreseeable future. For further information of the industry, see "Industry Overview".

Experienced management team with in-depth knowledge of the watch market

Our management team has extensive experience in sales and marketing of mid-end watches and in-depth knowledge of the watch industry. Mr. Lam and Mr. Tsang Hok Man, each an executive Director, have over 22 and about 15 years of experience in the watch industry, respectively. Their in-depth understanding of market trends and consumer preferences enable us to develop suitable business strategies, assess and manage risks and capture profitable market opportunities. We have also established a sales team of 85 staff as at the Latest Practicable Date to manage our sales.

We believe our executive Directors and senior management possess the experience, commitment and leadership skills to manage and sustain our business and ensure that our business continues to develop and grow.

OUR BUSINESS STRATEGIES

We aim to maintain our growth in the mid-end watch market and enhance our overall competitiveness and market share. We intend to achieve our objectives by adopting the following key business strategies:

Expand our retail and sales network

Establishing an extensive retail network in Hong Kong provides us with a solid foundation for future growth. As at the Latest Practicable Date, we operated a total of 17 retail outlets, all of which were located in shopping malls or shopping centres in Hong Kong. We intend to continue to identify suitable opportunities to open more retail outlets in major shopping malls or other prime locations in Hong Kong so as to increase our market share in Hong Kong, taking into account various factors, such as shopper traffic, potential business volume and rent.

Close cooperation and relationship with international watch brand suppliers can generate a branding synergy for our business growth. As at the Latest Practicable Date, we operated seven single-brand boutique outlets for sales of specific watch brands. We intend to establish more single-brand boutique outlets for specific watch brands so as to (i) establish a closer business relationship with our watch suppliers; (ii) capture customers who are loyal to specific watch brands; and (iii) leverage on the long history and reputation of any well-established watch brands to increase consumers' confidence. We would evaluate the marketability of the brands and terms offered by the watch suppliers to assess the profitability. We plan to open three and three retail outlets in each of the two years ending 30 April 2017, respectively. It is currently estimated that for the opening of each retail outlet, approximately HK$1.0 million to HK$1.6 million will be used for renovation and approximately HK$2.7 million to HK$6.3 million will be used for the initial inventory purchases. The actual capital expenditure for opening each retail outlet is subject to various factors including inflation rate, market changes, supplier's or franchisor's requirements for each retail outlet, whether it is used as a single-brand boutique or multi-brand outlet and size of the outlet.

Opening of a new outlet in Shatin

We have entered into a lease agreement for a term of three years commencing from 1 March 2015 in relation to the opening of a single-brand boutique outlet under Brand C in New Town Plaza in Shatin. The size of such retail outlet is approximately 481 sq.ft.. It is expected that such retail outlet would commence operation in or about April 2015. We have entered into a wholesale distribution agreement with the watch supplier of Brand C and are not required by the watch supplier of Brand C to enter into separate franchise agreements or other agreements for the operation of such outlet. The rental is a monthly fixed rent plus a turnover rent which is calculated by a pre-agreed formula if a specified percentage of the turnover of the retail outlet exceeds the monthly fixed rent. The total expenditure for setting up such retail outlet is estimated to be approximately HK$2.5 million, of which approximately HK$0.5 million will be used for renovation, approximately HK$2.0 million will be used for the initial inventory purchases. The expected average payback period is two months *(Note)*. The expenditure for setting up such retail outlet will be financed out of internal resources.

Note:

The expected average payback period is the period it takes us to completely recoup our costs of investment (i.e. renovation cost). It is calculated by dividing the estimated total capital expenditure amount incurred in relation to the retail outlet by the average annual return, which in turn is calculated by dividing the expected operating cash flow by the number of days in the period between the commencement date of the retail outlet up to 30 April 2016.

The assumptions relied upon for the aforesaid calculation include but is not limited to:

(a) the capital expenditure amount incurred in relation to the retail outlet is calculated with reference to the total amount incurred for plant, property and equipment for the retail outlet at renovation stage of the retail outlet before commencement date; and

(b) operating cash flow refers to the net cash flow derived from principal revenue producing activities during the period from the commencement date of the retail outlet to 30 April 2016.

Opening of two new outlets in Causeway Bay

We plan to relocate Outlet 2 and Outlet 3 (both of which were multi-brand outlets which we operated during the Track Record Period and closed prior to the Latest Practicable Date. The leases of both of which expired on 13 March 2015) to two adjoining premises within the same shopping mall upon expiry of the relevant leases in March 2015 so as to continue operating our retail business in prime locations. The size of the two premises is approximately 1,608 sq.ft. in aggregate and is similar to that of the two existing retail outlets in aggregate. We have entered into a lease agreement covering such two premises, one for a term commencing from 30 March 2015 and the other from 12 June 2015, and both for a term expiring on 29 March 2018, and the outlets will commence operation in or about April 2015 and July 2015, respectively. The expenditure for setting up the new outlet to be opened in April 2015 will be financed out of internal resources. The total expenditure for setting up the new outlet to be opened in July 2015 is expected to be financed out of the net proceeds from the Share Offer up to approximately HK$3.7 million and internal resources generated from our operating activities from time to time, or through external financing if our Directors consider necessary or appropriate.

Opening of other outlets

We plan to open three and three retail outlets in each of the two years ending 30 April 2017, respectively. These retail outlets are targeted to be in prime locations in major shopping malls in Hong Kong which could attract high shopper traffic according to our retail network expansion strategy and site selection criteria. For details of our selection strategy for retail outlets location, see "— Our retail network — Selection strategy for our retail outlets location". Our Directors did not identify any location as at the Latest Practicable Date. The actual number, location and timing of new retail outlets openings in any period will be affected by a number of factors such as availability of rental property that suits our needs and subject to a number of uncertainties such as the levels of rental costs. We may make necessary adjustments to the number, location and timing of planned openings of retail outlets, in order to optimise our liquidity status, depending on the then existing market conditions, expected payback and breakeven periods, and necessary costs of preparation for the relevant retail outlets. For the associated risks, see "Risk Factors — Risks relating to our business — We could encounter difficulties in expanding our retail network and failure to effectively execute our expansion strategy could result in limited growth and reduced profitability.".

Our Directors believe that by expanding our retail network, we would benefit from the continuing development of the mid-end watch market in Hong Kong.

We also intend to review our sales strategy from time to time and obtain exclusive wholesale rights of watch brands to align with our market positioning. Our Directors believe that the acquisition of such exclusive wholesale rights can strengthen the competitiveness of our retail outlets given the exclusivity that we enjoy.

Improve our same-store sales growth and profit margin

In addition to opening new retail outlets to expand our retail network, we also aim to improve same-store sales growth of our existing retail outlets. We achieved a same-store sales growth rate of approximately 10.7%, 24.5% and 6.5% for the two years ended 30 April 2014 and the six months ended 31 October 2014, respectively (the same-store sales growth for the year ended 30 April 2012 was not available due to the revenue and outlet information for calculation are prior to the Track Record Period). For details of our same-store growth, see "Financial Information — Summary results of operation — Revenue — Same-store sales growth". To achieve this goal, we plan to improve business performance, profit and staff moral by continuing to provide training to our sales staff and by amending our employee bonus policies to provide greater incentive payments to our sales staff. We also intend to optimise our retail outlets through interior renovation, such as furniture, decoration and fixtures.

We aim to improve our profit margin mainly by (i) opening more single-brand boutique outlets; (ii) having better management of our inventories; and (iii) broadening our brand portfolio. We aim to improve our gross profit margins which were approximately 39.9%, 38.3%, 36.4% and 35.7% for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively.

During the Track Record Period, we generally recorded a higher profit margin for single-brand boutique outlets compared with multi-brand outlets given the greater discount for purchase of watches that we received from the watch suppliers for retailing at single-brand boutique outlets, and our Directors consider that the opening of more single-brand boutique outlets would assist our Group to attain a higher profit margin as a whole. Our Directors also consider that better management of inventories, such as the promotion of slow-moving inventories would also be beneficial to our financial performance as the provision for slow-moving inventories would be reduced, and hence reducing our cost of sales. In addition, we also strive to broaden our brand portfolio by selecting both popular watch brands and those less popular ones to complement each other to maximise our profits. For details, see "— Brand management strategy".

Improve our supplier network and enhance the knowledge of our sales staff

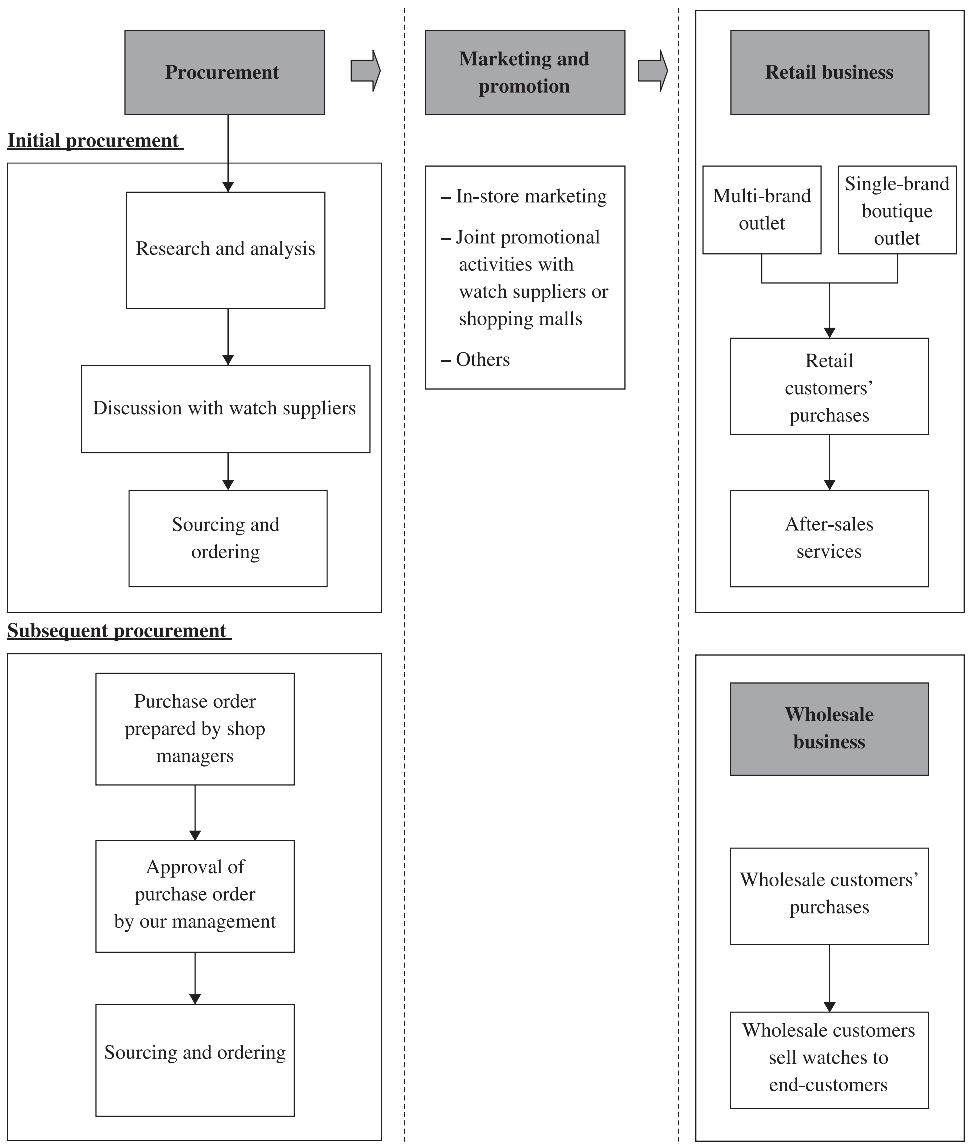
We recognise the importance of improving our supplier network to enhance our competitiveness in the market. We intend to participate in more large overseas watch exhibitions to establish connections with potential new suppliers, source new brands to optimise our brand portfolio and to keep abreast of market trends where appropriate. We also plan to enhance the knowledge and exposure of our staff by requiring them to participate in such exhibitions and we will cover all or part of the costs of their business trips and other related costs for participating in these watch exhibitions.

Increase our marketing effort

We consider the recognition of watch brands by consumers crucial to our business. For the three years ended 30 April 2014 and the six months ended 31 October 2014, our advertising and promotion expenses were approximately HK$3.0 million, HK$3.9 million, HK$5.0 million and HK$2.6 million, respectively. We intend to enhance our marketing strategy to further promote brand awareness and sales of our watches in Hong Kong. We plan to increase awareness of watch brands that we are selling through various means, including in-store marketing activities, advertising on newspapers and magazines and participating in promotional activities organised by watch brands.

OUR BUSINESS MODEL

The following diagram illustrates our business model:



OUR BUSINESS

Watch brand portfolio

We categorise the watch brands we carry into specialist watch brands and fashionable watch brands. Our watch brand portfolio covers mainly Swiss, German and Japanese watch brands. The top five brands for our Track Record Period were all specialist watch brands with long years of history and, except for one German brand and one Japanese brand, all of them were Swiss watch brands. Swiss-made, mid-end watch brands are our sales focus as we consider them the most preferred watch brands for mid-income consumers of watches in Hong Kong.

Swiss, German, Japanese and other watch brands

The table below sets forth the number of our Swiss, German, Japanese and other watch brands and a breakdown of our revenue as derived from their sales and as a percentage of our revenue for the periods indicated.

	Year ended 30 April									Six months ended 31 October		
	2012			2013			2014			2014		
	Number of brands	*HK$'000*	*% of revenue*	*Number of brands*	*HK$'000*	*% of revenue*	*Number of brands*	*HK$'000*	*% of revenue*	*Number of brands*	*HK$'000*	*% of revenue*
Swiss watch brand	20	269,667	88.5	27	312,868	89.0	30	410,727	91.9	23	225,808	93.5
Japanese watch brand	10	11,310	3.7	8	13,487	3.8	7	13,230	3.0	6	5,349	2.2
German watch brand	3	6,774	2.2	2	9,193	2.6	2	9,366	2.1	2	4,610	1.9
Other watch brand	40	16,672	5.5	46	15,848	4.5	41	13,129	2.9	33	5,500	2.3
Others *(Note 1)*	N/A	396	0.1	N/A	240	0.1	N/A	461	0.1	N/A	253	0.1
Total *(Note 2)*	73	304,819	100.0	83	351,636	100.0	80	446,913	100.0	64	241,520	100.0

Notes:

1. Others include mainly the external service income and other sales such as clocks and straps.

2. The number of brands in this table represents the number of brands that we sold during the Track Record Period, which is smaller than the number of brands that we carried during the same periods.

The table below sets forth a breakdown of the average selling prices our Swiss, German, Japanese and other watch brands for the periods indicated.

	Year ended 30 April			Six months ended 31 October
	2012	2013	2014	2014
	HK$	*HK$*	*HK$*	*HK$*
Swiss watch brand	8,417	8,685	9,302	9,076
Japanese watch brand	1,388	1,378	1,438	1,310
German watch brand	5,659	5,640	6,867	6,447
Other watch brand	1,691	2,149	2,187	2,486

Top five brands

During the Track Record Period, the top five brands we carried were Casio, Junghans, Longines, Mido, Roamer of Switzerland, Tissot and Titoni. The table below sets forth a breakdown of our revenue as derived from sales of the top five brands and as a percentage of our revenue for the periods indicated.

	Year ended 30 April						Six months ended 31 October	
	2012		2013		2014		2014	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*
Brand B	197,638	64.8	217,692	61.9	283,970	63.5	147,345	61.0
Brand A	56,226	18.5	66,980	19.1	82,587	18.5	53,081	22.0
Brand C	6,716	2.2	9,059	2.6	9,317	2.1	4,607	1.9
Brand E	5,382	1.8	8,584	2.4	11,393	2.5	7,536	3.1
Brand I	4,935	1.6	6,285	1.8	6,300	1.4	2,793	1.2
Brand J	—	—	3,849	1.1	6,446	1.4	2,754	1.1
Brand K	1,470	0.5	2,444	0.7	4,354	1.0	4,480	1.9
	272,367	89.4	314,893	89.6	404,367	90.4	222,596	92.2

The table below sets forth a breakdown of the sales volume and the average selling prices of the top five brands for the periods indicated.

	Year ended 30 April						Six months ended 31 October	
	2012		2013		2014		2014	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	pieces	*HK$*	*pieces*	*HK$*	*pieces*	*HK$*	*pieces*	*HK$*
Brand B	13,945	14,173	13,952	15,603	17,191	16,519	8,660	17,014
Brand A	14,303	3,931	15,835	4,230	18,033	4,580	11,443	4,639
Brand C	1,057	6,354	1,363	6,647	1,273	7,319	711	6,480
Brand E	1,344	4,005	2,032	4,225	2,739	4,160	1,763	4,275
Brand I	4,825	1,023	6,083	1,033	5,595	1,126	2,695	1,036
Brand J	—	—	446	8,630	707	9,117	292	9,431
Brand K	237	6,203	364	6,714	654	6,658	653	6,861

The table below sets out information of the top five brands as at the Latest Practicable Date.

	Description	Retail price range *(Note 2)*	Number of multi-brand outlets carrying it as at the Latest Practicable Date	Number of single-brand boutique outlets carrying it as at the Latest Practicable Date
		HK$		
Brand A	Swiss watch brand with over 160 years of history, one of the world's leading watch brands, according to the Ipsos Report	1,450–55,250	6	2
Brand B	Swiss watch brand with over 180 years of history, one of the world's leading watch brands, according to the Ipsos Report	5,900–87,000	2	3
Brand C *(Note 1)*	German watch brand with over 150 years of history	3,780–61,880	8	Nil
Brand E	Swiss watch brand with over 120 years of history	1,790–19,990	8	1
Brand I	Japanese watch brand with over 40 years of history	210–8,960	9	Nil
Brand J	Swiss watch brand with over 90 years of history	5,300–35,800	4	Nil
Brand K	Swiss watch brand with over 90 years of history	5,300–20,700	3	Nil

Notes:

1. We currently conduct both retailing and wholesaling of Brand C watches.

2. Our merchandise includes watches outside the medium-priced range. For details, see " — Brand management strategy".

The product life cycle of watches depends on the level of competition, the launching of new products and the pace of technological development. According to the Ipsos Report, watches generally have an estimated product cycle of three to four years, and may be considerably longer for high-end watches.

Retail business

We are strategically positioned in the mid-end watch market in Hong Kong targeting mid-income consumers and tourists. We have identified consumer needs in the watch market in Hong Kong for medium-priced Swiss-made watches of international brands, other foreign watch brands and fashionable watches selling under a single retail chain. We offer a wide range of branded mid-end watches with diverse designs (from classic to contemporary), styles (from sporty to elegant) and functionalities (from time-displaying to chronograph) for business and casual uses and watches featuring quartz, automatic and mechanical movements. As at the Latest Practicable Date, we carried over 80 watch brands as retailer. For details of the sourcing arrangements with our watch suppliers, see "— Suppliers — Sourcing arrangements".

The table below shows a breakdown of our revenue from watch retail sales by type of watch brand and as a percentage of our total revenue of the periods indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*
Specialist watch brand	295,980	97.1	344,416	97.9	440,436	98.6	189,474	98.3	238,114	98.6
Fashionable watch brand	6,689	2.2	5,068	1.4	3,386	0.8	2,061	1.1	1,739	0.7
Others *(Note 1)*	396	0.1	240	0.1	461	0.1	227	0.1	253	0.1
Total *(Note 2)*	303,065	99.4	349,724	99.5	444,283	99.4	191,762	99.5	240,106	99.4

Notes:

1. Others include mainly the external service income and other sales such as clocks and straps.

2. The remaining portion of total revenue represents the revenue generated by the wholesale business.

For a breakdown of our gross profit margin, sales volume and average selling price for our watch retail during the Track Record Period, see "Summary and Highlights — Key operational and financial data — Gross profit margin, sales volume and average selling price".

Wholesale business

We currently carry a small wholesale business. For the three years ended 30 April 2014 and the six months ended 31 October 2014, revenue from our wholesale business accounted for approximately 0.6%, 0.5%, 0.6% and 0.6% of our total revenue, respectively. Under our wholesale business, we as buyer purchase the watches from the watch suppliers and in turn sell them in our retail outlets and/or to our wholesale customers. Our Directors confirm that we generally do not enter into any distribution or sales agency agreements or any written sales contracts with them. We believe that the primary advantage of our wholesale model is that it affords us flexibility in selecting which sales orders to accept, and enables us to conclude sales on terms that are acceptable to us. Our Directors are of the view that the wholesale model is an industry norm. We had wholesale rights for four watch brands under written agreements entered into with our suppliers (for details, see "— Suppliers — Sourcing arrangements — Wholesale business") during the Track Record Period and due to our sales strategy, we currently conduct wholesaling of one brand, namely Brand C.

Watch brands	Our sales strategy
Brand C	We sold Brand C watches in our multi-brand outlets and to wholesale customers during the Track Record Period and up to the Latest Practicable Date. We currently plan to open a single-brand boutique outlet for retailing of Brand C watches. For details, see " — Our business strategies — Expand our retail and sales network".
Brand F	We sold Brand F watches in our multi-brand outlets during the Track Record Period and up to the Latest Practicable Date and to wholesale customers up to April 2013 due to changes in market demand. It is our plan that we will not renew the agreement upon its expiry and will place orders for Brand F watches based on our business needs.
Brand H	We sold Brand H watches in our multi-brand outlets during the Track Record Period and up to the Latest Practicable Date and to wholesale customers up to July 2013 due to changes in market demand. It is our plan that we will not renew the agreement upon its expiry and will cease retailing for Brand H after we sell off the leftover stock.
Brand G *(Note)*	We sold Brand G watches in our multi-brand outlets during the Track Record Period and up to the Latest Practicable Date and to wholesale customers up to May 2013 due to changes in market demand. It is our plan to continue to place orders for Brand G watches.

Note: As at the Latest Practicable Date, the agreement for Brand G was expired.

After-sales services

We derived a small revenue from the provision of after-sales services during the Track Record Period. For the three years ended 30 April 2014 and the six months ended 31 October 2014, revenue from our after-sales services accounted for approximately 0.1%, 0.1%, 0.1% and 0.1% of our total revenue, respectively. The types of after-sales services we offer to our customers depends on whether the watches are covered by warranties and whether the watch brand concerned has an authorised service centre in Hong Kong. Watch brand suppliers in general offer international warranties of two years for watches sold by us. The authorised service centres generally provide free repair and maintenance services for malfunctioning and manufacturing defects within the warranty period and would require to charge in other case.

When a customer approaches us for repair services, we would first explain to them the procedures involved and the estimated time required. If the warranty period is still effective and the problem is covered by the warranty, we can offer free delivery services by sending the defective watches to the authorised service centre for repair. In cases where the warranty period has expired or the problem is not covered by the warranty, we can also assist our customers to obtain a quotation for service charges from the authorised service centre. We would seek customers' consent with the quotation before proceeding with the delivery of watches to the relevant service centre. When the watch is repaired, the authorised service centre would contact us and we would inform our customers to collect the watch from our retail outlets. The same procedures also apply to component replacement or other maintenance services.

For brands in respect of which no warranty is offered or no authorised service centre is established in Hong Kong, we would provide maintenance and repair services in our own repair centres for a charge. We currently have two repair centres for such purpose. We engage an independent repairman to carry out the repair or maintenance work at our repair centres on an as-needed basis without entering into any service agreement. The service fee we charge our customers depends on various factors, which are mainly the cost of spare parts, the service fee charged by the repairman and the complexity of the services provided.

We believe that our ability to deliver after-sales services to our customers in a convenient manner contributes to our success in retaining existing customers.

BRAND MANAGEMENT STRATEGY

We believe that our brand management strategy is crucial to our business as we aim to drive long-term value across our brand portfolio by focusing on key brands whilst ensuring diversity. For the three years ended 30 April 2014 and the six months ended 31 October 2014, the number of brands we carried was 79, 91, 88 and 87, respectively. We aim to have a balanced brand mix by selecting both popular watch brands and those less popular ones to complement each other to maximise our profits. We ensure that our multi-brand outlets offer popular watch brands so as to attract consumers, arouse their purchasing desire and cater their needs. Generally, among the watch brands we carry, the more popular watch brands are usually well-established brands associated with lower profit margin. To maintain profitability levels, we also sell less popular watch brands with higher profit margins in our multi-brand outlets. Furthermore, some brands that we carry are outside the medium-priced range as it is our sales strategy to enhance brand image with a broader collection. We would also establish a single-brand boutique outlet for a watch brand based on its strength, image and growth strategy, among others.

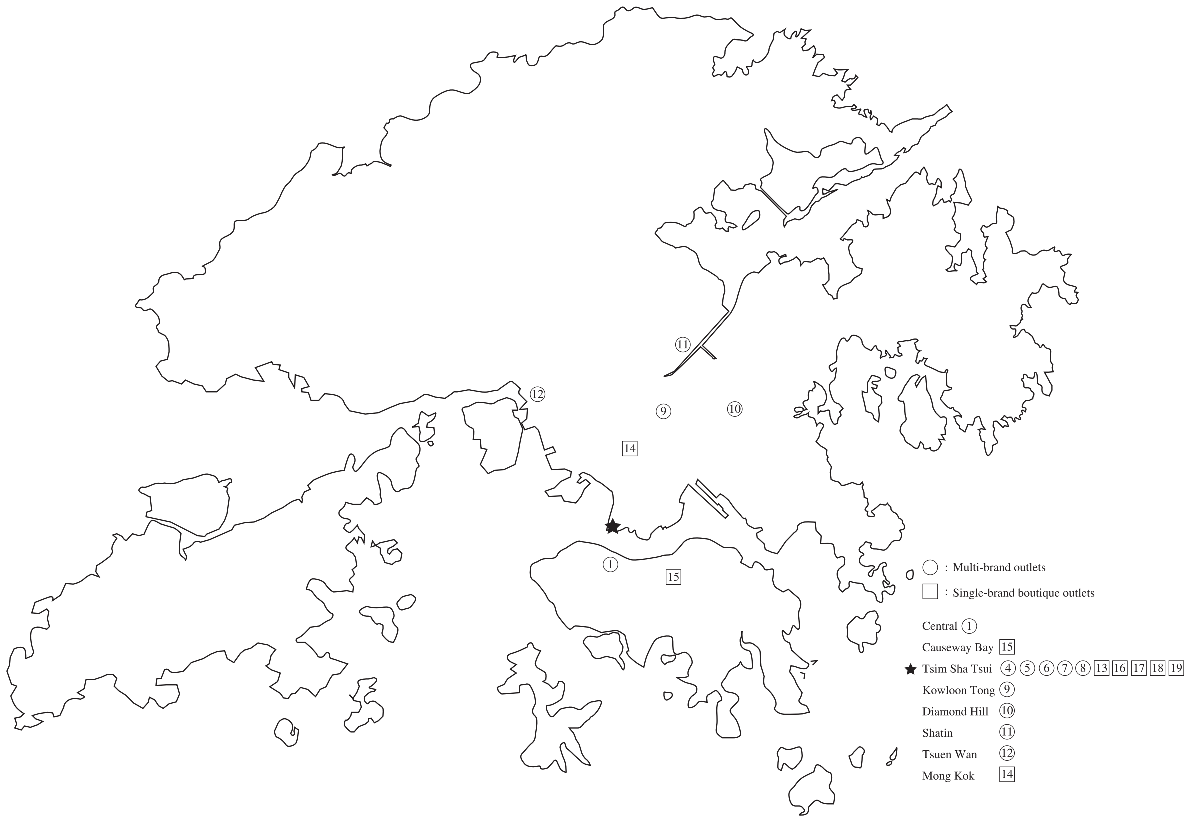
Where appropriate, we would negotiate with the watch brand owners to become their authorised distributor having assessed different factors, such as the brand reputation, our financial resources and the effort we require to invest for building brand awareness, among others. Obtaining exclusive wholesale distribution rights for a strong brand will allow us to build the business and create a market for the brand free of competition within the defined territory whilst at the same time could restrict our business in some ways as an exclusive distribution agreement will often impose performance measures and targets.

OUR RETAIL NETWORK

We have established an extensive retail network with a total of 17 retail outlets covering 10 multi-brand outlets and seven single-brand boutique outlets as at the Latest Practicable Date in prime locations in major shopping areas in Hong Kong.

We conduct watch retailing at all of our retail outlets and we do not operate showroom for watch display purpose. We have control in the management and operation of all our retail outlets. We are not under any contractual obligation to open any retail outlet for our watch suppliers.

The map below shows the approximate locations of our retail outlets as at the Latest Practicable Date:



Our retail outlets

The table below sets forth the details of our retail outlets as at the Latest Practicable Date:

Name of outlet	Location	Approximate gross floor area	Date of commencement of operation *(Note 1)*	Approximate number of years at this address *(Note 6)*	Number of brands	Current term of the lease	Approximate rental expenses during the Track Record Period *(Note 2)*			
							Year ended 30 April			Six months ended 31 October
							2012	2013	2014	2014
		sq.ft.					*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Multi-brand outlet										
1. Premium ("**Outlet 1**")	Shun Tak Centre, Central	390	16 January 2013	2.3	14	From 26 November 2012 to 25 November 2015	—	500	1,133	59
2. Tic Tac Time Service Centre ("**Outlet 4**") *(Note 8)*	Star House, Tsim Sha Tsui *(Note 7)*	482	2 February 2008	7.2	20	From 3 December 2013 to 2 December 2015	277	301	322	— *(Note 9)*
3. Speed Time ("**Outlet 5**")	Harbour City, Tsim Sha Tsui	416	25 July 2010	4.7	15	From 1 May 2013 to 30 April 2015 *(Note 11)*	2,163	2,410	3,007	1,236
4. Premium by Tic Tac Time ("**Outlet 6**")	China Hong Kong City, Tsim Sha Tsui	1,198	29 August 2012	2.6	40	From 3 July 2012 to 2 July 2015	—	1,394	1,684	841
5. Tic Tac Time ("**Outlet 7**")	iSquare, Tsim Sha Tsui	446	9 February 2010	5.2	26	From 16 December 2012 to 15 October 2015	1,076	1,389	1,675	806
6. Zand ("**Outlet 8**")	iSquare, Tsim Sha Tsui	1,091	9 January 2013	2.3	3	From 18 November 2012 to 17 November 2015	—	1,806	3,932	1,966

Name of outlet	Location	Approximate gross floor area	Date of commencement of operation *(Note 1)*	Approximate number of years at this address *(Note 6)*	Number of brands	Current term of the lease	Approximate rental expenses during the Track Record Period *(Note 2)*			
							Year ended 30 April			Six months ended 31 October
							2012	2013	2014	2014
		sq.ft.					*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
7. Tic Tac Time ("**Outlet 9**")	Festival Walk, Kowloon Tong	350	22 May 2004	10.9	19	From 6 January 2014 to 5 January 2017	1,132	1,167	1,238	660
8. Tic Tac Time ("**Outlet 10**")	Plaza Hollywood, Diamond Hill	1,143	11 January 2013	2.3	26	From 6 December 2012 to 5 December 2015	—	540	1,674	716
9. Quarter by Tic Tac Time ("**Outlet 11**")	New Town Plaza, Shatin	1,282	26 December 2004	10.3	17	From 1 October 2013 to 30 September 2016	1,494	1,800	3,276	2,412
10. Tic Tac Time ("**Outlet 12**")	Citywalk, Tsuen Wan	629	14 May 2014	0.9	12	From 7 April 2014 to 6 April 2017	—	—	64	581
Single-brand boutique outlet										
11. Brand A ("**Outlet 13**")	iSquare, Tsim Sha Tsui	328	1 August 2010	4.7	1	From 28 June 2013 to 27 June 2016	907	957	1,211	752
12. Brand A ("**Outlet 14**") *(Note 5)*	Langham Place, Mongkok	310	1 October 2006	8.5	1	From 13 July 2012 to 12 July 2015	1,395	2,106	3,353	1,677
13. Brand B ("**Outlet 15**") *(Note 5)*	Times Square, Causeway Bay	1,007	20 August 2013	1.7	1	From 24 May 2013 to 23 May 2016	—	—	7,673	4,273
14. Brand B ("**Outlet 16**")	China Hong Kong City, Tsim Sha Tsui	1,367	11 December 2013	1.3	1	From 8 November 2013 to 7 November 2016	—	—	934	988
15. Brand B ("**Outlet 17**") *(Note 5)*	Harbour City, Tsim Sha Tsui	863	18 March 2008	7.1	1	From 3 December 2012 to 2 December 2015	11,791	14,391	18,841	9,188
16. Brand D ("**Outlet 18**")	iSquare, Tsim Sha Tsui	450	12 February 2013	2.2	1	From 28 December 2012 to 27 December 2015	—	327	963	— *(Note 9)*

Name of outlet	Location	Approximate gross floor area	Date of commencement of operation *(Note 1)*	Approximate number of years at this address *(Note 6)*	Number of brands	Current term of the lease	Approximate rental expenses during the Track Record Period *(Note 2)*			
							Year ended 30 April			Six months ended 31 October
							2012	**2013**	**2014**	**2014**
		sq.ft.					*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
17. Brand E ("**Outlet 19**") *(Note 4)*	China Hong Kong City, Tsim Sha Tsui	232	30 August 2012	2.6	1	From 1 August 2012 to 31 July 2015	—	290	386	— *(Note 9)*

The table below sets forth the details of our retail outlets we operated during the Track Record Period and closed prior to the Latest Practicable Date:

Name of outlet	Location	Approximate gross floor area	Date of commencement of operation *(Note 1)*	Approximate number of years at this address *(Note 6)*	Number of brands	Term of the last lease	Approximate rental expenses during the Track Record Period *(Note 2)*			
							Year ended 30 April			Six months ended 31 October
							2012	2013	2014	2014
		sq.ft.					*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Multi-brand outlet										
1. Tic Tac Time ("**Outlet 2**") *(Note 10)*	Times Square, Causeway Bay	401	6 July 2011	3.7	24	From 1 December 2014 to 13 March 2015	1,293	2,389	2,635	1,232
2. Brand A and Brand C ("**Outlet 3**") *(Notes 3 and 10)*	Times Square, Causeway Bay	1,254	11 December 2013	1.3	2	From 1 December 2014 to 13 March 2015	—	—	1,065	1,279
Single-brand boutique outlet										
Nil										

Notes:

1. The date of commencement of operation is the date on which the first sales transaction with customers took place at this outlet.

2. The rental expenses listed in this table do not add up to the operating lease payments disclosed in our Company's combined statements of comprehensive income contained in the Accountant's Report because the operating lease payments included rental expenses of retail outlets which had been closed.

3. This retail outlet only sold watches of Brand A and Brand C.

4. This retail outlet was operated as a multi-brand outlet since its commencement of operation up to December 2013 when it was converted into a single-brand boutique outlet.

5. Outlet 14, Outlet 15 and Outlet 17 are Relevant Retail Outlets.

6. This represents the number of years we operate at this current location without taking into account any previous relocation of the outlet within the same shopping mall.

7. Our Directors confirm that the shop number in the address of this retail outlet had changed due to landlord's decision but both old and current addresses refer to the same location.

8. We received a notice of termination from the landlord in January 2015 to terminate the lease due to improvement works of the shopping mall and we will vacate the premises by 30 April 2015. We plan to close the outlet and our Directors confirm that no leasehold expenses will be written off as those expenses are fully depreciated.

9. The rental expenses for this outlet were nil due to the netting off of the provision for onerous contracts made in the previous financial year. For details, see note 4(g) of the Accountant's Report set out in Appendix I to this prospectus.

10. The leases in respect of Outlet 2 and Outlet 3 were not renewed upon expiry. These retail outlets will be relocated to two adjoining premises within the same shopping mall. For details, see "— Our business strategies — Expand our retail and sales network".

11. A new lease with a term of three years commencing from 1 May 2015 for this retail outlet has been signed.

Network expansion

Our network expansion to date has been achieved through organic growth and we adjusted our network during the Track Record Period in an effort to optimise our brand portfolio. The table below sets forth details of changes to the number of our retail outlets during the Track Record Period (taking into account that three outlets were relocated within the same shopping mall and one outlet was converted from a multi-brand outlet into a single-brand boutique outlet).

	As at 1 May	Year ended 30 April									Six months ended 31 October		
	2011	2012			2013			2014			2014		
		Newly added	Closed *(Note 8)*	Year end	Newly added	Closed *(Note 8)*	Year end	Newly opened	Closed *(Note 8)*	Year end	Newly added	Closed *(Note 8)*	As at 31 October 2014
Number of retail outlets													
Multi-brand outlet	7	2	1	8	5	1	12	1	1	12	1	1	12
			(Note 1)			*(Note 3)*			*(Note 5)*			*(Note 7)*	
Single–brand boutique outlet	8	1	3	6	2	1	7	3	3	7	0	0	7
			(Note 2)			*(Note 4)*			*(Note 6)*				
Total	15	3	4	14	7	2	19	4	4	19	1	1	19

Notes:

1. This outlet was located in Causeway Bay. Our Directors confirm that it was closed due to relocation of the outlet within the same shopping mall.

2. Two of these outlets were located in Causeway Bay and one was located in Tsim Sha Tsui. Our Directors confirm that one of the outlets located in Causeway Bay was closed due to change of tenant mix by the landlord and the lease was not being renewed upon expiry, and the other two outlets were closed due to unsatisfactory sales.

3. This outlet was located in Diamond Hill. Our Directors confirm that it was closed due to relocation of the outlet within the same shopping mall.

4. This outlet was located in Shatin. Our Directors confirm that it was closed due to renovation of the shopping mall.

5. This outlet was located in Tsim Sha Tsui and was converted into a single-brand boutique outlet in December 2013.

6. Two of these outlets were located in Causeway Bay and one was located in Tsim Sha Tsui. Our Directors confirm that (i) the outlet located in Tsim Sha Tsui was closed due to renovation of the shopping mall; (ii) one of the outlets located in Causeway Bay was closed due to substantial increase in rent; and (iii) the other outlet located in Causeway Bay was closed due to relocation of the outlet within the same shopping mall.

7. This outlet was located in Kowloon Bay. Our Directors confirm that it was closed due to unsatisfactory sales.

8. All the retail outlets which were closed during the Track Record Period were closed upon expiry of the relevant leases.

Leasing arrangement

As at the Latest Practicable Date, we have entered into lease agreements with third-party landlords for 14 of our current retail outlets and three new retail outlets. For the term of our current leases, see "— Properties — Leased properties". We generally negotiate with the landlord for a lease term of one to three years.

Rental costs is one of our major costs in business operation. Rental costs of our retail outlets (including the payments we made under the operation agreements relating to the Relevant Retail Outlets) amounted to approximately HK$39.6 million, HK$50.3 million, HK$61.0 million and HK$29.0 million for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively, representing approximately 61.1%, 60.8%, 57.1% and 57.1% of our total selling and distribution costs, respectively, for the said years and period. As at 31 October 2014, the rental rate in terms of basic rent was generally HK$1,260 to HK$7,535 per sq.m. for single-brand boutique outlets, and HK$624 to HK$3,552 per sq.m. for multi-brand outlets. Most of our lease agreements stipulate that the rental is a monthly fixed rent plus a turnover rent which is calculated by a pre-agreed formula if a specified percentage of the turnover of that retail outlet exceeds the monthly fixed rent.

We enter into certain franchise agreements and operation agreements for our single-brand boutique outlets. For details of such agreements, see "— Our retail network — Single-brand boutique outlet.

Multi-brand outlet

As at the Latest Practicable Date, we operated 10 multi-brand outlets carrying over 80 brands. We operate our multi-brand outlets under different trading names (as indicated in the table under "— Our retail network — Our retail outlets") as part of our business strategy to create store image in line with the watch brand offerings in the retail outlets to appeal to customers with different preferences. Our retail outlets under "Tic Tac Time" and "Premium by Tic Tac Time" target the general public and young customers in particular; our retail outlets under "Premium" target customers who look for well-designed watches of established brands associated with years of heritage; and our retail outlets under "Quarter by Tic Tac Time", "Speed Time" and "Zand" target customers who look for sporty, trendy watches. For details, see "— Customers — Pricing — Retail business". By offering different brands that complement each other in multi-brand outlets, we aim to promote same-store sales growth, deliver a portfolio of diverse mid-end watch brands and be able to introduce and market new or less popular brands without significant capital outlay, which will in turn increase our leverage in the market. We also sell the brands which we sell in our single-brand boutique outlets in our multi-brand outlets.

Single-brand boutique outlet

As at the Latest Practicable Date, we operated seven single-brand boutique outlets for four brands, namely Brand A, Brand B, Brand D and Brand E. We launched our first single-brand boutique outlet in 2004. Throughout the whole process of establishing the single-brand boutique outlets, we maintain frequent communications with the supplier to ensure mutual understanding of each other's business needs, which helps promote closer relationships with the supplier. We would discuss with our watch supplier on the range of offerings (for example, whether a comprehensive selection, top selling models or new models will be offered), store format and design, product layout and promotion offerings, with a focus to develop the brand based on the business strategies of watch supplier and to raise brand awareness in our target customer segment.

Franchise agreements

We enter into written franchise agreements for six of our single-brand boutique outlets and are granted with the right to operate the remaining single-brand boutique outlet under a written authorisation letter from our supplier.

Outlets under Brand A and Brand B

We enter into written franchise agreements with the relevant group company of Supplier A's Parent Company (which is the brand owner) for operating single-brand boutique outlets under two specific brands, namely, Brand A and Brand B. The salient terms of the franchising agreements are as follows:

- **Contract period:** The agreement is valid for three years and renewed automatically for successive terms of one year.

- **Exclusivity:** The franchising right granted is non-exclusive *(Note 1).*

- **Products for sale:** The franchisor will supply the specified branded watches through its distribution network within the scope of availability.

- **Outlet restriction:** The franchise right is granted for a specified outlet and a specified brand. We should not transfer stocks to other retail outlet without the franchisor's approval. We will only sell the specified brand at the specified outlet.

- **Lease term of the premises:** The lease term of the specified premises must have a remaining term covering the term of the agreement.

- **Outlet decoration and product display:** Shop fitting-out requires the franchisor's approval before opening. Business premises, display windows and presentation of products should be in line with the franchisor's criteria.

- **Sales support:** The franchisor will provide new product and sales forecast information, advice on fitting and decoration of business premises, planning of product mix, staff training and publicity and assistance in sales promotion. The franchisor will arrange periodic sales seminar for our staff. We will only use publicity materials supplied by the franchisor *(Note 1)* and our sales promotion activities will comply with its strategy. Both parties will prepare periodic plans and budgets for sales and promotion activities.

- **Refurbishment:** The franchisor has the right to request for refurbishment of business premises not more often than every three years.

- **Warranty and after-sales:** We will provide after-sales services to customers in accordance with the international warranties of the watch products *(Note 2)*.

- **Sales channel:** We will only sell the watch products to in-store customers and not to third party for resale and not via the internet.

- **Franchise fee:** The franchise fee is a nominal amount.

- **Minimum purchase requirements:** There is generally no minimum purchase requirement *(Note 1)*.

- **Termination:** The agreement can be terminated by either party with six months' notice or with immediate effect for breaches by the other party not remedied within 30 days or when bankruptcy proceedings are instituted against the other party. The franchisor has the right to terminate the agreement without notice upon occurrence of certain events, such as our infringement of its intellectual property right and ceasing to occupy the specified business premises.

Notes:

1. One franchise agreement for Brand B specifies that the franchisor will not grant the franchise to a third party within the shopping mall where our specified outlet is located. The same franchise agreement allows us to use marketing materials we create when the franchisor's approval is obtained. It also contains minimum purchase requirements (the annual minimum purchase amounts for 2014, 2015 and 2016 are CHF1,787,500, CHF2,520,000 and CHF2,900,000, respectively) and the franchisor is entitled to terminate the agreement by six months' notice or grant the same franchise to a third party within the same shopping mall upon our failure to comply with such requirements.

2. For further information of the after-sales services we provide for watches with international warranties associated with the watch brand, see "— Our business — After-sales services".

Outlet under Brand D

We enter into a written franchise agreement with the supplier of Brand D for the operation of a single-brand boutique outlet under Brand D. The franchise agreement also covers the sourcing of watches from the franchisor. The salient terms of the franchise agreement are as follows:

- **Contract period:** The agreement is valid for three years and renewed automatically for successive terms of one year.

- **Exclusivity:** The retailing right granted is non-exclusive.

- **Outlet restriction:** The retailing right is granted for a specified outlet and a specified brand. We should not transfer stocks to other retail outlet without the franchisor's approval. We will only sell the Brand D watches at the specified outlet.

- **Sourcing:** We will only acquire the specified brand exclusively from the franchisor.
- **Trade discount:** We are entitled to make purchases at a gross wholesale price (i.e. suggested retail price less a specified trade discount).
- **Staff incentive:** A staff incentive for distribution to our staff in charge of sales of the supplier's products will be granted.
- **Payment term:** Payment should be made 45 days after date of invoice. We are entitled to a specified discount if we make payment within 15 days of invoice.
- **Inventory level:** We are required to maintain a specified number of products at the outlet at all times.
- **Delivery:** The franchisor is not responsible for delay of delivery.
- **Product return and acceptance:** There is generally no sales return arrangement between our Group and the franchisor. We will check the product upon delivery and the products will deemed free of quality problems if we do not give a notice of default within seven days of delivery. Risk and loss generally pass to us upon receipt of products but the supplier retains title of goods until payment is made.
- **Outlet decoration and product display:** The franchisor will provide a sign specifying our status as official authorised retailer and may provide furniture, decoration and fixtures incorporating brand image and display materials such as watch stands. The franchisor is responsible for decoration of the shop and shall assume the costs.
- **Sales support:** The franchisor may contribute to costs of advertising and provide staff and product training. We are entitled to a fixed sum of promotion support for each year of the first three years of the agreement.
- **Maximum customer discount:** We are subject to a maximum discount we are allowed to grant to our customers.
- **Sales channel:** We will only sell the products to in-store customers and not to third party for resale and not via the internet.
- **Warranty and after-sales:** We will provide after-sales services to customers in accordance with the international warranties of the watch products *(Note)*.
- **Retail price:** Products should be clearly marked with the suggested retail price.

Note: For further information of the type of after-sales services we provide for watches with international warranties associated with the watch brand, see "— Our business — After-sales services".

- **Termination:** The agreement can be terminated by either party with three months' notice or with immediate effect for material breaches by or where bankruptcy proceedings are instituted against the other party. We will pay back the costs of decoration paid by the supplier for termination of agreement due to our fault.

Outlet under Brand E

We are granted with the right to operate a single-brand boutique outlet under Brand E from 1 November 2013 to 31 July 2015 at the specific outlet pursuant to a written authorisation letter issued by the supplier of Brand E. We are not subject to any minimum purchase requirement nor any other specific terms for the grant of right. We source Brand E watches from the supplier of Brand E by purchase orders.

Our Directors confirm that there was no material non-compliance of any terms of the above agreements during the Track Record Period.

Operation agreements

We enter into operation agreements with Supplier A for three of our retail outlets, the leases of which are entered into between Supplier A and the relevant landlords and details of such premises are as follows:

Outlet	Address	Term of operation agreement *(Note)*	Current term of lease
Outlet 15	Shop 831, Level 8, Times Square, Causeway Bay, Hong Kong	From 24 May 2013 to 23 May 2016	From 24 May 2013 to 23 May 2016
Outlet 17	Shop 321, Level 3, Ocean Centre, Harbour City, Kowloon, Hong Kong	From 3 December 2012 to 2 December 2015	From 3 December 2012 to 2 December 2015
Outlet 14	Shop 2, Level 1, Langham Place, Kowloon, Hong Kong	From 13 July 2012 to 12 July 2015	From 13 July 2012 to 12 July 2015

Note: Where the operation agreement is extended, the term herein represents the extended term without taking into account the initial term.

We also enter into franchise agreements with the relevant group company of Supplier A's Parent Company (which is the brand owner) under which we are granted the franchising right of selling branded watches in these retail outlets. We have control over the management of these retail outlets. For details, see "— Our retail network — Single-brand boutique outlet — Franchise agreements".

All the above retail outlets were leased by our Group previously. As confirmed by our Directors, Supplier A requested to lease these retail outlets directly from the landlords and enter into operation agreements with us for our occupying and conducting our business operations at the premises. Operation agreements were entered into between Supplier A and us upon the expiry of the leases between the relevant landlords and us in respect of Outlet 17 and Outlet 14. In respect of Outlet 15, we terminated the lease with the relevant landlord after operating for about four months to enable the arrangement regarding the operation agreement to be made. Pursuant to the operation agreements, we are granted the right to operate the retail outlets for a term corresponding to the term of the lease. We are responsible for making a monthly payment to Supplier A in an amount equivalent to the rental and other costs payable by Supplier A for the retail outlet, which is generally a monthly fixed payment plus an additional payment calculated by a pre-agreed formula of a specified percentage if the turnover exceeds monthly fixed payment. The operation agreements can be terminated upon our breach of its terms which is not rectified within the specified period or upon termination of the relevant franchise agreement, the agreement for the supply of watches or the relevant lease agreement. Supplier A may also terminate the agreement without any reason by giving us one month's prior written notice. In case we are unable to obtain renewal of the operation agreements or Supplier A ceases to supply the relevant branded watches to us, we would consider to exercise our right under the relevant franchise agreement in respect of the single-brand boutique outlet to terminate the franchise agreement on the ground that the franchisor commits a breach by failing to supply the relevant products to us through its distribution network or by giving six months' notice pursuant to its terms. Revenue from these outlets accounted for approximately 37.0%, 40.0%, 55.6% and 53.3% of our total revenue during the Track Record Period, respectively.

According to the Ipsos Report, such arrangement for single-brand boutique outlets is a normal practice in the industry as single-brand boutique outlets are brand-specific and would allow the watch supplier to gain better control over the retail outlet to maintain the quality of the retail outlet and hence, their brand image.

For risks associated with the above arrangement, see "Risk Factors — Risks relating to our business — We rely on our retail network for our business operations. Any failure to secure renewal of the current leases of our retail outlets and/or any agreements we enter into with watch suppliers for the operation of single-brand boutique outlets on commercially acceptable terms or at all could adversely affect our growth prospects and business condition.".

Financial performance

The table below shows a breakdown of our revenue by type of retail outlets and as a percentage of our total revenue from our retail outlets of the periods indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Multi-brand outlet	76,475	25.2	104,694	29.9	147,270	33.1	64,022	33.4	89,951	37.5
Single-brand boutique outlet	226,280	74.7	244,705	70.0	296,586	66.8	127,537	66.5	149,918	62.4
Service income	310	0.1	325	0.1	427	0.1	203	0.1	237	0.1
Total	303,065	100.0	349,724	100.0	444,283	100.0	191,762	100.0	240,106	100.0

The table below sets forth the historical breakeven periods and the average historical payback period for each retail outlet we opened during the Track Record Period and in operation prior to and as at the Latest Practicable Date (excluding those which were relocated to different locations within the same shopping mall).

Name of outlet	Location	Breakeven period	Average payback period
		Months *(Note 1)*	**Months** *(Note 2)*
Multi-brand outlets			
Outlet 3	Times Square, Causeway Bay	1.7	6.7
Outlet 6	China Hong Kong City, Tsim Sha Tsui	1.1	8.1
Outlet 8	iSquare, Tsim Sha Tsui	0.7	5.7
Outlet 1	Shun Tak Centre, Sheung Wan	13.6	N/A *(Note 3)*
Outlet 12	Citywalk, Tsuen Wan	0.6	4.6
Single-brand boutique outlets			
Outlet 18	iSquare, Tsim Sha Tsui	0.5	0.5
Outlet 16	China Hong Kong City, Tsim Sha Tsui	0.7	1.7
Outlet 19	China Hong Kong City, Tsim Sha Tsui	N/A *(Note 4)*	N/A *(Note 4)*

Notes:

1. The historical breakeven period is the time required following commencement of operation that the relevant retail outlet first record net profit.

2. The average payback period is the period it takes us to completely recoup our costs of investment (i.e. renovation cost). It is calculated by dividing the total capital expenditure amount incurred in relation to each retail outlet by the respective average annual return, which in turn is calculated by dividing the operating cash flow by the number of days in the period between the commencement date of each retail outlet and the end of the Track Record Period (i.e. 31 October 2014). The assumptions relied upon for the aforesaid calculation include but is not limited to:

   (a) the capital expenditure amount incurred in relation to each retail outlet is calculated with reference to the total amount incurred for plant, property and equipment for such retail outlet at renovation stage of the retail outlet before commencement date; and

   (b) operating cash flow refers to the net cash flow derived from principal revenue producing activities during the period from the commencement date of each retail outlet to 31 October 2014.

3. We were unable to recoup our costs of investment for this retail outlet. We believe it is attributable to the shop image not fitting the location demographics of the shopper traffic. We intend to renew the lease upon its expiry in November 2015 and discuss with the landlord in formulating a new marketing strategy.

4. We were unable to achieve breakeven and recoup our costs of investment for this retail outlet. We believe it is attributable to the retail outlet being less visible to shopper traffic compared with other retail outlets in the same area. Our Directors consider that the continuing operation of this retail outlet is strategically important for our business as operating the single-brand boutique outlet enables us to establish closer collaboration with the watch brand supplier. We would continue to discuss with the supplier and the landlord regarding our sales approach and optimisation of the retail outlet based on our past experience.

For our sensitivity and breakeven analysis which illustrates the impact of fluctuations in our major operating costs on our net profit, see "Financial Information — Sensitivity and breakeven analysis". For detailed analysis of our same-store sales and revenue by type of retail outlets, see "Financial Information — Summary results of operations — Revenue — Same-store sales growth".

Seasonality

Our sales performance is affected by seasonality. Revenue fluctuations throughout the year are common for the watch industry which is subject to the seasonal and festival purchase patterns of consumers. Our sales varies from month to month and we generally record higher sales revenue during major holidays or festivals, such as Chinese New Year and Christmas, which fall in or about the months of December, January and February, respectively.

Further, our revenue flow and periodical financial performance are also influenced by a number of factors, including changes in our brand mix, effectiveness of our inventory management, level of pre-opening expenses associated with, among others, opening of new retail outlets, timing and effectiveness of our marketing activities, actions by our existing and new competitors, and employee motivation. As a result of these fluctuations, comparison of sales and operating results from different periods in different financial years may not be relied on as indicators of our performance.

Sales target

Each retail outlet has its own sales target, which is determined by the management on a monthly basis with reference to the sales performance of that retail outlet in the previous month, our overall sales performance so far in that financial year, and the number of major holidays or festivals in that financial year that will affect our sales volume. We seek to motivate our sales staff by performance-based bonus in addition to their basic salary for meeting our monthly sales targets.

Selection strategy for our retail outlets location

We consider that the selection of our retail outlets location is crucial to the success of our operation. We have a strong preference to establish our retail outlets in shopping malls. As at the Latest Practicable Date, all of our retail outlets were located in shopping malls or shopping centres in Hong Kong, such as Times Square in Causeway Bay, Harbour City and iSquare in Tsim Sha Tsui and Langham Place in Mongkok which are widely perceived as shopping landmarks in Hong Kong. We believe shopping malls attract huge shopper traffic and are highly accessible and visible.

We consider the benefits afforded by shopping mall management including quality control of common areas and customer support to shoppers desirable to our business. In addition, these shopping areas and shopping malls are frequented by tourists, especially tourists from the PRC, which we believe is a major source of customers for us. In selecting the location for the opening of our retail outlets, we would generally consider the following key factors:

Elements	Consideration factors
Target customer base	• Existence of favourable demographics of target customer groups
Accessibility	• Proximity to public transportation systems, hotels, shopping malls and tourist spots • Future developments in the area
Visibility	• Ease of visibility to pedestrians and shoppers • Ability to place advertisements nearby • Existence of popular neighbouring shops or eateries with high shopper traffic
Site size and structure and supporting facilities	• Number of watch display cabinets which can be placed • Availability and quality of shopping mall management (applicable to location in shopping malls)
Capital expenditure and other expenses	• Size of capital expenditure and renovation costs
Leasing terms	• Occupancy commencement time, initial costs, lease term, renewal provisions
Concentration and competition	• Proximity to, competition from and performance of nearby watch retailers (if any)

Opening procedures of retail outlets

We adopt a systematic and strategic approach and implement opening procedures with respect to the opening of our retail outlets.

From identification of a potential site to signing of the lease

The lead time between identification of a potential site and signing of the lease varies for each case and could take up several months. For instance, the lead time may depend on whether there is already an existing lease for the potential site and the expiry date of such lease. Once a potential site is identified, we will commence due diligence procedures following our site selection criteria. Our Directors will conduct site visits to ascertain whether our selection criteria can be met. If the preliminary due diligence results are satisfactory to our senior management, our senior management will commence lease negotiations with the relevant landlord. For single-brand boutique outlets, we will start discussing with the watch suppliers. After signing of the lease, we would discuss the terms of cooperation with the watch suppliers and in respect of single-brand boutique outlets enter into a franchise agreement with the brand owner if they are agreeable to the location of the retail outlet. We may utilise the location as a multi-brand outlet, taking the views of the watch suppliers into consideration. In respect of the Relevant Retail Outlets the watch supplier will enter into the lease agreement which they will be responsible for approving and enter into operation agreements with us subsequently. For details of such arrangement, see "— Our retail network — Single-brand boutique outlet — Operation agreements".

From signing of the lease to opening of the retail outlet

The lead time between signing of the lease to opening of a retail outlet is generally one to three months. Upon signing of the lease, we will arrange for renovation, inventory and allocation of human resources.

Renovation

Store design and product display largely depends on the brands to be offered and the number of watch display cabinets to be placed.

For multi-brand outlets, we will prepare store design and product layout plans depending on the brands to be offered. We will contact watch suppliers to understand if they have any preferences as to the design of watch display cabinet or desire to design the watch display cabinet. Our watch suppliers may provide watch display cabinet design, product layout plans, furniture, decoration materials, fixtures, watch stands and other display materials.

For single-brand boutique outlets, watch suppliers will generally be responsible for the renovation process including designing, liaising with renovation contractors and settling part of the renovation costs. They will send store design and product layout plans to the watch suppliers for our review and discussion purposes. Regarding the single-brand boutique outlets we operated as at the Latest Practicable Date, the renovation costs of three of which were partly settled by our watch suppliers and the renovation costs of four of which (in respect of Outlet 19, the renovation costs refer to those after its conversion into a single-brand boutique outlet in December 2013) were fully settled by our watch suppliers.

Stock order

We usually start ordering for watch products two to three weeks prior to opening. The processing time for each order generally takes three to 10 days. We generally place orders through the distribution offices of international watch suppliers in Hong Kong. Stocks are generally delivered directly to the retail outlet.

Personnel

We would designate staff in other existing retail outlets with experience to assist with the management and operation of the new retail outlet and recruit sales staff based on our business needs.

Management and operation

Each retail outlet is headed by a shop manager or supervisor who is responsible for overseeing the sales performances, sales target and daily operations of individual retail outlets. Other sales staff would be responsible for handling customers as well as cash and sales transactions. Our management determines the number of staff allocated to each retail outlet having regarding to different factors including the size of the retail outlet, the respective transaction volume, seasonality and promotional events. We have operational procedures covering customer service and complaints, discount policies, inventory levels, security and cash handling for our retail outlets to follow. Our shop manager or supervisor are responsible for monitoring compliance with these procedures.

We set out specific procedures to handle and manage cash. In each retail outlet, the sales staff handling a particular transaction is required to input details of that transaction into the point-of-sale (POS) system so that all daily transactions are recorded and can be monitored by our head office. The shop manager or supervisor will be responsible for conducting daily cash counts and reconciliations in the retail outlet to match with the cash book recorded in the system at the close of the business day. Any discrepancy identified during cash count is required to be investigated and reported to Mr. Tsang Hok Man, our executive Director. Cash collected will be deposited into the bank by a sales staff in the next working day. Then our accounting staff have to check against the bank-in slips for the cash deposited and the records of sales through credit cards and electronic payments. All relevant payment proofs and bank-in-slips are submitted to our accounts department for counter checking.

Our Directors confirm that no incident of material losses resulting from handling of cash and credit card sales and no material misappropriation or theft of cash by our staff, customers or other relevant third parties was noted during the Track Record Period.

SUPPLIERS

For the three years ended 30 April 2014 and the six months ended 31 October 2014, we had a total of 38, 41, 41 and 37 suppliers, respectively. Our major suppliers for the Track Record Period were all watch suppliers. Each of our five largest suppliers is an Independent Third Party. We have entered into written agreements with three of our five largest suppliers (for details, see "— Suppliers — Sourcing arrangements"). As at the Latest Practicable Date, our business relationship with our five largest suppliers ranged from over two to over 15 years and we had established over 15 years of business relationship with our largest supplier. Our Directors confirm that no issue regarding the legality of the source of supply of watches had arisen during the Track Record Period and up to the Latest Practicable Date.

For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, purchases from our five largest suppliers amounted to approximately HK$202.3 million, HK$240.9 million, HK$322.5 million and HK$154.1 million, respectively, representing approximately 94.1%, 91.7%, 94.0% and 95.0% of our total purchases, respectively. For the same periods, purchases from our largest supplier amounted to approximately HK$181.9 million, HK$221.7 million, HK$301.8 million and HK$144.5 million, respectively, representing approximately 84.6%, 84.4%, 88.0% and 89.1% of our total purchases, respectively. For information of Supplier A and details of our reliance on it, see "— Suppliers — Reliance on our largest supplier".

None of our Directors, their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers for the Track Record Period.

Reliance on our largest supplier

As at the Latest Practicable Date, we sourced eight watch brands from Supplier A, including three of the top five brands. We enter into a number of written agreements with Supplier A for the supply of watch brands for the retailing at multi-brand outlets and single-brand boutique outlets. In respect of the single-brand boutique outlets, we also enter into written franchise agreements with the relevant group company of Supplier A's Parent Company (which is the brand owner). In respect of the Relevant Retail Outlets, we enter into written operation agreements with Supplier A. The table below sets forth the location of sales of the brands we sourced from Supplier A as at the Latest Practicable Date.

Watch brand supplied by Supplier A	Multi-brand outlets	Single-brand boutique outlets
Brand No. 1 (i.e. Brand A)	Outlet 5, Outlet 7, Outlet 9, Outlet 10, Outlet 11, Outlet 12	Outlet 13, Outlet 14
Brand No. 2 (i.e. Brand B)	Outlet 8, Outlet 11	Outlet 15, Outlet 16, Outlet 17
Brand No. 3	Outlet 7, Outlet 11	
Brand No. 4	Outlet 5, Outlet 7, Outlet 11, Outlet 12	
Brand No. 5	Outlet 7, Outlet 9, Outlet 12	
Brand No. 6	Outlet 5, Outlet 8, Outlet 10, Outlet 11	
Brand No. 7	Outlet 8	
Brand No. 8 (i.e. Brand K)	Outlet 7, Outlet 11, Outlet 12	

Purchases from Supplier A accounted for approximately 84.6%, 84.4%, 88.0% and 89.1% of our total purchases for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Sales of watches supplied by Supplier A accounted for approximately 84.9%, 83.0%, 84.8% and 86.7% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Among the eight watch brands we currently source from Supplier A, three were the top five brands for the Track Record Period and sales of watches of those three watch brands contributed to approximately 83.8%, 81.7%, 83.0% and 84.8% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Revenue generated from the single-brand boutique outlets we operated under Brand A and Brand B contributed to approximately 73.7%, 68.8%, 65.7% and 61.6% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. For the same periods, revenue from the Relevant Retail Outlets contributed to approximately 37.0%, 40.0%, 55.6% and 53.3% of our total revenue, respectively.

Reasons for reliance

Our Directors are of the view that the reliance is mainly due to the following reasons:

- Supplier A is the Hong Kong distribution subsidiary of Supplier A's Parent Company, a globally recognised and reputable watch manufacturer and distributor based in Switzerland. According to the Ipsos Report, Supplier A's Parent Company was the second largest watch distributor in Hong Kong in 2014 with a market share of approximately 15.8% in terms of revenue. Supplier A's Parent Company is a company listed on the SIX Swiss Exchange and as at the Latest Practicable Date, its market capitalisation was approximately CHF23,820.1 million. Based on its 2014 annual report, it recorded operating profit of approximately CHF1,752.0 million and gross sales of approximately CHF9,219.0 million, of which approximately CHF8,936.0 million was derived from its watches and jewellery segment in 2014. We believe that companies in the same line of business operating in Hong Kong as our Group source watches from the distribution subsidiaries of Supplier A's Parent Company given the large portfolio of brand offerings it has and its market dominance. We have no information on whether Supplier A is the exclusive distributor in Hong Kong of the eight watch brands supplied to our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that it is normal for Supplier A or Supplier A's Parent Company to withhold such information as (i) Supplier A's Parent Company has a global sales and distribution network covering a number of local retailers in different regions in the world; and (ii) the information is not necessary for our conducting of business transactions with Supplier A. To the knowledge of our Directors, there is no other authorised distributor of such watch brands in Hong Kong except Supplier A.

- It is the industry norm for companies like us to rely heavily on a few suppliers due to the dominance by the top five players in the watch distribution industry in Hong Kong. According to the Ipsos Report, (i) it is common for watch retailers to source watches from such large watch distributors and rely on a few brands as their major source of revenue; (ii) the top five mid-end watch retailers in Hong Kong generally carry 33 to 139 watch brands, most of which are sourced from the five largest watch distributors in Hong Kong and approximately 33.5% of them are mid-end watches; and (iii) the watch distribution industry in Hong Kong is dominated by five players, each accounting for a market share of approximately 26.2%, 15.8%, 14.4%, 8.4% and 8.0%, respectively, or approximately 72.8% collectively, in terms of revenue in 2014.

- We source three top five brands from Supplier A. Our agreements with Supplier A for the supply of watches generally stipulate that we can only make purchases of the specified brands from it. Owing to the historical performance of such brands, we have been inclined to continue to source such brands from Supplier A.

- We have established business relationship with Supplier A since 1999 and have not encountered any major procurement problems. Our Directors consider Supplier A a competitive, reputable and reliable watch supplier. Under the agreements we have entered into with Supplier A, we are generally granted the right to source the watch brands from it for an indefinite period of time and the right to operate single-brand boutique outlets for a term of three years which is automatically renewable in accordance with the terms of the agreements. Sales attributable to watch brands sourced from Supplier A would therefore serve as a stable source of our revenue.

For risks relating to our reliance on our largest supplier, Supplier A, see "Risk Factors — Risks relating to our business — Our largest supplier accounted for over 80% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected.".

Sustainability of our business in view of our reliance

Our Directors are of the view that the following factors should contribute to the sustainability of our business in view of the reliance on Supplier A:

Mutual and complementary reliance

According to the Ipsos Report, watch brand owners generally rely on its distributors, retailers or agents to represent their business and sell their products in international markets. Supplier A confirmed to us that we were one of its top five customers for Brand A and Brand B throughout the Track Record Period. We believe Supplier A relies on our strength in retailing for its distribution business in Hong Kong.

We believe that the selection of retail outlet locations is crucial to the watch retail business in Hong Kong. With our long years of presence and operations in the watch retail business in Hong Kong, we have built up a retail network covering prime locations in Hong Kong and developed a site selection strategy which we consider critical to our success. As at the Latest Practicable Date, we had operated our retail outlets in Times Square, Festival Walk and Langham Place, all being major shopping attractions in Hong Kong, for over 10, 10 and eight years respectively. Our continuing presence in prime locations in major shopping malls in Hong Kong demonstrates our strong local knowledge and connections, which we consider not only beneficial to our retail business, but also to Supplier A which we believe relies on our retail network for its distribution business in Hong Kong.

Supplier A has made considerable contribution to motivate our selling efforts and to the operation of the single-brand boutique outlets under its brands. We are encouraged by Supplier A to promote sales and marketing for the watch brands we source from it, which can be seen from the terms of the relevant sourcing arrangement we have entered into with it. For instance, we are given merchandising discounts to our purchases, sales incentives and inventory incentives based on achieving sales targets and the required inventory levels, among others. In some cases, Supplier A will contribute to the costs of shop decoration and marketing expenses. For single-brand boutique outlets under Brand A and Brand B we operated as at the Latest Practicable Date, Supplier A is fully responsible for the renovation process. Among these outlets, the renovation costs of two were fully settled by Supplier A and three were partly settled by it. We believe Supplier A relies on our willingness to cooperate.

We believe our long years of industry experience and knowledge and our reputation in the local market is beneficial to Supplier A, whose parent company (being Supplier A's Parent Company) is Switzerland-based. Our revenue generated from the sales of watches sourced from Supplier A amounted to HK$258.7 million, HK$291.9 million, HK$378.8 million and HK$209.3 million for the three years ended 30 April 2014 and the six months ended 31 October 2014 respectively, which indicated an increasing success in our promotion of watches for Supplier A. We believe Supplier A relies on our sales and marketing strengths.

Given our established relationship with Supplier A, the mutual and complementary reliance between us and the strong sales performance demonstrated during the Track Record Period, our Directors are of the view that it would not be commercially sensible and would be difficult for Supplier A to replace us with other watch retailer of similar size, capability and market position and hence the risk of Supplier A terminating supply to us is low.

Risk diversification by multi-brand outlets

Our revenue attributable to multi-brand outlets had increased gradually during the Track Record Period. For details, see "— Our retail network — Financial performance". We consider the retailing of multiple watch brands at our multi-brand outlets allows our business to diversify risk, capitalise on our established reputation and seek avenues for business growth and opportunities. Based on our experience, the different brands we carry can attract customers with different preferences and our continuing to adjust our brand mix allows us to compete more broadly in the mid-end watch market. We could also enjoy economies of scale as the selling skills of our sales staff could be transported to selling different brands. Where the performance of the single-brand boutique outlets under Brand A and Brand B could deteriorate due to change in brand strength, consumer demographic patterns, increased level of obligations placed on us under the relevant franchise agreements or other reasons, our multi-brand outlets could help decrease any adverse impact on our sales.

We also carry Brand A and Brand B watches in some of our multi-brand outlets and in the unlikely event that we are no longer able to source Brand A and Brand B watches from Supplier A for whatever reason, we can increase purchases of other watch brands that we currently carry (and may, depending on the then market conditions and business trends, particularly focus on our other top five brands) and source other suitable watch brands from new suppliers for our multi-brand outlets. For details, see "— Suppliers — Reliance on our largest supplier — Sustainability of our business in view of our reliance — Contingency plan". Based on our past experience, we will incur less time and costs in securing watch brands for our multi-brand outlets compared to single-brand boutique outlets. For multi-brand outlets, we can generally conduct purchases by orders instead of entering into written agreements. For single-brand boutique outlets, we can expect to enter into a written franchise agreement which will require us to divert time and management resources to discuss the various terms and conditions of the franchise agreement with the franchisor. We may also incur additional costs in establishing and renovating the outlet to meet the criteria of the franchisor. Our Directors thus consider that our multi-brand outlets help in diversifying the risks in case of contingency.

Plans to improve our supplier network

While we endeavour to maintain the established relationship with Supplier A, we will continue to improve our supplier network and consider to foster relationships with potential new suppliers and source watch products that match our brand management strategy from time to time. For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, the number of brands we carried was 79, 91, 88 and 87, respectively. We have formulated a brand management strategy which aims to create a cohesive portfolio enabling different watch brands to complement each other in order to raise consumer awareness of the brands and our Group and to promote business growth. We also intend to participate in large overseas watch exhibitions so as to acquire latest market intelligence, meet with industry players and consider to introduce new brands and adjust the brand mix of our watch brand portfolio where appropriate. Our Directors believe that this would help reduce our reliance on Supplier A.

We also seek to develop our wholesale business. We commenced our wholesale business in 2010. Brand C, a brand for which we conducted wholesaling pursuant to a long-term written agreement entered into with the supplier, is a top five brand.

We intend to obtain exclusive wholesale rights of mid-end to high-end watch brands which are in line with our market positioning in the future as our Directors believe that this can strengthen the competitiveness of our retail outlets as well as consolidating our market position. Our collaboration with the supplier of Brand C (a top five brand) has grown closer as we plan to operate a single-brand boutique outlet under Brand C. For details, see "— Our business strategies — Expand our retail and sales network".

Contingency plan

In the unlikely event that our written agreements with Supplier A are not renewed upon expiry or are terminated for whatever reason, we are able to source watch brands from other suppliers in the market. Our expertise in watch retailing is not specifically designed to cater solely for the retailing of watch brands sourced from Supplier A or the maintaining of business relationship with Supplier A. Our Directors are of the view that our expertise in sourcing watch brands suitable for our target customers, our knowledge in brand portfolio management, our management skills in establishing multi-brand outlets and single-brand boutique outlets and our staff selling skills can be readily transferred to sourcing other watch brands from other watch suppliers. As (i) it is an industry norm that watch suppliers generally do not supply watch brands to their authorised retailers on an exclusive basis; and (ii) based on our past experience and long years of presence in the Hong Kong watch retail market, we understand that watch suppliers generally select retailers based on their reputation, scale of operation, years of experience in the market and track record performance and we believe we are able to meet such criteria and thus we do not see substantial difficulty in negotiating with other watch suppliers in the market for the supply of watch brands.

Based on our past experience, our Directors estimate that it would take generally within one month to secure the sourcing arrangement to introduce a new brand to our current offerings. Depending on the new brands we source, we may also need to ramp up our marketing efforts and it may take additional time to increase the awareness of the new brands and thus, achieve profitability. Besides, we could also increase the purchase orders for some of the watch brands that we currently carry. As this would increase sales for our suppliers and our suppliers generally encourage us to increase our inventory levels for their watch brands, our Directors do not see substantial difficulty in securing additional purchases from suppliers. Based on our past experience, our business focus in the retailing of mid-end watches and well-established relationships with suppliers other than Supplier A, we are able to source watches from suppliers at market price, therefore our Directors also do not expect a material increase in costs in sourcing new brands or increasing purchases of existing watch brands from other suppliers compared to Supplier A. In respect of the single-brand boutique outlets under Brand A and Brand B which are not Relevant Retail Outlets, we would also consider to convert such single-brand boutique outlets into multi-brand outlets or operate such single-brand boutique outlets for brands sourced from other suppliers. During the pre-opening stage, we will need to incur additional costs and time covering renovation and decoration (based on quotations obtained from contractors, such conversion will take approximately HK$736,000 to HK$980,000 and approximately one month per outlet), among others, and divert managerial resources in contract negotiation with our suppliers and landlords. It would take time and resources to develop newly sourced brands and they may or may not achieve the same level of sales generated by those brands distributed by Supplier A. In respect of the Relevant Retail Outlets, if they are closed due to our cessation of business relationship with Supplier A, given the simple business model on which we operate, we believe we can re-allocate our financial and human resources to suit the needs of our retail network in a timely manner. For the risks associated with our contingency plan, see "Risk Factors — Risks relating to our business — In case our written agreements with Supplier A are not renewed or terminated for whatever reason and our contingency plan fails to achieve our desired results, our business condition and operating results will be materially and adversely affected.".

Prospects of the industry and viability of our business

Our Directors are of the view that the outlook of the watch retail industry in Hong Kong will remain positive in the foreseeable future and thus our business is viable even considering our reliance on major suppliers. For further information about the prospects of the industry, see "Industry Overview".

Procurement

We select and approve our suppliers on a case-by-case basis considering their reputation, product quality, past performance, terms of arrangement with us (such as pricing, marketing flexibility and any purchase requirements). We maintain a list of approved suppliers.

We select a watch brand for our portfolio, by considering market trends, consumers' preference, reputation of watch brands, marketability, quality and characteristics of watches as well as whether they match with our market positioning.

Apart from watches, we also procure a small amount of spare parts from our watch suppliers for our repair and maintenance services. We did not incur significant costs for such procurement during the Track Record Period.

During the Track Record Period, we did not experience any material shortage or delay in the supply of watches.

Sourcing arrangements

Retail business

We source watches for retailing under written agreements or on outright basis by purchase order or on consignment basis. Our Directors consider that these sourcing methods are normal market practice in the watch retail industry in Hong Kong. Most of the watch purchases we made during the Track Record Period were made under written agreements entered into with Supplier A.

We enter into a number of written agreements with Supplier A for the supply of watch brands for retailing purpose. The salient terms of these agreements are as follows:

- **Contract period:** The agreement is generally valid for an indefinite period of time.
- **Exclusivity:** The retailing right granted is non-exclusive.
- **Outlet restriction:** The retailing right is granted for a specified outlet and a specified brand. We should not transfer stocks to other retail outlet without the supplier's approval.
- **Sourcing:** We will only acquire the specified brand exclusively from the supplier.
- **Trade discount:** We are entitled to make purchases at a gross wholesale price (i.e. suggested retail price less a specified trade discount).
- **Merchandising discount:** We are entitled to a discount to the gross wholesale price if certain stipulated operational criteria (such as fully complying with watch cabinet display requirements) are met. The merchandising discount is subject to cancellation for late payment, failing to comply with the maximum discount requirement, transferring the stock to other outlets or selling to third-party for re-sale. The supplier retains the right to change or cancel the merchandising discount without notice.
- **Inventory level:** The outlet must carry an agreed number of stock at all times.
- **Sales and inventory incentive bonus:** We are entitled to incentive bonus if any sales targets and any required inventory levels are met. These inventive bonus are subject to cancellation if we fail to fulfil certain obligations under the agreement, such as meeting sales target and complying with payment term. *(Note 1)*
- **Delivery:** The supplier is not responsible for delay in delivery.

- **Product return and acceptance:** There is generally no sales return arrangement between our Group and the supplier. We will check the product upon delivery and generally all products will deemed free of quality problems if we do not give a notice of default within three days of delivery. Risk and loss generally pass to us upon receipt of the products but the supplier retains title of goods until payment is made.

- **Payment term:** Payment should be made within 30 to 45 days after date of invoice or before delivery of products at the supplier's discretion. In some cases, there will be a discount for payment made within a specified period after date of invoice.

- **Outlet decoration and product display:** The supplier will provide a sign specifying our status as official authorised retailer and may provide furniture, decoration and fixtures incorporating brand image and display materials such as watch stands.

- **Sales support:** The supplier may contribute to costs of advertising and provide staff and product training.

- **Retail price:** Products should be clearly marked with the suggested retail price.

- **Warranty and after-sales:** We will provide after-sales services to customers in accordance with the international warranties of the watch products *(Note 2).*

- **Maximum customer discount:** We are subject to a maximum discount we are allowed to grant to our customers. If we fail to comply with the maximum customer discount, Supplier A may reduce or cancel the merchandising discount or terminate the agreement.

- **Sales channel:** We will only sell the products to in-store customers and not to third party for resale and not via the internet without the supplier's prior approval.

- **Termination:** The agreement can be terminated by either party with not less than 30 days' notice or with immediate effect for material breaches.

Notes:

1. We had been entitled to staff incentive bonus (an incentive payment for the handling staff to whom we distribute based on satisfactory performance) from Supplier A before it terminated such arrangement in July 2013.

2. For further information of the after-sales services we provide for watches with international warranties associated with the watch brand, see "— Our business — After-sales services".

We also source watch brands from Supplier A and other suppliers for retailing on outright basis by purchase orders or on consignment basis. We place purchase orders with such suppliers which contain terms such as the suggested retail price, watch model number, delivery address and order quantity.

We may accept the consignment of new brands or less popular brands from time to time after considering consumers' preferences and the latest market trends. For the three years ended 30 April 2014 and the six months ended 31 October 2014, we sold 23, 28, 27 and 18 watch brands, respectively, on consignment basis. The suppliers usually deliver the products to us together with the consignment notes which contain terms such as the suggested retail price, consignment period, our commission rate, order quantity, delivery time and payment terms. Our suppliers will issue monthly invoices to us after confirming sales volume which will reflect the deduction of our commission. We may, depending on market response and based on discussions with the consignors, return slow-moving consigned products to them. Revenue generated from the brands sourced on a consignment basis for the three years ended 30 April 2014 and the six months ended 31 October 2014 represented approximately 2.4%, 3.4%, 2.9% and 2.5% of our total revenue, respectively. We adopt the same inspection policies on our consigned products as with other products before acceptance to deter defective products and to ensure the products match with the terms of our orders.

Wholesale business

During the Track Record Period, we sourced four watch brands, being Brand C, Brand F, Brand G and Brand H for our wholesale business and we entered into a wholesale distribution agreement with the watch supplier of each of them. As at the Latest Practicable Date, we no longer sold Brand F, Brand G and Brand H watches to our wholesale customers due to our sales strategy. As at the Latest Practicable Date, the agreement for Brand G had expired.

The salient terms of our agreement with the supplier of Brand C are as follows:

- **Contract period:** The agreement has a term commencing from 1 June 2011 and ending on 31 December 2017 which is automatically renewed for successive periods of one year unless terminated by notice.

- **Geographic or other exclusivity:** We are appointed as the supplier's sole distributor in Hong Kong and Macau.

- **Sourcing:** We will only acquire the specified brand exclusively from the supplier.

- **Sales and pricing policies:** We are free to set the prices under which we resell the products to our customers in Hong Kong and Macau so far as it is in the good reputation and image of Brand C.

- **Placing of orders:** Each purchase order shall contain a description of products such as style, quantity, delivery schedule, confirmation of price and payment terms.

- **Delivery:** We are entitled to withdraw from the purchase order for prolonged delay.

- **Product return:** For products with systemic hidden defects and provided that the number of affected products exceeds a specified percentage of the respective sales quantity of the contract year and the supplier is notified of such defects within four weeks after delivery, the supplier will at its option repair or replace such defective products.

- **Warranty:** We agree to grant our customers a two-year-full-service warranty.

- **Marketing:** We will spend a sum on advertising and promoting the supplier's products. The supplier shall contribute 50% of our advertising and promotion expenses arising within each contract year, up to a maximum amount.

- **Minimum purchase amounts:** There is a requirement for minimum purchase amount every year (the annual minimum purchase amounts for 2012, 2013, 2014, 2015, 2016 and 2017 are EUR320,000, EUR415,000, EUR540,000, EUR705,000, EUR920,000 and EUR1,050,000, respectively). If the minimum purchase amount in any particular year is not achieved, the supplier is entitled to terminate the agreement.

- **Payment and credit terms:** Payments shall be effected by pre-payment.

- **Termination:** The agreement can be terminated by notice of termination served by either party.

The salient terms of our distribution agreement with the supplier of Brand F are as follows:

- **Contract period:** The agreement has a term of five years commencing from 15 December 2010 to 14 December 2015.

- **Termination:** The agreement will be terminated if we do not purchase watches from the supplier for more than six months or we do not reach the specified purchase amount.

- **Geographic or other exclusivity:** We are appointed as the suppliers' sole distributor in Hong Kong and Macau.

- **Sales and pricing policies:** We are generally free to set the prices under which we resell the products to our customers in practice.

The salient terms of our distribution agreement with the supplier of Brand H are as follows:

- **Contract period:** The agreement has a term of four years commencing from 1 July 2011 to 30 June 2015.

- **Minimum purchase amount:** There is a requirement for minimum purchase amount every year and the first six months of each year (the annual minimum purchase amounts for 1 July 2011 to 30 June 2012, 1 July 2012 to 30 June 2013, 1 July 2013 to 30 June 2014 and 1 July 2014 to 30 June 2015 are USD50,000, USD60,000, USD90,000 and

USD115,000, respectively, and the minimum purchase amounts for the first six months of each of the said years are USD20,000, USD24,000, USD36,000 and USD46,000, respectively). The agreement may be terminated without notice if we do not reach the specified purchase amount (the agreement does not contain any termination provision otherwise). *(Note)*

- **Geographic or other exclusivity:** We are appointed as the suppliers' sole distributor in Hong Kong and Macau.

- **Restrictions:** We are not allowed to (i) include in our selling plan other watch brands which might compete with Brand H without prior approval from the brand owner; and (ii) re-export any of its watch to other countries without prior written approval.

- **Sales and pricing policies:** We are generally free to set the selling prices under which we resell the products to our customers in practice. We are required to keep the supplier informed of the current selling prices.

- **Orders planning and report on sales:** We are required to inform the supplier of our order planning and sales on a monthly basis.

- **Payment:** Payments shall be made in full and in advance for purchase of products in stock. 30% deposit shall be paid for purchase of products that has to be manufactured and the remaining 70% shall be paid before shipment.

- **Product repair:** We will notify the supplier any hidden manufacturing defects immediately after the discovery and no later than one year of delivery. The supplier agrees to repair such defective watches free of charge.

Note: We have not fulfilled and will not fulfil the minimum purchase requirement prior to the expiration of the agreement. According to the agreement, the supplier is entitled to terminate the agreement upon the non-fulfilment of the minimum purchase requirements. The agreement does not contain any provision on any other consequence. As such, there will be no other outstanding liability against us in such regard. As at the Latest Practicable Date, we did not receive any notice to terminate the agreement from the supplier.

Credit and payment terms

We settle most of our purchases in HKD and mainly by way of cheques. Sometimes payment has to be settled before the products are delivered to us. There are also circumstances where we are granted a credit period ranging from 30 days to 60 days by our suppliers to settle our payment after date of invoice.

Pricing and discounting policies

We generally source watches from watch suppliers at gross wholesale price, which is calculated based on the discount given to the suggested retail price set by the supplier from time to time. We may be granted further discounts to the gross wholesale price if we meet certain criteria including adherence to the decoration and layout requirements of the supplier and achieving specified sales targets and inventory levels.

Incentive bonus

The agreements we have entered into with our suppliers generally provide for three types of incentive bonus, namely sales incentive bonus, inventory incentive bonus and staff incentive bonus. We are generally entitled to sales incentive bonus if any sales targets are met and inventory incentive bonus if any inventory levels are met. We are currently entitled to staff incentive bonus (an incentive payment for the handling staff to whom we distribute based on satisfactory performance) from one supplier, namely the supplier of Brand D watches (Supplier A terminated such arrangement in July 2013). For the three years ended 30 April 2014 and the six months ended 31 October 2014, total incentive bonus received from watch suppliers accounted for approximately 10.0%, 12.6%, 11.2% and 9.9% of our gross profit, respectively.

Except for the minimum purchase amounts stipulated under a franchise agreement for Brand B, the wholesale distribution agreement for Brand C and the wholesale distribution agreement for Brand H, we are currently not subject to any minimum purchase amount requirements. For details of the minimum purchase amounts, see "— Our retail network — Single-brand boutique outlet — Franchise agreements — Outlets under Brand A and Brand B" and "— Suppliers — Sourcing arrangements — Wholesale business".

PRODUCT RETURN

For watches sold to our customers, it is our policy that no sales return, refund or exchange is accepted and our customers could rely on the international warranties provided by the watch suppliers. For watches purchased from our watch suppliers, we would conduct checks upon receipt of watches. Given we have stringent quality control measures, the number of watches we returned to suppliers due to problems of defects were negligible in terms of sales volume during the Track Record Period. During the Track Record Period, we did not record any incident of product recall, significant amounts of product return or major product liability claim.

MARKETING, ADVERTISING AND PROMOTION

Our marketing executive, who reports directly to our senior management, is responsible for formulating different marketing strategies to enhance brand recognition and stimulate customers' purchase. Our marketing initiatives cover the following aspects:

In-store marketing

We consider enhancing in-store shopping experience key to attracting and retaining customers. We place strong emphasis on our store design and product layout. For our efforts in this area before the opening of the outlet, see "— Our retail network — Opening procedures of retail outlets — From signing of the lease to opening of the retail outlet — Renovation". On an on-going basis, we would also design the displays of watches in individual watch display cabinets to maintain coherent image of the brands or to align with promotional activities or new product launch, which we consider as useful in promoting brand recognition and in turn, enhancing our sales.

Joint promotional activities with shopping malls

We participate in the promotional activities and marketing campaigns organised by the shopping malls at which our retail outlets are located from time to time to take advantage of the higher number of consumers visiting those shopping malls during the promotional periods.

Joint promotional activities with watch suppliers

We are a retailer of a large portfolio of globally recognised watch brands, some of which would organise their own marketing activities from time to time, such as media advertisement through newspapers and magazines. Some of these media advertisements would publicise the locations of our retail outlets where the sales or discount of a particular watch brand would be available.

Others

- We would promote sales by giving some complimentary gifts occasionally to increase purchasing desire.

- We would conduct online marketing by placing advertisement or banners on high traffic websites.

- We participate in store opening and renovation events with our watch supplier where celebrities and media are also invited.

- We participate in the watch exhibitions, including the Baselworld Show to acquire latest market intelligence and promote our brand.

- To promote our latest design and collections, we obtain product catalogues and brochures from our watch suppliers featuring the watches we offer.

- We advertise the watches brands we carry on our website. The shop information of our retail outlets is also displayed on the official website of the relevant watch brand.

For the three years ended 30 April 2014 and the six months ended 31 October 2014, our advertising and promotion expenses were approximately HK$3.0 million, HK$3.9 million, HK$5.0 million and HK$2.6 million, respectively, part of which was borne by the watch suppliers. For the three years ended 30 April 2014 and the six months ended 31 October 2014, our advertising and promotion expenses accounted for approximately 1.0%, 1.1%, 1.1% and 1.1% of our revenue, respectively.

CUSTOMERS

Our customer base largely consists of retail customers in Hong Kong to whom we sell watches directly. For the three years ended 30 April 2014 and the six months ended 31 October 2014, sales to retail individual consumers accounted for approximately 99.3%, 99.4%, 99.3% and 99.3% of our total revenue, respectively.

Our customer base also consists of wholesale customers to whom we sell watches on wholesale basis. For the three years ended 30 April 2014 and the six months ended 31 October 2014, we had a total of 16, 19, 11 and 10 wholesale customers, respectively. Our five largest customers were our wholesale customers. Our wholesale customers comprise mainly watch retailers, jewellers and lifestyle product retailers who, to the best of our knowledge, sell the watches to end-consumers through their retail channels. Our relationship with our wholesale customers is a seller and buyer relationship. Our wholesale customers make purchases from us on an order-by-order basis, which our Directors acknowledge is normal market practice. We generally receive orders verbally or by e-mail from our wholesale customers and we will prepare an invoice which contains a description of products to be delivered by code, quantity, unit price, wholesale discount, trade terms and other discount. We do not impose minimum purchase amounts on our wholesale customers. We require our wholesale customers to follow our discount control policy. We generally deliver the watches to our wholesale customers at our costs. We generally accept exchange of watches for defective watches. As title to and legal risks of the watches sold to our wholesale customers are passed onto them when the goods are delivered to and accepted by them, we recognise the sales as our revenue when the watches have been delivered to and accepted by customers. As at the Latest Practicable Date, our business relationship with our five largest customers (except for three) ranged from over one to over three years and we had established over three years of business relationship with our largest customer. Three of our five largest customers made one-off purchases from us in the three years ended 30 April 2014. These customers did not make further purchases from us in the six months ended 31 October 2014. Our Directors believe that it is not uncommon for our wholesale customers to make one-off purchases from us or cease placing orders with us due to their business needs and that it is market practice. Our Directors confirm that during the Track Record Period, all of our business with our five largest customers were conducted on an arm's length basis.

For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, the aggregate percentages of sales attributable to our five largest customers are less than 30%. For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, sales to our five largest customers amounted to approximately HK$1.7 million, HK$1.9 million, HK$2.5 million and HK$1.4 million, respectively, representing approximately 0.6%, 0.5%, 0.6% and 0.6% of our total revenue, respectively. For the same periods, sales to our largest customer amounted to approximately HK$1.3 million, HK$1.0 million, HK$1.1 million and HK$0.7 million, respectively, representing approximately 0.4%, 0.3%, 0.2% and 0.3% of our total revenue, respectively.

Our largest customer throughout the Track Record Period was Company A, which is owned by Mr. Lam as to 29% and other Independent Third Parties as to 71%. Each of our five largest customers is an Independent Third Party.

Save for Company A, none of our Directors, their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our five largest customers for the Track Record Period.

Pricing

Retail business

We generally set our selling prices based on the suggested retail prices and discount control policies provided by our watch suppliers. For the retailing of watches which we have wholesale right, we are generally free to set our selling prices and we would consider our internal pricing policy.

We have adopted internal pricing discount controls which are set out and approved by the management to ensure we follow our watch supplier's pricing and discount policies if required or when desirable and to ensure that the discounts granted are in line with our sales strategy. Our accounting staff inputs the pre-set selling price of watches received from suppliers into the point-of-sale (POS) system. Our shop managers or supervisors are informed of the permissible range of sales discount that can be given to our retail customers, which cannot exceed the permissible range determined by our suppliers. Our shop managers or supervisors and sales staff have the flexibility to decide the specific discount given to each customer within such range. Our sales staff are requested to strictly follow such policies. Our accounting staff monitors whether the sales staff adheres to the discount policy on a daily basis and any deviation from existing discount requires prior approval of the management. During the Track Record Period, there was no major violation by us of our watch supplier's discount policies or by our staff of our internal pricing policy and discount controls.

Wholesale business

We are not bound by any pricing or discount policies under the wholesale distribution agreements entered into with the relevant watch suppliers. We generally sell our watches to our wholesale customers at a discount to the suggested retail price provided by the watch suppliers. Our pricing policy is formulated taking several factors into consideration, including the costs of purchases, our relationship with our wholesale customers and general market conditions. As we recognise our revenue by reference to our selling prices to our wholesale customers, the adjustments to retail prices made by our wholesale customers do not directly affect our revenue.

Credit and payment terms

Retail business

We require our retail customers to pay for merchandise at the time of purchase and we do not grant any credit terms to our individual customers. Other than HKD, being the domestic currency for our retail operation in Hong Kong, we also accept common foreign currencies like RMB and USD. During the Track Record Period, our retail turnover was settled through the following ways:

	Year ended 30 April						**Six months ended 31 October**	
	2012		**2013**		**2014**		**2014**	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Non-cash payments								
• China UnionPay	241,784	79.8	291,653	83.4	382,780	86.2	208,633	86.9
• Other non-cash payments *(Note)*	34,312	11.3	31,890	9.1	34,167	7.7	18,072	7.5
Cash	26,969	8.9	26,181	7.5	27,336	6.1	13,401	5.6
Total	303,065	100.0	349,724	100.0	444,283	100.0	240,106	100.0

Note: Other non-cash payments are mainly credit card payments.

Wholesale business

Currently, our wholesale customers typically make payment within 30 to 60 days after date of invoice. Such payments are generally made in HKD. For wholesale customers who place orders with us for the first time, we require payment to be made prior to our delivery of watches. As at 31 October 2014, our bad and doubtful debts were nil and no provision was made for such.

INVENTORY MANAGEMENT

Our inventories are mainly watch products. We also keep a small quantity of spare parts, packaging boxes and complimentary gifts for customers in stock. Other than some watches which may be stored in our offices before being allocated to retail outlets or wholesale customers, all other are delivered to our retail outlets directly. We have adopted internal inventory management policies covering the following aspects.

Inventory levels

It is our internal policy to use a retail point-of-sale (POS) system to facilitate timely collection, recording and management of sales and inventory data such as consumer purchases, stock information and inventory levels, among others. The POS system links our retail outlets to our head office, which gives our management assess to various real-time retail operations data and in turn facilitates the monitoring of sales performance of outlets and moving of inventories. The POS system used in our single-brand boutique outlets also grants access to the relevant watch suppliers, which enables them to monitor stock levels and helps strengthen our relationship with them on operation level. To ensure constant monitoring of our inventory levels by designated personnel and to ensure our accounts department provides monthly transaction reports generated by the POS system for our management's review. Our management holds monthly meetings with shop managers or supervisors to discuss sales performance of outlets. To ensure accuracy of our inventory data, we perform stock count in our retail outlets semi-annually. We compare results of the actual stock count against the inventory level recorded in the POS system and will report promptly any discrepancy to our management. By closely monitoring inventory levels, our management is able to obtain updated market information to facilitate the maintenance of adequate inventory levels, approve re-stock purchase orders initiated by shop managers or supervisors during daily operations and analyse sales and profit trends.

Inventory turnover and unsold watches

For the three years ended 30 April 2014 and the six months ended 31 October 2014, our average inventory turnover days were approximately 83, 99, 113 and 122 days, respectively, while our inventories (after provision for slow-moving inventories) as at 30 April 2012, 30 April 2013 and 30 April 2014 and 31 October 2014 accounted for approximately 49.8%, 66.5%, 78.6% and 72.0% of our total current assets, respectively. During the Track Record Period, we kept on average approximately 1,603 pieces of inventory per multi-brand outlet and approximately 771 pieces of inventory per single-brand boutique outlet per month and as (i) we sold on average approximately 270 pieces of watches per multi-brand outlet per month and approximately 275 pieces of watches per single-brand boutique outlet per month; and (ii) it would generally take approximately two weeks for us to replenish sold watches from our suppliers, our Directors are of the view that the level of inventory kept at our retail outlets is sufficient for our business operations. For detailed analysis on our inventory level, see "Financial Information — Discussion of selected items from combined statements of financial position — Inventories".

Save for a small portion of consigned products, our watches are sourced from watch suppliers on outright basis. In addition to our inventory management policy as discussed in "— Inventory management — Inventory levels", we have implemented the following measures to monitor our inventory turnover days: (i) our management monitors our inventory turnover days on a monthly basis by reviewing reports on slow-moving stock; (ii) our management makes appropriate adjustment to our product portfolio in order to capture customer preference based on the latest market information obtained through monitoring our inventory levels and discussion with shop managers or supervisors; (iii) our management may adopt different marketing plans to accelerate the sale of slow-moving stock within a reasonable period of time, which include enhancing promotions and offering staff incentive in order to enhance the marketability of those slow-moving stock.

Having considered that (i) the increase in inventory turnover days during the Track Record Period was due to the opening of retail outlets (for details, see "Financial Information — Discussion of selected items from combined statements of financial position — Inventories"); (ii) our management is able to access real-time inventory information of our retail outlets through the POS system; (iii) management approval is required for re-stock purchase orders; and (iv) our management reviews monthly reports on slow-moving stock, our Directors are of the view and the Sole Sponsor concurs that the measures to monitor our Group's inventory turnover days are effective. As at 30 April 2012, 2013, 2014 and 31 October 2014, provision made for inventories amounted to approximately HK$5.1 million, HK$6.7 million, HK$8.8 million and HK$10.3 million, respectively. It is our inventory provisioning policy that our account department will prepare inventory aging analysis semi-annually to discuss whether there is a need to make provision for impairment of inventory. The analysis will be reviewed by designated personnel and approved by our chief executive officer. Accounting entry would be made after approval. We also assess annually whether any provision is required to reflect the carrying value of inventory or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventory security

We have implemented the following security measures to safeguard our inventories:

- installing a security system in our retail outlets and our office including an alarm system, vault and 24 hours surveillance system;
- keeping certain merchandise in locked vaults, including all watches stored at our office and certain more expensive watches at our outlets after close of business on a daily basis;
- maintaining insurance coverage against any loss or theft on inventories within the retail outlets and our office;
- conducting daily stock count for each retail outlet by designated staff; and
- conducting full stock-taking semi-annually by designated staff under the monitoring of the head office. Discrepancies with the records in the POS system has to be reported to the management immediately.

During the Track Record Period, we did not encounter any reported theft at our retail outlets or any significant discrepancies between physical stock counts and the records in the POS system.

CASH FLOW MANAGEMENT

We have implemented a policy on cash flow management. We periodically monitor current and expected liquidity requirements by reviewing financial statement and monthly forecast, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet our liquidity requirements in the short and longer term.

QUALITY CONTROL

We believe that the quality of our merchandise, retail outlet environment and services is of paramount importance to our business. As at the Latest Practicable Date, our quality control team consisted of 18 staff, comprising 17 sales staff each being the shop manager or supervisor of its responsible outlet who is designated with the responsibilities of, among others, product quality checking and Mr. Tsang Hok Man, our executive Director, who heads the team. For the experience of Mr. Tsang, see "Directors and Senior Management — Executive Directors". We have implemented the following quality control measures over different aspects of our business to ensure that our business is operated in a systematic manner.

Merchandise quality

When the stocks are delivered to the retail outlet, the designated staff would cross-check the details of the delivered stocks against the information of purchase orders sent from the accounts department before acceptance. The designated staff would then inspect each watch to check functionality and look for defects and, if required, inform our head office to arrange for exchange, or refund or repair with our watch suppliers.

Retail outlet environment

We consider that the attractiveness of our retail outlet environment plays an important role in raising consumer awareness and building consumer patronage. Our management is responsible for ensuring that the outlet decoration and merchandise display satisfy our internal and our watch brand suppliers' requirements or preferences. We require our staff to follow the requirements as to attire, outlet setting and merchandise display set out in the staff handbook. We also designate three staff from our head office to conduct daily patrols of our retail outlets and to discuss any significant operational issues with the relevant shop managers or supervisors.

Service quality

We have established procedures for handling customer complaints. Customers can make complaints with the shop managers or supervisors verbally or in writing or contact our head office directly. We require our head office to investigate all serious complaints. We keep records of written complaints we have received. We also provide on-the-job training to our staff to enhance their product knowledge for improving servicing levels. During the Track Record Period, we had not received any major complaint from our customers in relation to the quality of the watch products we sold.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 100 full-time employees. The following table shows a breakdown of our employees by function as at the Latest Practicable Date.

Function	Number of employees
Management and administration	7
Sales *(Note)*	85
Marketing	1
Finance	7
Total	100

Note: 17 sales staff currently also takes up quality control function.

Recruitment and training

We generally recruit staff who are new to the watch industry as we consider they are more receptive to learning our mode of operation. We provide training to our staff to enhance their product and industry knowledge. Some watch suppliers would also provide training to our shop managers or supervisors on information of the new products.

Staff remuneration and benefits

For the three years ended 30 April 2014 and the six months ended 31 October 2014, our staff costs, including our Directors' remuneration, accounted for approximately 6.1%, 6.6%, 6.2% and 5.8% of our revenue, respectively. We will review the performance of our staff periodically and consider the results of such review for staff's annual salary review and promotion appraisal.

We seek to motivate our sales staff by performance-based bonus in addition to their basic salary. During the Track Record Period, our sales staff received bonus based on their ability to meet the monthly sales targets. Our bonus system is designed to encourage competition among our sales staff in terms of sales targets and relative sales ranking. Our Directors believe that these staff benefits are in line with the industry level.

We have adopted the Share Option Scheme. For details, see "D. Share Option Scheme" in Appendix IV to this Prospectus.

Staff relations

We believe we have maintained good relationship with our staff. Our staff turnover rate was approximately 28.6%, 14.6%, 20.2% and 4.8% for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. As mentioned in the Ipsos Report, high staff turnover is the nature of the retail industry in Hong Kong. As we operate in the watch retail industry which is competitive and we consider the skills of our sales staff relatively easily transferrable from one sales environment to another, we compete with watch retailers and other retailers for skilled sales staff. A large number of our staff is sales staff and performance-driven incentive or bonus generally makes up a large component of their remuneration. Our Directors consider such remuneration structure could lead to uncertainties of future income for our sales staff and could affect employee loyalty. For associated risks, see "Risk Factors — Risks relating to our business — We have experienced high staff turnover rate and our operations could be adversely affected by difficulties in recruiting and retaining sufficient workforce to meet our needs.".

During the Track Record Period, we had not experienced any material disruption of our normal business operations due to strikes or labour disputes.

AWARDS AND CERTIFICATIONS

As at the Latest Practicable Date, all our multi-brand outlets were granted the No Fakes Pledge Scheme (正版正貨承諾計劃) certification by the Hong Kong Intellectual Property Department. Under the scheme, our Group is committed to sell only genuine goods and pledge not to sell or deal in counterfeit or pirated goods. The certification has to be renewed on an annual basis. The current certification for each of our multi-brand outlets was granted to us in 2015 and is valid from 1 January 2015 to 31 December 2015. We have not applied for such certification for our single-brand boutique outlets as we consider that the strength of our brands could be demonstrated through the appeal of single-brand boutique outlets.

MARKET AND COMPETITION

We operate in a fast-growing industry. According to the Ipsos Report as further disclosed in "Industry Overview", the total retail sales value of watches in Hong Kong grew at a CAGR of approximately 20.3% from approximately HK$14,179.3 million in 2009 to approximately HK$35,761.5 million in 2014. The mid-end watch market in which we operate is, in particular, developing rapidly in recent years. The Ipsos Report indicates that total retail sales of mid-end watches grew at a CAGR of 25.3% from about HK$2,935.1 million in 2009 to HK$9,047.7 million in 2014. Such growth is attributable to a number of factors, including the increase in average disposable income in Hong Kong, the increasing number of mainland tourists in Hong Kong, the growing number of middle class population in Asia who have strong demand in mid-end watch products.

According to the Ipsos Report, there were 84 watch retailers in Hong Kong in 2014. Our Directors consider that our major competitors include large-scale retailers focusing on mid-end to high-end watches and jewelleries, some of which are listed companies, in the mid-end watch market in Hong Kong in 2014. We believe that we compete on the strength of our large watch brand portfolio with globally recognised Swiss watch brands, established business relationships with international watch suppliers and effective retail network in prime locations.

We consider that the watch distribution market is an area of growth in Hong Kong and many new competitors will be attracted to the market in the future. We benefit from the competitive advantage of certain entry barriers to the watch distribution industry, such as start-up costs, relationship with suppliers and established reputation in the industry. We believe that we are in a strong position to compete with both existing and new competitors based on our experience and expertise in the watch distribution industry, and because we have already built up long-term relationships and trust with our watch suppliers and established an effective retail network in Hong Kong.

INSURANCE

We have taken out insurance policies which cover, among other things, the assets in all of our retail outlets in Hong Kong, including insurance for our stock and against, among others, burglary, and fire. We have also taken out other insurance policies, including the employees' compensation insurance, public liability insurance and office protection insurance. We do not maintain product liability insurance for our products and our Directors confirm that it is market practice. We believe that our insurance coverage is adequate for our operations and in line with the industry norm. As at the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

The total insurance premium paid by us for the three years ended 30 April 2014 and the six months ended 31 October 2014 amounted to approximately HK$0.2 million, HK$0.3 million, HK$0.4 million and HK$0.2 million, respectively, representing approximately 0.3%, 0.3%, 0.4% and 0.3% of our total selling and distribution costs for the said year and period.

PROPERTIES

We currently do not own any property. As at the Latest Practicable Date, we have entered into lease agreements for a total of 21 properties in Hong Kong, out of which 14, one, two and one were used as our retail outlets, office, watch repair centres and director's quarters, respectively, and three will be used as our new retail outlets. We consider the leasing arrangement advantageous to our overall business plan as it helps us reduce our initial capital outlay and allows us to concentrate our capital resources on renovation of the retail outlets and inventory purchases. Currently, we do not intend to acquire any properties to be used as our retail outlets. For the three years ended 30 April 2014 and the six months ended 31 October 2014, our property rentals and related expenses (excluding rates) (excluding the property leased by us as director's quarters which is treated as part of directors' remuneration package) accounted for approximately 13.1%, 14.4%, 13.8% and 12.1% of our total revenue, respectively. For the same periods, payments we made under the operation agreements in relation to the Relevant Retail Outlets which were treated as our rental expenses accounted for approximately 4.3%, 4.7%, 6.7% and 6.3% of our total revenue, respectively.

We have adopted a policy in managing our lease agreements. Our Directors and senior management are responsible for negotiating with the landlords in relation to the renewal of the existing lease agreements before their respective expiry dates. When renewing the existing tenancy agreements, we consider various factors, including the customer flow, the revenue performance of the retail outlet and the amount of increase in rent. As at the Latest Practicable Date, save for Outlet 4, we intended to renew all the existing lease agreements upon expiry. Our Directors confirm that, except for Outlet 4 (see further details stated below), they did not receive any indication from the landlords that any of the leases may not be renewed upon expiry of the existing lease agreements as at the Latest Practicable Date.

Leased properties

The following table sets out a summary of the properties leased by us as at the Latest Practicable Date. All our landlords are Independent Third Parties.

Address as shown in the lease	**Our use of property**	**Tenant**	**Current term of the lease** *(Note 3)*	**Rental**
Shop Unit No. 246 on the 2nd Floor of Shun Tak Centre (Podium), Nos. 168–200 Connaught Road Central, Hong Kong (i.e. Outlet 1)	Multi-brand outlet	Tic Tac Time	From 26 November 2012 to 25 November 2015	Monthly fixed rent or a specified percentage of the turnover, whichever is higher
Shop 215, Star Annex, 2/F, Star House, No. 3 Salisbury Road, Kowloon, Hong Kong (i.e. Outlet 4) *(Note 2)*	Multi-brand outlet	Tic Tac Time	From 3 December 2013 to 2 December 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop OT 265, Level 2, Ocean Terminal, Harbour City (i.e. Outlet 5)	Multi-brand outlet	Tic Tac Time	From 1 May 2013 to 30 April 2015 *(Note 4)*	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. 57 on the Upper Ground Floor of the Podium of China Hong Kong City at No. 33 Canton Road, Kowloon, Hong Kong (i.e. Outlet 6)	Multi-brand outlet	Tic Tac Time	From 3 July 2012 to 2 July 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent

Address as shown in the lease	Our use of property	Tenant	Current term of the lease *(Note 3)*	Rental
Shop No. 9B on the MTR Floor of iSquare, No. 63 Nathan Road, Kowloon, Hong Kong (i.e. Outlet 7)	Multi-brand outlet	Tic Tac Time	From 16 December 2012 to 15 October 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop Nos. 21, 22 and 23 on the MTR Floor of iSquare, No. 63 Nathan Road, Kowloon, Hong Kong (i.e. Outlet 8)	Multi-brand outlet	Tic Tac Time	From 18 November 2012 to 17 November 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Unit L1–15, Festival Walk, 80 Tat Chee Avenue, Kowloon, Hong Kong (i.e. Outlet 9)	Multi-brand outlet	Tic Tac Time	From 6 January 2014 to 5 January 2017	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop Nos. 106–107 (Level 1), Plaza Hollywood, Diamond Hill, Kowloon (i.e. Outlet 10)	Multi-brand outlet	Tic Tac Time	From 6 December 2012 to 5 December 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. 602 on Level 6 of the Commercial Units of New Town Plaza (Phase I) erected on Sha Tin Town Lot No. 143 (i.e. Outlet 11)	Multi-brand outlet	Tic Tac Time	From 1 October 2013 to 30 September 2016	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. UG08 on the Upper Ground Floor of the Commercial Unit 1, Citywalk, Vision City, No.1 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (i.e. Outlet 12)	Multi-brand outlet	Tic Tac Time	From 7 April 2014 to 6 April 2017	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent

Address as shown in the lease	Our use of property	Tenant	Current term of the lease *(Note 3)*	Rental
Shop Nos. 925–925A, 9th Floor, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong *(Note 5)*	Multi-brand outlet (for both retail outlets)	Tic Tac Time (for both retail outlets)	From 30 March 2015 to 29 March 2018 (for Shop 925) From 12 June 2015 to 29 March 2018 (for Shop 925A)	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent (for both retail outlets)
Shop No. 637 on Level 6 of the Commercial Units of New Town Plaza (Phase I) erected on Sha Tin Town Lot No. 143	Single-brand boutique outlet	Tic Tac Time	From 1 March 2015 to 28 February 2018	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. 7 on the MTR floor of iSquare, No. 63 Nathan Road, Kowloon, Hong Kong (i.e. Outlet 13)	Single-brand boutique outlet	Jenus Top	From 28 June 2013 to 27 June 2016	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop Nos. 87 and 89 on the Upper Ground Floor of the Podium of China Hong Kong City at No. 33 Canton Road, Kowloon, Hong Kong (i.e. Outlet 16)	Single-brand boutique outlet	Treasure Ascent	From 8 November 2013 to 7 November 2016	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. 20 on the MTR Floor of iSquare, No. 63 Nathan Road, Kowloon, Hong Kong (i.e. Outlet 18)	Single-brand boutique outlet	Tic Tac Time	From 28 December 2012 to 27 December 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop No. 93 on the Upper Ground Floor of the Podium of China Hong Kong City at No. 33 Canton Road, Kowloon, Hong Kong (i.e. Outlet 19)	Single-brand boutique outlet	Tic Tac Time	From 1 August 2012 to 31 July 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent

Address as shown in the lease	Our use of property	Tenant	Current term of the lease *(Note 3)*	Rental
Unit Nos. 2231, 22/F, Block 1, Sui Fai Factory Estate, 5–13 Shan Mei Street, Fo Tan, Shatin, N.T., Hong Kong	Watch repair centre	Tic Tac Time	From 1 February 2014 to 31 January 2017	Monthly fixed rent
5/F., 521AB, Block 1, Wang Cheong Factory, Cheung Sha Wan, Hong Kong	Watch repair centre	Treasure Ascent	From 1 April 2013 to 31 March 2016	Monthly fixed rent
Suite No. 9 on the 11th Floor of Tower 1 of China Hong Kong City at No. 33 Canton Road, Kowloon, Hong Kong	Office	Tic Tac Time	From 20 November 2014 to 19 November 2017	Monthly fixed rent
29/F., Unit B, Tower 1, Elegant Terrace, 36 Conduit Road, Hong Kong	Director's quarters	Tic Tac Time	From 1 May 2013 to 30 April 2015	Monthly fixed rent

The following table sets out a summary of the properties leased by us during the Track Record Period and the leases of which expired prior to the Latest Practicable Date. All our landlords are Independent Third Parties.

Address as shown in the lease	Our use of property	Tenant	Term of the last lease *(Note 3)*	Rental
Shop No. 924, 9th Floor, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (i.e. Outlet 2) *(Note 1)*	Multi-brand outlet	Tic Tac Time	From 1 December 2014 to 13 March 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
Shop Nos. 905B–905C, 9th Floor, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (i.e. Outlet 3) *(Note 1)*	Multi-brand outlet	Tic Tac Time	From 1 December 2014 to 13 March 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent

Notes:

1. The leases in respect of Outlet 2 and Outlet 3 were not renewed upon expiry. These retail outlets will be relocated to two adjoining premises within the same shopping mall. For details, see "— Our business strategies — Expand our retail and sales network".

2. We received a notice of termination from the landlord in January 2015 to terminate the lease due to improvement works of the shopping mall and we will vacate the premises by 30 April 2015. We plan to close the outlet and our Directors confirm that no leasehold expenses have to be written off as those expenses are fully depreciated.

3. Where the lease is extended, the term stated herein represents the extended term without taking into account the initial term.

4. A new lease with a term of three years commencing from 1 May 2015 for this retail outlet has been signed.

5. One lease has been entered into covering both retail outlets. These retail outlets will commence operation in or about April 2015 and July 2015, respectively.

For information about the properties in respect of which the leases have been entered into between Supplier A and the relevant landlords, see "— Our retail network — Single-brand boutique outlet — Operation agreements".

During the Track Record Period, we leased two properties from Mr. Lam and Ms. Chan, our Controlling Shareholders, for use as office under two lease agreements which were terminated with effect from 31 December 2014. For details, see "Relationship with Controlling Shareholders — Lease of office from our Controlling Shareholders during the Track Record Period".

Our Directors confirmed that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. As at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we owned seven registered trademarks in Hong Kong which were registered under class 14 on 4 November 2005 and class 35 on 10 April 2007 and 14 October 2014 with the Trade Marks Registry in Hong Kong. We had also applied for registration of two trade marks in Hong Kong, all of which were still being processed as at the Latest Practicable Date. In addition, as at the Latest Practicable Date, we had registered one domain name: **www.tictactime.com.hk**. Details of our intellectual property rights are more particularly set out in "B. Further information about our Group's business — 2. Our intellectual property rights" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third party or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors confirm that as at the Latest Practicable Date, we were not aware of any pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third parties.

LEGAL COMPLIANCE AND PROCEEDINGS

Legal and regulatory

In respect of carrying on the businesses of retailing and wholesaling of watches in Hong Kong, save and except that our Group will have to comply with the general laws and regulations for operating businesses in Hong Kong, such as obtaining valid business registration certificates, comply with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), participating in a MPF scheme and making contributions for its employee in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), our Group does not require specific licenses, permits or certificates from relevant governmental bodies in Hong Kong. We are authorised to operate Brand A, Brand B, Brand D and Brand E single-brand boutique outlets under franchise arrangements. For details, see "— Our retail network — Single-brand boutique outlet — Franchise agreements".

For the wholesale distribution of watches in Macau, our Macau legal adviser advised that the wholesale of watches in Macau does not require any consent, permit, license or approval from any governmental authority or regulatory body in Macau.

Our Directors confirm that our Group has obtained all the necessary permits, certificates and licences for its operation during the Track Record Period and up to the Latest Practicable Date.

Non-Compliance

During the Track Record Period, our Group had failed to comply with certain applicable laws and regulations in Hong Kong, details of the relevant events of non-compliance are set out below:

Particulars of historical non-compliance	Reasons for non-compliance	Remedial action taken	Legal consequences and potential maximum penalties	Any operational and financial impact on our Group
Non-compliance with section 111 of the Predecessor Companies Ordinance				
Tic Tac Time No annual general meeting was held for 2001 *(Note)* and more than 15 months elapsed between the date of its 2002 and 2003 annual general meetings.	The omission was not willful and due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	Our Group had sought the advice of the Legal Counsel on whether we should seek relief from the Court of First Instance of the High Court of Hong Kong (the "**Court**") regarding the non-compliance. As advised by the Legal Counsel, based on the recent judgments of the Court, it is very unlikely that the Court will grant relief under section 111 of the Predecessor Companies Ordinance because the risk of prosecution of such non-compliance is unlikely and in the absence of a real risk of prosecution, the Court is likely to dismiss the application for rectification. As such, the Legal Counsel advised us not to take out an application to the Court for the rectification of the non-compliance.	Tic Tac Time and each of its officers in default may be liable to a maximum fine of HK$50,000. No prosecution had been initiated and no fine had been imposed as at the Latest Practicable Date. As advised by the Legal Counsel, prosecution of such non-compliance against Tic Tac Time and its officers had already been time-barred since the same was committed more than three years ago. Based on the above reasons and indemnity provided by our Controlling Shareholders under the Deed of Indemnity, no provision was made for this non-compliance.	No material operational and financial impact on our Group as we are advised by the Legal Counsel that prosecution of such non-compliance had already been time-barred.

Note: This is included as an incident of non-compliance for prudence sake as Mr. Lam, a director of Tic Tac Time, advised that he is not able to recall whether or not an annual general meeting of Tic Tac Time for 2001 was held.

Particulars of historical non-compliance	Reasons for non-compliance	Remedial action taken	Legal consequences and potential maximum penalties	Any operational and financial impact on our Group
Non-compliance with section 122 of the Predecessor Companies Ordinance				
City Great Failed to lay its audited financial statements at its 2008 to 2012 annual general meetings, and the audited financial statements laid at its 2013 and 2014 annual general meetings were made up to a date falling more than 9 months before the date of such meetings. ***Sun Step*** Failed to lay its audited financial statements at its 2007, 2009, 2010 and 2011 annual general meetings, and the audited financial statements laid at its 2008, 2012, 2013 and 2014 annual general meetings were made up to a date falling more than 9 months before the date of such meetings. ***Treasure Ascent*** Failed to lay its audited financial statements at its 2009 annual general meeting. ***Jenus Top*** Failed to lay its audited financial statements at its 2005, 2010 and 2013 annual general meetings, and the audited financial statements laid at its 2006 to 2009, 2011, 2012 and 2014 annual general meetings were made up to a date falling more than 9 months before the date of such meetings. ***Tic Tac Time*** Failed to lay its audited financial statements at its 1998 to 2000, 2001 *(Note 1)*, 2003 to 2008 and 2013 annual general meetings, and the audited financial statements laid at its 2002 and 2009 to 2012 annual general meetings were made up to a date falling more than 9 months before the date of such meetings.	The omission was not willful and due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.	The audited financial statements *(Note 2)* had been laid before shareholders' meeting subsequently held or approved by way of written resolutions of shareholders. Our Group had also sought the advice of the Legal Counsel on whether we should seek relief from the Court regarding the non-compliance. As advised by the Legal Counsel, based on the recent judgments of the Court, it is very unlikely that the Court will grant relief under section 122 of the Predecessor Companies Ordinance because the risk of prosecution of such non-compliance is unlikely and in the absence of a real risk of prosecution, the Court is likely to dismiss the application for rectification. As such, the Legal Counsel advised us not to take out an application to the Court for the rectification of the non-compliance.	Any person being a director of the relevant members of our Group who failed to take all reasonable steps to comply with this section of the Predecessor Companies Ordinance may be liable to a maximum sentence of 12 months' imprisonment and a maximum fine of HK$300,000. No prosecution had been initiated and no fine had been imposed as at the Latest Practicable Date. As advised by the Legal Counsel, prosecution of such non-compliance which were committed more than three years before the Latest Practicable Date had already been time-barred. In addition, the Legal Counsel advised, based on the recent judgments of the Court, that the risk of prosecution is unlikely. Based on the above reasons and the indemnity provided by our Controlling Shareholders under the Deed of Indemnity, no provision was made for this non-compliance.	No material operational and financial impact on our Group as we are advised by the Legal Counsel that (i) prosecution of such non-compliance which were committed more than three years before the Latest Practicable Date had already been time-barred; and (ii) the risk of prosecution is unlikely.

Notes:

1. This is included as an incident of non-compliance for prudence sake as Mr. Lam, a director of Tic Tac Time, advised that he is not able to recall whether or not an annual general meeting of Tic Tac Time for 2001 was held.

2. Save for the audited financial statements of Tic Tac Time for the period from 28 July 1997 (its date of incorporation) to 30 April 2000 and for the year ended 30 April 2002. As advised by Mr. Lam, a director of Tic Tac Time, the aforesaid audited financial statements were lost and he is not able to recall whether or not the said audited financial statements were laid at shareholders' meeting or approved by way of written resolutions of shareholders of Tic Tac Time.

Internal control measures

In order to avoid non-compliance with the relevant laws and regulations in the future, we have implemented or will implement (as the case may be) the following internal control measures:

1. In order to ensure our compliance with relevant statutory requirements, we will engage external professional advisers, such as authorised persons, company secretarial service providers, consultancy firms, auditors and external legal advisers to render professional advice so as to comply with statutory requirements (including the Companies Ordinance and the Listing Rules) as applicable to our Group from time to time, to prevent any recurrence of any similar non-compliance with the Companies Ordinance.

2. We have appointed Quam Capital in February 2015 as our compliance adviser upon Listing to advise our Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

3. Our Directors have attended training sessions in January and February 2015 conducted by our Hong Kong legal advisers on, among other things, ongoing obligations, general corporate governance requirements, the duties and responsibilities of directors of a company whose shares are listed on the Stock Exchange under applicable laws, rules and regulations, including but not limited to the Listing Rules and Companies Ordinance. Our Directors have provided confirmation in writing in relation to their understanding of their duties under the Listing Rules and other applicable laws and regulations.

4. We will provide our Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time on a regular basis.

5. We will, from time to time, engage external legal advisers and seek legal advice on our legal matters relating to our Group.

6. We have adopted a policy of monitoring compliance and will prepare a checklist, which will be updated from time to time to record the details of all our Hong Kong subsidiaries, such as incorporation date, date of last annual general meeting and date of audited accounts. Our company secretary, will review the checklist and keep monitoring the date of the next annual general meeting. At least two months before the deadline for holding the next annual general meeting, our company secretary has to liaise with the company secretarial service provider and notify our accounting manager to contact the relevant auditors so as to ensure there is sufficient time to prepare the audited accounts to be laid before the annual general meeting.

Indemnity given by our Controlling Shareholders

Pursuant to the Deed of Indemnity, each of our Controlling Shareholders has agreed to indemnify our Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from any violation or non-compliance with the laws, rules or regulations applicable to our Group prior to the Listing Date, including all such non-compliance incidents disclosed in "— Legal compliance and proceedings — Non-compliance". For further details of the Deed of Indemnity, see "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid non-compliance incidents against our Group under the Deed of Indemnity.

Views of our Directors and the Sole Sponsor

Having considered that (i) in respect of our historical non-compliance relating to the Predecessor Companies Ordinance, we have been advised that prosecution of such non-compliance which were committed more than three years before the Latest Practicable Date had already been time-barred; and the risk of prosecution is unlikely; (ii) the legal consequences and penalties of such historical non-compliance were not material; (iii) as confirmed by our Directors, the historical non-compliance as disclosed above were unintended and wholly inadvertent and did not involve any fraudulent or dishonest acts; (iv) we have taken appropriate actions to rectify all historical non-compliance which are capable of being rectified; (v) as at the Latest Practicable Date, no prosecution had been initiated and no fine had been imposed against the relevant members of our Group or any of their officers relating to the historical non-compliance; (vi) we have implemented adequate and effective internal control measures as discussed in "— Legal compliance and proceedings — Internal control measures"; and (vii) each of our Controlling Shareholders has given us an indemnity covering the historical non-compliance (for details, see "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus), our Directors are of the view, and the Sole Sponsor concurs, that the historical non-compliance is not expected to have any material adverse impact on our Group and our Directors. Based on the aforementioned, our Directors and the Sole Sponsor are of the view that (a) the measures taken in response to the weaknesses identified above are adequate and effective to enhance the internal control of our Group and (b) such incidents of historical non-compliance do not constitute a material adverse factor concerning the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our Company's suitability for Listing under Rule 8.04 of the Listing Rules.

Litigation

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Tic Tac Investment, which is owned as to 90% by Mr. Lam and 10% by Ms. Chan, the spouse of Mr. Lam, will be interested in 70.625% of the issued share capital of our Company. Hence, Mr. Lam, Ms. Chan and Tic Tac Investment will be our Controlling Shareholders within the meaning of the Listing Rules.

OTHER BUSINESS INTERESTS OF OUR CONTROLLING SHAREHOLDERS

Mr. Lam, an executive Director and one of our Controlling Shareholders, is interested in the following companies (the "**Excluded Businesses**"), which are not members of our Group:

Excluded Business	Total interests held by Mr. Lam
Company A	29%
Company B	24%

Reasons for not including the Excluded Businesses in our Group

(i) ***Company A***

Company A, being principally engaged in the retail of watches in Macau, is owned by Mr. Lam as to 29% and other four Independent Third Parties as to 32%, 22%, 16% and 1%, respectively. For the eleven months ended 30 November 2014, Company A recorded a revenue of approximately MOP161.5 million. Our Group has been and will continue to be one of the suppliers of watch products for Company A for sales in Macau. For details, see "Financial Information — Related party transactions". Although Mr. Lam was once the member of the administrative authority, deputy managing director and executive director (行政管理機關成員、董事副總經理兼執行董事) of Company A, Mr. Lam has not been involved in the operation and the day-to-day management of Company A, and he resigned from the aforesaid positions in Company A in 2014. The current directors and management of Company A are all Independent Third Parties. Mr. Lam does not have any management control over Company A, nor is he involved in its daily management and operation.

Our Directors consider that it will not be in the best interest of our Group to include Mr. Lam's interest in Company A in our Group for the following reasons:

(1) Company A and our Group focus in different geographical locations. Our Group focuses our business in Hong Kong. Revenue generated from our sales to Macau (almost all of which are from Company A) accounted only for approximately 0.43%, 0.37%, 0.24% and 0.31% of our total revenue for the three years ended 30 April 2014 and the six months

ended 31 October 2014, respectively. Whereas, Company A focuses its business in Macau and, to the best of our Directors' knowledge, Company A has no present plan or intention to expand its business beyond Macau. Based on the aforementioned, our Directors are of the view that there is no direct competition between our Group and Company A and even though the business of Company A may compete with that of our Group in some aspects, such competition is not, and is unlikely to be, significant;

(2) Although Mr. Lam was once the member of the administrative authority, deputy managing director and executive director (行政管理機關成員、董事副總經理兼執行董事) of Company A, Mr. Lam has not been involved in the operation and day-to-day management of Company A. Following his resignation of the aforesaid positions in Company A in 2014, Mr. Lam has no representation in the board of Company A nor is he able to exert any influence in its management. Given that Mr. Lam's interests as a passive investor of Company A cannot afford our Group any rights and powers to exert control or influence over the operation and management of Company A, our Directors are of the view that it does not appear to be in our Group's interests to have such interests injected into our Group; and

(3) our Group's current plan is to focus on expanding our retail business and retail network in Hong Kong and our Directors are of the view that our resources should be concentrated on effective implementation of our strategy.

(ii) *Company B*

Company B, being principally engaged in the wholesale distribution of watches under self-owned brands in Hong Kong and Macau, is owned by Mr. Lam as to 24% and other four Independent Third Parties as to 26%, 26%, 14% and 10%, respectively. For the period from 1 January 2013 to 31 March 2014, Company B recorded a revenue of approximately HK$5.20 million. Our Group has been purchasing watch products from Company B. For details, see "Financial Information — Related party transactions". The directors and management of Company B are all Independent Third Parties, and Mr. Lam does not have any management control over Company B, nor is he involved in its daily management and operation.

Our Directors consider that it will not be in the best interest of our Group to include Mr. Lam's interest in Company B in our Group for the following reasons:

(1) our Directors are of the view that (i) the business of our Group and that of Company B are two different lines of business and there is a clear delineation between the two in terms of scale of operation, business model, target customers and expertise required, and (ii) the business of Company B does not compete directly with the existing business of our Group:

(a) *Scale of operation*

Our Group has been engaged in the retail of watches for over 17 years and recorded a revenue of approximately HK$304.8 million, HK$351.6 million, HK$446.9 million and HK$241.5 million for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. Whereas Company B was set up in 2010 and its revenue for the period from 1 January 2013 to 31 March 2014 was approximately HK$5.20 million.

Based on the above, our Directors are of the view that the scale of the two businesses is incomparable.

(b) *Business model and target customers*

Our Group focuses mainly on the retail of watches in our retail outlets. Although our Group is also engaged in the wholesale distribution of watches, revenue generated from our retail sales accounted for approximately 99.4%, 99.5%, 99.4% and 99.4% of our total revenue for the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. On the other hand, Company B is principally engaged in the wholesale distribution of watches, and to the best of our Directors' knowledge, Company B has no present plan or intention to expand its business to the retail of watches. As such, our Directors are of the view that there is no direct competition between our Group and Company B. Even though there may be competition in some aspects between our Group and Company B as both businesses are related to the sale of watches, our Directors believe that such competition is not, and is unlikely to be, significant.

(c) *Expertise required*

We do not own any of the watch brands sold by our Group. We purchase watch products from our suppliers for retail and/or wholesale distribution. For details, see "Business — Suppliers — Sourcing arrangements". Whereas Company B is principally engaged in the wholesale distribution of watches under self-owned brands. The expertise required by our Group and Company B for conducting our respective businesses is different.

Based on the aforementioned, our Directors are of the view that there is no direct competition between our Group and Company B. Even if there may be competition in some aspects as both businesses of our Group and that of Company B are related to the sale of watches, our Directors believe that such competition is not, and in unlikely to be, significant.

(2) Company B has a separate management team which is not controlled nor managed by Mr. Lam or our Group. As such, our Directors are of the view that Mr. Lam's interest in Company B would not allow our Group to have meaningful and material control over the business of Company B for the benefit of our Group.

Save as disclosed above, each of our Controlling Shareholders has confirmed that they are neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our Group's business.

Right of First Refusal and Call Options

Pursuant to the Deed of Non-competition, Mr. Lam irrevocably and unconditionally covenants and undertakes that, during the Restricted Period set out in "— Non-competition undertakings", in the event that he intends to dispose of any part or all of his interests in Company A and/or Company B (the "**Subject Interests**"), he shall first offer to our Company the right to acquire such part or all of the Subject Interests (the "**Right of First Refusal**"). Mr. Lam may only proceed with such disposal, on terms not more favourable than those offered to our Company following the rejection of such offer by our Company.

Furthermore, pursuant to the Deed of Non-competition, Mr. Lam irrevocably and unconditionally grants to our Company exclusive and irrevocable options (the "**Call Options**") to acquire, or direct any of its subsidiaries to acquire, at the sole and absolute discretion of our Company, all or part of the Subject Interests at a consideration equal to the then fair value of the investment made by Mr. Lam for the relevant Subject Interests plus any shareholders' loan owned by Company A and/or Company B (as the case may be) (if any) to Mr. Lam as of the date immediately prior to the date on which a written notice in relation to the exercise of the Call Options is sent by our Company to Mr. Lam.

The exercise of the Right of First Refusal and the Call Options by our Company is subject to (i) the memorandum and articles of association of Company A and Company B; (ii) any rights of other shareholders of Company A and Company B that existed before the date of the Deed of Non-competition; (iii) all necessary governmental approvals, permission, consent, filing or waiver from the relevant third parties (if any); and (iv) all applicable laws, rules and regulations (including but not limited to the Listing Rules).

In addition, the following corporate measures will be adopted by our Company to protect the interests of our Shareholders:

1. decision for exercise or non-exercise of the Rights of First Refusal and the Call Options shall be determined by our independent non-executive Directors only;

2. in assessing whether or not to exercise the Rights of First Refusal or the Call Options, our independent non-executive Directors will take into account such factors as our business prospects and profitability and form their views based on the best interests of our Shareholders and our Company as a whole;

3. our independent non-executive Directors are empowered to engage professional advisors at our own cost for advice on matters relating to the Right of First Refusal and the Call Options;

4. our Company will publish an announcement to disclose the decision, with basis, of our independent non-executive Directors on whether to pursue or decline the exercise of the Right of First Refusal; and

5. our independent non-executive Directors will consider, on an annual basis, whether to exercise the Call Options and disclose the decisions and related basis in the annual reports of our Company.

As at the Latest Practicable Date, Mr. Lam has no intention to dispose the Subject Interests, and our Company has not exercised and currently have no plan to exercise the Call Options.

In addition, pursuant to the Deed of Non-competition, Mr. Lam irrevocably and unconditionally covenants and undertakes with our Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) that he shall dispose of his entire shareholding interests in Company A and/or Company B (as the case may be) in the event that, during the Restricted Period set out in "— Non-competition undertakings", Company A and/or Company B and/or their respective subsidiaries (if any) conducts or carries out business(es) other than their respective businesses set out in "— Other business interests of our Controlling Shareholders" above, and such business(es), in the opinion of our independent non-executive Directors, is likely to compete with our Group's business.

NON-COMPETITION UNDERTAKINGS

On 21 April 2015, our Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) entered into the Deed of Non-competition with each of our Controlling Shareholders (collectively, the "**Covenantors**"). Pursuant to the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, covenants and undertakes with our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies) that, during the Restricted Period set out below, each of the Covenantors shall not, and shall procure that none of his/her/its close associates shall, directly or indirectly (other than through our Group) (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise), establish, invest, involve in, engage in, manage, operate (including through one or more interposed entities) or otherwise hold any right or interest, directly or indirectly, in any business is or may be in competition (the "**Restricted Business**") with the business carried out by any member of our Group including, but not limited to, the retail and wholesale distribution of watches, and such other business conducted or carried on by our Group from time to time (the "**Group's Business**") within Hong Kong and such other places as our Group may conduct or carry on business from time to time (the "**Restricted Areas**"), save and except Mr. Lam's existing interests in Company A and Company B. For the avoidance of doubt, each of the Covenantors shall not, and shall procure that none of his/her/its close associates shall, be involved in the management and operation of Company A and Company B.

The "Restricted Period" stated in the Deed of Non-competition refers to, in respect of a Covenantor, the period from the Listing Date and expiring on the occurrence of the earliest of the date on which (i) any of such Covenantors and/or his/her/its close associates, whether directly or indirectly, individually or taken together, ceases to beneficially own more than 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder) of the issued share capital of our Company or ceases to be deemed as a controlling shareholder of our Company; or (ii) the shares of our Company cease to be listed on the Stock Exchange (except for temporary suspension of such shares due to any reason).

Each of the Covenantors irrevocably and unconditionally, jointly and severally, covenants and undertakes with our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies) that:

(i) he/she/it shall procure that, during the Restricted Period and for a term of 12 months thereafter, upon receiving or becoming aware of any business or investment opportunities in the Restricted Business in any part of the world (including, *inter alia*, the Restricted Areas) (the "**Business Opportunity**"), he/she/it (whether on his/her/its own or with others or on behalf of other persons/entities or through a company or entity (other than a company within our Group) in which he/she/it is or together with any other controlling shareholder are, directly or indirectly interested so as to exercise 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of Directors, and any other company which is a subsidiary (the "**Controlled Companies**"), whether direct or indirect) shall first offer, and shall procure that his/her/its associates shall, first offer to our Company (for itself and as trustee for and on behalf of each of its subsidiaries and associated companies) in writing such Business Opportunity, upon the same terms and conditions, including but not limiting to, the price offered by third parties, as soon as practicable after such Business Opportunity arises in order for our Company to make an informed assessment of whether (a) such Business Opportunity would constitute competition with the Group's Business; and (b) it is in the interest of our Group to pursue such Business Opportunity. In the event of any disagreement between the parties as to whether or not the Business Opportunity directly or indirectly competes, or may lead to competition, with the Group's Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding. Any Director who has an actual or potential material interest in the Business Opportunity shall abstain from attending (unless his/her/its attendance is specifically requested by the remaining non-interested directors of our Company) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity. The remaining non-interested independent non-executive Directors will be responsible for assessing the Business Opportunity and making the decision as to whether or not to take up any particular Business Opportunity; and

(ii) he/she/it shall only engage in the Business Opportunity if the principal terms of the Business Opportunity are no more favourable than those made available to our Company and if (a) a notice is received by the Covenantor from our Company confirming that the Business Opportunity is not accepted and/or does not constitute Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within thirty (30) days (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time) after the proposal of the Business Opportunity is received by our Company. If there is a material change in the terms and conditions of the Business Opportunity, the Covenantor will refer the Business Opportunity as so revised to our Company in the manner set out above.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent our Controlling Shareholders and their respective close associates from acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

Each of the Covenantors further, irrevocably and unconditionally, jointly and severally, undertakes that, for so long as the Deed of Non-Competition remains in effect, he/she/it shall:

(i) provide to our Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-Competition;

(ii) provide to our Company all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(iii) allow the Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of such Covenantor and its close associates to ensure their compliance with the Deed of Non-Competition;

(iv) if requested by our Company, issue a letter to our Company, confirming his/her/its full compliance with the relevant terms of the Deed of Non-Competition and consenting to our disclosure of the contents of such letter in our Company's annual report and/or such other document as otherwise published by our Company;

(v) abstain, and shall procure his/her/its close associates to abstain from voting at any general meeting of our Company if there is any actual or potential conflicts of interests in relation to the Restricted Business and the Business Opportunity; and

procure our Director(s) in common with any of the Covenantors or their Controlled Companies not to vote (nor to be counted in the quorum) on any resolution of the board of Directors approving any contract or arrangement or other proposal if there is any actual or potential conflict of interests in relation to the Restricted Business and the Business Opportunity.

LEASE OF OFFICE FROM OUR CONTROLLING SHAREHOLDERS DURING THE TRACK RECORD PERIOD

During the Track Record Period, Tic Tac Time leased Units 1007 and 1006 on 10th Floor, New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon, Hong Kong from Mr. Lam and Ms. Chan, respectively (the "**Leases**") for use as the office of our Group. For details, see "Financial Information — Related party transactions". Pursuant to two deeds of termination dated 15 January 2015, the Leases were terminated by mutual agreement between the parties with effect from 31 December 2014, whereby each of Mr. Lam and Ms. Chan confirmed he/she shall have no claim against Tic Tac Time under the Leases.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of our Controlling Shareholders following the Listing for the following reasons:

1. Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the business independently from our Controlling Shareholders.

Our Company's management and operational decisions are made by our executive Directors and senior management, who have substantial experience in the industry in which our Group is engaged. Each of our Directors is aware of his or her fiduciary duties as a Director whose duties require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event of any conflict of interest or duty, such Director shall abstain from voting when a conflicted resolution is to be discussed and voted on. Further, our Company's three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

Our Directors do not expect that following the Listing, there will be any other business transactions between our Group and any of our Controlling Shareholders.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of management and business operations.

2. Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. We do not share any administrative functions with our Controlling Shareholders. The company secretary and senior management staff are independent of any of our Controlling Shareholders.

3. Financial independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. All the amounts due to Mr. Lam, one of our Controlling Shareholders as well as all guarantees, indemnities and/or other securities provided by Mr. Lam for the benefit of our Group's banking facilities during the Track Record Period will be fully settled or released before the Listing Date. There will be no financial assistance, security and/or guarantee provided by any of our Controlling Shareholders in favour of our Group upon the Listing. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), details of which are set out in "Underwriting — Underwriting arrangements and expenses — Public Offer — Lock-up undertakings to the Public Offer Underwriters — Undertakings by our Controlling Shareholders".

Board of Directors

Our Board consists of six Directors, of whom three are executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information regarding the current members of our Board.

Name of Directors	Age	Position	Date of appointment as a Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors
Mr. Lam Man Wah (林文華)	52	Chairman, chief executive officer and executive Director	23 June 2014	July 1997	Responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group	Spouse of Ms. Chan Ka Yee, Elsa
Ms. Chan Ka Yee, Elsa (陳嘉儀)	42	Executive Director	23 June 2014	July 1997	Responsible for management of human resources and administration of our Group	Spouse of Mr. Lam Man Wah
Mr. Tsang Hok Man (曾學文)	43	Executive Director	12 February 2015	November 2003 *(Note)*	Responsible for the overall operation and review processes of our Group	N/A
Mr. Fung Tat Man (馮達文)	48	Independent non-executive Director	21 April 2015	April 2015	Responsible for providing independent advice to the Board and serving as chairman of remuneration committee	N/A
Mr. Cheng Kin Chung (鄭建中)	53	Independent non-executive Director	21 April 2015	April 2015	Responsible for providing independent advice to the Board and serving as chairman of audit committee	N/A
Mr. Lo Wai Kei, Wilkie (盧幃基)	46	Independent non-executive Director	21 April 2015	April 2015	Responsible for providing independent advice to the Board and serving as chairman of nomination committee	N/A

Note: Mr. Tsang first joined us in July 1997 before resigning in March 2001. For details see "— Executive Directors" below.

Senior Management

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information regarding the senior management of our Group.

Name	Age	Position	Time of appointment for current position	Time of joining our Group	Roles and responsibilities
Mr. Cheung Hing Cheong (張慶昌)	42	Chief business officer	January 2015	January 2015	Responsible for the management of our wholesale business and our marketing activities
Mr. Chau Chung Fai (周頌輝)	40	Retail operation manager	January 2015	November 2011	Responsible for coordinating operations within our Group and the business development of Brand B
Mr. Kam Tang Kai (甘騰階)	33	Retail operation manager	January 2015	April 2008	Responsible for managing our retail business and the business development of Brand A

Executive Directors

Mr. Lam Man Wah (林文華), aged 52, is the leading founder of our Group, the chairman of our Board, the chief executive officer and an executive Director. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director of each subsidiary of the Company. Mr. Lam brings to our Group over 22 years of experience in the watch retail industry. Before founding our Group, he was one of the proprietors of Kwun Tong Woodley Sports Company (官塘活力體育用品公司) (principally engaged in the trading of sports goods) from October 1987 to April 1988. He was one of the proprietors of Ching Wah Watch Co (精華錶行) (principally engaged in the retailing of watches) from 1992 to 1994 and then become the sole proprietor of it until 1998. He had been a director (which he resigned in September 2014) and has been a shareholder of Company A (principally engaged in the retail of watches in Macau) since November 2006. He has been a shareholder of Company B (principally engaged in the wholesale distribution of watches in Hong Kong and Macau) since July 2010. For details of Mr. Lam's interests in Company A and Company B, see "Relationship with Controlling Shareholders — Other business interests of our Controlling Shareholders". Mr. Lam completed his secondary education in China in 1979. Mr. Lam is the spouse of Ms. Chan.

Ms. Chan Ka Yee, Elsa (陳嘉儀), aged 42, is one of the founders of our Group and our executive Director. She is responsible for management of human resources and administration of our Group. She is also a director of Tic Tac Time. Ms. Chan has over 17 years of work experience in human resources matters which was gained from the operation of our Group. Ms. Chan completed her secondary education in Hong Kong in 1991. Ms. Chan is the spouse of Mr. Lam.

Mr. Tsang Hok Man (曾學文), aged 43, is our executive Director. He is responsible for overall operation and review processes of our Group. He was a director of Sun Step from August 2006 to June 2009. Mr. Tsang has about 15 years of work experience in the watch retail industry which was gained from working in our Group. He first joined us as a shop manager (being mainly responsible for merchandising, supervising and retail management) from July 1997 to March 2001, and re-joined us as a general manager (being mainly responsible for overall management and operation of our retail outlets) since November 2003. Mr. Tsang completed his secondary education in 1987.

Independent non-executive Directors

Mr. Fung Tat Man (馮達文), aged 48, is an independent non-executive Director. He is the chairman of our remuneration committee and a member of each of our audit committee and nomination committee. He is a practising certified public accountant in Hong Kong. He was an audit manager (being mainly responsible for conducting audit and advisory work of various client companies) of Kelvin Chong & Partners (principally engaged in the provision of a variety of services including corporate secretarial, taxation, accounting and financial advisory) from April 2008 to August 2011. He has been a partner (being mainly responsible for the overall management) of United CPA & Co. (principally engaged in the provision of a variety of services including auditing, accounting, taxation, corporate secretarial and management consultant) since January 2012. Mr. Fung received a bachelor's degree in social sciences from The University of Hong Kong in Hong Kong in December 1990.

Mr. Cheng Kin Chung (鄭建中), aged 53, is an independent non-executive Director. He is the chairman of our audit committee and a member of each of our remuneration committee and nomination committee. He was a partner (being mainly responsible for overall supervision) of Deloitte Touche Tohmatsu (principally engaged in provision of audit, consulting and financial advisory services) from June 2001 to June 2004. He was the chief financial officer (being mainly responsible for overseeing finance functions and corporate governance matters) of Skyworth Digital Holdings Limited (a company listed on the Stock Exchange (stock code: 0751)) (principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding) in July 2004 (to which he was further appointed as an executive director for the period from September 2004 to December 2004) and was re-designated as the chief information and investment officer (being mainly responsible for evaluation and management of investments, and overseeing information system support functions and intellectual property matters) in January 2007. He served as an independent non-executive director (being mainly responsible for providing independent advice to the board and serving as chairman of the audit committee, credit and risks management committee, nomination committee and remuneration committee) of Allied Cement Holdings Limited (a company listed on the Stock Exchange (stock code: 1312)) (principally engaged in the manufacture and sales and trading of cement) from December 2011 to July 2014. He has been a director and chief financial officer (being mainly responsible for finance and administrative functions) of Obio Pharmaceutical Holdings Ltd (principally engaged in the research and development of pharmaceutical drugs) since February 2009, the chief financial officer and a director (being mainly responsible for finance and administrative functions) of Antiviral Technologies, Inc. (principally engaged in the development of antiviral drugs) since October 2009 and May 2010, respectively. He is a director and shareholder (being mainly responsible for overall management and operations) of the following companies: Poly Genius Consulting Limited (寶賢咨詢有限公司) (principally engaged in the provision of corporate governance, tax advisory, risk and compliance consulting services); QEE RWPC Supplies Limited (全怡藝再生木材資有限公司) (principally engaged in recycled wood plastic composite trading and consulting services); and QEE Technology (HK) Company Limited (全怡藝科技(香港)有限公司) (principally engaged in the trading of light-emitting diode lighting products). He has been a member of the audit committee (being mainly responsible for providing independent advice) of Fu Hong Society (扶康會) (a non-profit organisation providing services to persons with disabilities and their families such as residential care services and community support services) since February 2011 and became its chairman in 2013.

Mr. Cheng received a master's degree in professional accounting and a master's degree in English for the Professions from The Hong Kong Polytechnic University in November 2000 and October 2009, respectively. He was admitted as a member of the American Institute of Certified Public Accountants in February 1993 and an associate of the Institute of Chartered Accountants in England and Wales in August 2005.

Mr. Lo Wai Kei, Wilkie (盧暐基), aged 46, is an independent non-executive Director. He is the chairman of our nomination committee and a member of each of our audit committee and remuneration committee. Mr. Lo is a practising solicitor in Hong Kong and has accumulated over 20 years of experience in various areas of law including litigation, commercial and intellectual property. He was admitted to practise law as a solicitor in Hong Kong in September 1994. He has been the founding partner (mainly responsible for the overall management and operations) of Au Yeung, Lo & Chung, Solicitors (歐陽、盧、鍾律師行) (principally engaged in the provision of legal services) since January 1998. He has been an appointed civil celebrant of marriages in Hong Kong since June 2011. Mr. Lo was a member of the Panel of Adjudicators of the Obscene Articles Tribunal (a statutory body established to determine whether an article is obscene, indecent or neither) from September 2004 to September 2013 and an adjudicator of the Immigration Tribunal (a statutory body established to deal with appeals lodged under the Immigration Ordinance) from October 2007 to April 2014. He has been a member of the Appeal Panel (Housing) (a statutory body established to determine appeals lodged by tenants against the termination of leases by the Hong Kong Housing Authority) since April 2012 and a member of the Fishermen Claims Appeal Board (a non-statutory body formed on an administrative basis for handling appeals arising from trawler owners and local deckhand who are affected by the ban of trawling in Hong Kong waters) since June 2013. Mr. Lo received a bachelor's degree in law from The University of Hong Kong in Hong Kong in November 1991.

A defunct, solvent private company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 291AA of the Predecessor Companies Ordinance. Mr. Lo was the director of the following company which was incorporated in Hong Kong and was deregistered and the relevant details are as follows:

Company name	Nature of business	Date of submission of application for deregistration	Date of deregistration
Pew Limited (偉堅城有限公司)	Never commenced business	26 November 2002	4 April 2003

Mr. Lo has confirmed that the above deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong and Pew Limited (偉堅城有限公司) was solvent at the time of it being dissolved by deregistration.

Save as disclosed in this prospectus, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial shareholder or Controlling Shareholder as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in "C. Disclosure of interests — 1. Directors — (a) Interest and/or short positions of our Directors and chief executive of our Company in the shares, underlying shares or debenture of our Company and associated corporations" in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

Senior Management

Mr. Cheung Hing Cheong (張慶昌), aged 42, is our chief business officer and is mainly responsible for the management of our wholesale business and our marketing activities. Mr. Cheung has over 10 years of experience in the wholesale business of consumer goods. Before joining us, he assumed various positions including a regional sales and marketing manager (being mainly responsible for managing the business of an eyeglasses and accessories brand in the Asia Pacific region) of Mikli Asia Limited (principally engaged in the sales of eyeglasses and accessories) from September 2004 to June 2007, a sales manager (being mainly responsible for the business development and brand management of a luxury watch brand) of The Swatch Group (Hong Kong) Limited (principally engaged in the wholesaling and retailing of watches) from June 2007 to October 2009, a sales manager and a regional sales manager (being mainly responsible for the business development and brand management of various watch brands in the Asia Pacific region) and a sales director (being mainly responsible for establishing and managing the distribution channel of various watch brands in the Greater China region) of DKSH Hong Kong Limited (principally engaged in the provision of value chain services) from November 2009 to April 2010, May 2010 to May 2011, and from June 2011 to December 2014, respectively. Mr. Cheung received a bachelor degree in computer studies from City University of Hong Kong in Hong Kong in November 2000.

Mr. Chau Chung Fai (周頌輝), aged 40, is our retail operation manager and is mainly responsible for coordinating operations within our Group and the business development of Brand B. Before joining us, he assumed various positions including a district supervisor (being mainly responsible for managing retail shops) at Hutchison Telecommunications (Hong Kong) Limited (principally engaged in the provision of telecommunications services) from March 1998 to November 2004, a restaurant general manager (being mainly responsible for managing and operating a restaurant) at Pizza Hut Hong Kong Management Ltd. (principally engaged in operation of restaurant chain) from April 2005 to November 2007 and an area manager (being mainly responsible for managing retail shops in Hong Kong and Macau) at City Chain Co. Ltd. (principally engaged in the retailing of watches) from September 2009 to June 2011. Mr. Chau received a diploma in business management in Hong Kong in September 2001.

Mr. Kam Tang Kai (甘騰階), aged 33, is our retail operation manager and is mainly responsible for managing our retail business and the business development of Brand A. Before joining us, he assumed various positions including a counter sales clerk, senior sales and assistant manager (being mainly responsible for supervising the daily operations of a retail shop) at City Chain Co. Ltd. (principally engaged in the retailing of watches) from May 2000 to March 2005 and a customer service officer (being mainly responsible for supervising the daily operations of a retail shop) at Easy Winner Development Limited (principally engaged in the trading of jewellery and watches) from June 2006 to January 2007. He received a continuing education certificate in general studies, Yi Jin Programme from City University of Hong Kong in Hong Kong in July 2008.

COMPANY SECRETARY

Mr. Wong Chi Wai (黃志威), aged 30, was appointed as our company secretary on 11 February 2015 and is responsible for our secretarial affairs. He was a manager (being mainly responsible for supervising and conducting client engagements) at Samuel H. Wong & Co. (principally engaged in the provision of audit, secretarial, tax and other services for Hong Kong and overseas clients) from December 2008 to March 2014. Mr. Wong received a bachelor degree in business administration with a major in accountancy and a minor in financial services from the Hong Kong Polytechnic University in Hong Kong in October 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2012.

Mr. Wong has been appointed as our company secretary pursuant to our engagement of an external company secretarial services company, GC Corporate Services Company Limited, to provide company secretarial services to us. Mr. Cheung Siu Wah, our financial controller, will be the key contact person with whom Mr. Wong can contact.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by the Board.

Audit committee

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on 21 April 2015 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee, among other things, are to make recommendations to the Board on the appointment, reappointment and removal of external auditor; to review the financial statements and material advice in respect of financial reporting; to oversee internal control procedures of our Company; and to review arrangements for employees to raise concerns about financial reporting improprieties. At present, the audit committee of our Company consists of three members, namely Mr. Cheng Kin Chung, Mr. Fung Tat Man and Mr. Lo Wai Kei, Wilkie. Mr. Cheng Kin Chung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 21 April 2015 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee, among other things, are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group and to ensure that none of our Directors determines his/her own remuneration. The remuneration committee consists of three members, namely, Mr. Fung Tat Man, Mr. Cheng Kin Chung and Mr. Lo Wai Kei, Wilkie. Mr. Fung Tat Man is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 21 April 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee, among other things, are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The nomination committee consists of three members, namely Mr. Lo Wai Kei, Wilkie, Mr. Fung Tat Man and Mr. Cheng Kin Chung. Mr. Lo Wai Kei, Wilkie is the chairman of the nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, we have appointed Quam Capital as the compliance adviser (the "**Compliance Adviser**"). The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us, among others, in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year after the Listing.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

The aggregate amount of remuneration which was paid to our Directors for each of the three years ended 30 April 2014 and the six months ended 31 October 2014 were approximately HK$2.5 million, HK$2.8 million, HK$3.1 million and HK$1.1 million, respectively.

The aggregate amount of remuneration which was paid by our Group to our five highest paid individuals for each of the three years ended 30 April 2014 and the six months ended 31 October 2014 were approximately HK$3.4 million, HK$4.0 million, HK$4.3 million and HK$1.6 million, respectively.

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended 30 April 2014 and the six months ended 31 October 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the code on corporate governance practices.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam is the chairman of our Board and the chief executive officer of our Company. In view of Mr. Lam is the leading founder of our Group and has been operating and managing our Group since 1997, our Board believes that it is in the best interest of our Group to have Mr. Lam taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 April 2015 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in "D. Share Option Scheme" in Appendix IV to this prospectus.

AUTHORISED AND ISSUED CAPITAL

The table below sets out the authorised and issued share capital of our Company as at the Latest Practicable Date and immediately following completion of the Share Offer and the Capitalisation Issue:

		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.01 each	100,000,000.00

Issued and to be issued, fully paid or credited as fully paid:

The share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

100,000	Shares in issue as at the date of this prospectus	1,000
599,900,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,000
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
800,000,000	Shares	8,000,000

Assumptions

The above tables assume that the Share Offer becomes unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in "— General mandate to issue Shares" or "— General mandate to repurchase Shares" below, as the case may be.

Ranking

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the table above, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

Pursuant to the written resolutions of our Shareholders passed on 21 April 2015 conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of

599,900,000 Shares credited as fully paid at par to the Shareholders whose names appearing on the register of members of our Company at close of business on the date of this prospectus in proportion to their respective shareholdings by way of capitalisation in the sum of HK$5,999,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respect with the existing issued Shares.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

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

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or

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

For further details of this general mandate, please refer to "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 and 22 April 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules requirements is set out in "A. Further information about our Company — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

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

(b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or

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

For further details of this repurchase mandate, please refer to "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 and 22 April 2015" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to "2. Articles of Association — (c) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons will have an interest or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly and/or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest/capacity	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue *(Note 1)*	Percentage of shareholding
Mr. Lam *(Note 2)*	Interests of controlled corporation	565,000,000 (L)	70.625%
Ms. Chan *(Note 3)*	Interest of spouse	565,000,000 (L)	70.625%
Tic Tac Investment *(Note 2)*	Beneficial owner	565,000,000 (L)	70.625%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. The entire issued share capital of Tic Tac Investment is beneficially owned as to 90% by Mr. Lam and 10% by Ms. Chan, the spouse of Mr. Lam. Mr. Lam is therefore deemed to be interested in the Shares held by Tic Tac Investment pursuant to the SFO.

3. Ms. Chan is the spouse of Mr. Lam. Therefore, Ms. Chan is deemed to be interested in the Shares in which Mr. Lam is interested for the purpose of the SFO.

Save as disclosed in this section, our Directors are not aware of any persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly and/or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

You should read this section in conjunction with the Accountant's Report included as Appendix I, including the notes thereto, to this prospectus, which has been prepared in accordance with HKFRS.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further details, see "Risk Factors".

OVERVIEW

We principally engage in the retail of mid-end watches in Hong Kong. We offer a wide range of branded mid-end watches with diverse design, styles and functionality for business and casual uses targeting mid-income consumers and tourists. During the Track Record Period, we derived a substantial majority of our revenue from watch retail sales in Hong Kong. As at the Latest Practicable Date, we carried over 80 watch brands, which we generally categorise into specialist watch brands (being watch brands developed by watchmakers) and fashionable watch brands (being watch brands developed by international high-end luxury fashion, sports and other brands as an extension or secondary line in addition to the main line of products).

For the three years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2014, our revenue was approximately HK$304.8 million, HK$351.6 million, HK$446.9 million and HK$241.5 million, respectively; and for the same periods, our profit after tax was approximately HK$41.6 million, HK$36.3 million, HK$37.9 million and HK$20.2 million, respectively.

We strive to strengthen our market position and enhance our overall competitiveness and market share. We target to achieve such objectives by expanding our retail and sales network and improving our same-store sales growth for existing retail outlets. Notwithstanding that the overall number of retail outlets remained at 19 as at each of the end of the two financial years ended 30 April 2013 and 2014 and the six months ended 31 October 2014, we have refined our retail outlets network following the closure of retail outlets with unsatisfactory performance and opening of new retail outlets, which we believe has contributed to our continuous growth in revenue and competitiveness. Our overall same-store sales kept improving in general (see "— Summary results of operations — Revenue — Same-store sales growth), partly as a result of our renovation of certain existing retail outlets coupled with primarily increase in average selling price of the watches sold. Going forward, we target to further improve the overall same-store sales by providing training to our staffs for better services as well as to enhance motivation and incentives to sale staffs, in addition to existing efforts. We also target to improve our supplier network and marketing efforts.

For further information about our business and operations, see “Business”.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in “History, Reorganisation and Corporate Structure — Corporate reorganisation” and Appendix IV, our Company became the holding company of the subsidiaries now comprising our Group on 9 April 2015.

The operating subsidiaries of our Group, were under common control of Mr. Lam, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the financial information has been prepared on a combined basis.

The combined statements of financial position as at 30 April 2012, 2013 and 2014 and 31 October 2014 and the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of our Group for each of the years ended 30 April 2012, 2013 and 2014 and for the six months ended 31 October 2014 included in Appendix I have been prepared using the financial information of the companies engaged in the provision of wholesale and retail of watches in Hong Kong, under the common control of Mr. Lam immediately before and after the Reorganisation and now comprising our Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Lam, whichever a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Lam’s perspective. No amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

For companies acquired from or sold of to a third party during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, they are included in or excluded from the financial statements of our Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below.

Economic conditions in the PRC and Hong Kong

Given the nature of business of our Group as a retailer of mid-end watches, targeting mid-income consumers and the PRC tourists visiting Hong Kong, our Directors expect that the business performance of our Group is highly correlated with the economic conditions in Hong Kong and the PRC and the purchasing powers of the consumers. The turnover of our Group experienced a growth of approximately 15.4% for the year ended 30 April 2013 as compared to the corresponding period of 2012 and approximately 27.1% for the year ended 30 April 2014 as compared to the corresponding period of 2013 and approximately 25.3% for the six months ended 31 October 2014 as compared to the corresponding period of 2013, which we believe the continuous increase in the level of disposable income of consumers in the region being one of the critical contributing factors. However, any change in economic conditions in these regions will affect the Group's revenue and its future profits.

Developments on tourism in Hong Kong

PRC tourists constitute one of the major customer groups for our sales in Hong Kong, as evidenced by the fact that approximately 79.8%, 83.4%, 86.2% and 86.9% of our retail turnover in Hong Kong were settled via China UnionPay for the each of the three years ended 30 April 2014 and the six months ended 31 October 2014. Any reduction in number of tourists travelling to Hong Kong may adversely affect the financial performances of our Group.

Close working relationships with watch suppliers

Developing and maintaining close relationships with watch suppliers is a key success factor of our Group. As at the Latest Practicable Date, our business relationship with our five largest suppliers ranged from over two to over 15 years and we had over 15 years of business relationships with Supplier A, our largest supplier. We have entered into a number of agreements with Supplier A for the supply of watches and the operation of certain single-brand boutique outlets. If Supplier A terminates or does not renew the agreements with us, we cannot assure that we can continue to source certain major watch brands currently carried by us or other watches from it or continue to operate relevant the single-brand boutique outlets under its brands. As at the Latest Practicable Date, we had entered into a wholesale distribution agreement with the watch brand owner of Brand C for which we conduct wholesale distribution. Pursuant to such agreement, we are granted with exclusive distribution rights in Hong Kong and Macau with a term commencing from 1 June 2011 and ending on 31 December 2017 which is automatically renewed for successive periods of one year unless terminated by notice. Our Directors are confident to maintain good relationships with the existing watch suppliers given their long history of business with each other. However, any loss on the rights to purchase watch brands in the future will affect our Group's operating results.

Change of customers' taste and preferences

Our Group's success is principally due to its ability to source watches of popular mid-end brands and our prompt reactions to the changing customers' preferences. There is no assurance that the watches will continuously meet the changing customers' preferences. In the event of such failures, the profitability of our Group will be adversely affected.

Leasing of retail outlets

Our Group's current retail outlets are leased premises with tenancy terms ranging from approximately two to three years. Out of these tenancy agreements, excluding any option to renew, the earliest expiry date will be in April 2015. There is no assurance that each of these leases can be renewed upon expiry or can be renewed at terms and conditions which are favourable to our Group. There is also no assurance that our Group could secure favourable locations to our Group's satisfaction for new leases. Failure to renew the existing leases upon expiry may hence have an adverse effect to our Group's performance and future development.

Slow-moving inventory

The demand for the watches we carry is highly dependent on the customers' preferences for our products, which are beyond our control. If the products of our Group fail to meet the changing customers' preferences and market trends, we will have to keep slow-moving inventory. The inventory of our Group (before provision for slow-moving inventory) amounted to approximately HK$51.1 million, HK$78.1 million, HK$114.0 million and HK$112.3 million as at 30 April 2012, 2013 and 2014 and 31 October 2014, respectively, among which approximately 17.4%, 18.8%, 16.1% and 17.5% of the gross inventory were aged over one year, respectively. The amounts of provision made for our slow-moving inventories were approximately HK$0.3 million, HK$1.6 million, HK$2.1 million and HK$1.5 million for each of the years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2014, respectively. Increase in inventory levels which does not match with our growth in business and sale could adversely affect our working capital, liquidity and cash flow.

Market competition

The mid-end watch retail market is highly competitive in Hong Kong. These competitors include single-brand boutique outlets, department stores, major chain stores and international retailers. There is no assurance that our Group will be able to compete with others in the future in light of the changing and competitive market environment. Increasing competition in the industry may affect the pricing and profitability of the products we carry.

Seasonal fluctuation

Our Group experiences seasonal fluctuations in its turnover as consumption patterns vary on seasonal basis. Our Group generally records higher sales revenue during major holidays and festivals. Any change in purchasing power, spending patterns or market trends may intensify such fluctuations and affect our Group's turnover and financial performance.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results of operations. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Actual results may differ from these estimates. During the Track Record Period, there were no significant changes in our assumptions and estimates, and we will continuously assess our assumptions and estimates going forwards. Below is a summary of the accounting policies in accordance with HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in note 2 to the Accountant's Report in Appendix I to this prospectus.

Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period.

Revenue

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of returns and discounts. Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sales of goods — retail***

Our Group operates a chain of retail outlets for selling watch products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) ***Sales of goods — wholesale***

Our Group sells a range of watch products to the retailers in Hong Kong and Macau. Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to retailers. The retailer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the retailers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified locations, the risks of obsolescence and loss have been transferred to the retailers. No element of financing is deemed present as the sales are made with a credit term of 7 to 60 days, which is consistent with the market practice.

(c) ***Repair and maintenance***

Repair and maintenance service are recognised in the accounting period in which the services are rendered.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Leasehold improvements	Lease terms of 3 to 5 years
Furniture and fixtures	Shorter of lease term or 5 years
Office equipment	3 years
Motor vehicles and vessels	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "other (losses)/gains, net" in profit or loss.

Inventories

Inventories representing merchandise are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises invoiced cost less purchase rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provision for slow-moving inventories

Our Group assesses annually whether any provision is required to reflect the carrying value of inventory, in accordance with the accounting policy stated in the Accountant's Report in Appendix I to this prospectus. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. This estimation requires the use of judgement.

Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at each statement of financial position dates with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by our Group.

Estimated useful lives of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Depreciation expense would be significantly affected by the useful lives of the property, plant and equipment as estimated by management. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated impairment of property, plant and equipment

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision for onerous operating lease

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

SUMMARY RESULTS OF OPERATIONS

The table below sets out the combined statements of comprehensive income of our Group for the Track Record Period, which are derived from, and should be read in conjunction with, the Accountant's Report in Appendix I to this prospectus.

Combined Statements of Comprehensive Income

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	304,819	351,636	446,913	192,690	241,520
Cost of sales	(183,226)	(216,791)	(284,295)	(121,523)	(155,326)
Gross profit	**121,593**	**134,845**	**162,618**	**71,167**	**86,194**
Other (losses)/gains, net	(57)	35	48	14	3
Selling and distribution costs	(64,743)	(82,843)	(106,784)	(48,456)	(50,735)
Administrative expenses	(6,859)	(8,279)	(9,997)	(3,931)	(10,165)
Operating profit	**49,934**	**43,758**	**45,885**	**18,794**	**25,297**
Finance costs	(199)	(249)	(361)	(169)	(181)
Profit before income tax	**49,735**	**43,509**	**45,524**	**18,625**	**25,116**
Income tax expense	(8,089)	(7,221)	(7,661)	(3,223)	(4,922)
Profit for the year/period	**41,646**	**36,288**	**37,863**	**15,402**	**20,194**
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	41,646	36,288	37,863	15,402	20,194
Profit attributable to:					
Owners of the Company	38,935	34,529	34,402	13,627	17,919
Non-controlling interests	2,711	1,759	3,461	1,775	2,275
	41,646	**36,288**	**37,863**	**15,402**	**20,194**

Revenue

The table below shows a breakdown of our revenue by business segment, excluding inter-segment sales and as a percentage of our total revenue of the periods indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000* (unaudited)	*% of revenue*	*HK$'000*	*% of revenue*
Retail	303,065	99.4	349,724	99.5	444,283	99.4	191,762	99.5	240,106	99.4
Wholesale	1,754	0.6	1,912	0.5	2,630	0.6	928	0.5	1,414	0.6
Total	304,819	100.0	351,636	100.0	446,913	100.0	192,690	100.0	241,520	100.0

We generate our revenue mainly from retail sales of watches and wholesale of watches in Hong Kong. We also provide repair and maintenance service and the income of which are included in the retail sales of watches segment. Our retail sales contributed approximately 99.4%, 99.5%, 99.4% and 99.4% of our total revenue for each of the three years ended 30 April 2014 and six months ended 31 October 2014, respectively. As at 30 April 2012, 2013 and 2014 and 31 October 2014, we had 14, 19, 19, and 19 retail shops, respectively. See "Business — Our retail network — Network expansion" for the number of retail outlets of our Group during the Track Record Period. The sales of Brand A and Brand B are the main revenue driver of our Group. The revenue from retail sales of Brand A and Brand B together accounted for approximately 83.3%, 81.0%, 82.0% and 83.0% of our total revenue for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively.

The table below shows the revenue from retail sales of Brand A and Brand B and as a percentage of our total revenue of the periods indicated, average selling prices of Brand A and Brand B of the periods indicated.

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
				(unaudited)	
Brand A					
Revenue from retail sales (HK$' million)	56.2	67.0	82.6	37.0	53.1
Revenue from retail sales to the total revenue	18.5%	19.1%	18.5%	19.2%	22.0%
Average selling price (HK$)	3,931	4,230	4,580	4,447	4,639
Brand B					
Revenue from retail sales (HK$' million)	197.6	217.7	284.0	117.1	147.3
Revenue from retail sales to the total revenue	64.8%	61.9%	63.5%	60.8%	61.0%
Average selling price (HK$)	14,173	15,603	16,519	15,854	17,014

For the Track Record Period, we distributed Brand C, Brand F, Brand G and Brand H on wholesale basis. Our revenue from distributing Brand C (excluding the inter-segment sales to other members of our Group) contributed approximately 77.9%, 98.9%, 98.3%, 100.0% of our total wholesale revenue for each of the three years ended 30 April 2014 and six months ended 31 October 2014, respectively.

The table below shows a breakdown of our revenue by type of retail outlet and as a percentage of our total revenue from our retail outlets of the periods indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Multi-brand outlets	76,475	25.2	104,694	29.9	147,270	33.1	64,022	33.4	89,951	37.5
Single-brand boutique outlets	226,280	74.7	244,705	70.0	296,586	66.8	127,537	66.5	149,918	62.4
Service income	310	0.1	325	0.1	427	0.1	203	0.1	237	0.1
Total	303,065	100.0	349,724	100.0	444,283	100.0	191,762	100.0	240,106	100.0

Our revenue was mainly derived from the single-brand boutique outlets for Brand A, Brand B, Brand D and Brand E during the Track Record Period. The revenue from single-brand boutique outlets contributed approximately 74.7%, 70.0%, 66.8% and 62.4% to the total retail revenue for each of the three years ended 30 April 2014 and six months ended 31 October 2014, respectively. During the Track Record Period, the proportion of the contribution from multi-brand outlets were increasing, mainly due to (i) increase in number of multi-brand outlets; and (ii) closure of a multi-brand outlet with unsatisfactory performance whereas newly opened multi-brand outlets were better performed and/or larger in size.

Generally, a single-brand boutique outlet generates higher monthly revenue than a multi-brand outlet. The table below set forth the average monthly revenue generated from our sales network for the years/period indicated.

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Average monthly revenue per retail outlet *(Note)* of					
Multi-brand outlets	850	872	1,023	889	1,249
Single-brand boutique outlets	2,694	3,137	3,531	3,270	3,569
Total	1,740	1,765	1,947	1,726	2,104

Note: Average monthly revenue per retail outlet of a particular year/period represents the revenue generated from our sales network of multi-brand outlets and single-brand boutique outlets of the same year/period divided by the average number of retail outlets of that year/period, further divided by 12 for a year and 6 for a six-month period. The revenue used in calculating the average monthly revenue per retail outlet of a particular year/period includes revenue generated by all of the retail outlets existed during the relevant year/period including newly opened and closed retail outlets of that year/period. Average number of retail outlets represents the number of retail outlets at the beginning of the year/period plus the number of retail outlets at the end of the year/period divided by two. Please refer to "Business — Our retail network" for the relevant number of retail outlets used in calculating average number of multi-brand outlets and single-brand boutique outlets.

Same-store sales growth

Our profitability is affected in part by our ability to successfully grow sales at existing retail outlets. The table below set forth the same-store sales growth for the years/period indicated.

	Year ended 30 April		Six months ended 31 October	Four months ended 28 February
	2013	2014	2014	2015
Same-store sales growth *(Note)*				
Multi-brand outlets	5.9%	3.3%	–2.4%	–13.7%
Single-brand boutique outlets	12.0%	33.9%	11.6%	–25.6%
Overall	10.7%	24.5%	6.5%	–22.3%

Note: Same-store sales growth represents the growth from the same-store sales from a group of retail outlets in a particular year/period to the sales from the same group of retail outlets in the following year/period. The number of multi-brand outlets used in calculating the same-store sales growth for each of the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015 was 5, 6, 8 and 9, respectively. The number of single-brand boutique outlets used in calculating the same-store sales growth for each of the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015 was 5, 3, 4 and 5, respectively.

Although much of our turnover growth in recent years was attributable to expansion of our retail outlet network, the strong performance of our existing retail outlets on a same-store sales basis during the Track Record Period has also been an important driver. The same-store sales growth for each of the two years ended 30 April 2014 measures the revenue growth of retail outlet that existed in the last 24 months and the same-store sales growth for the six months ended 31 October 2014 and the four months ended 28 February 2015 measures the revenue growth of retail outlet that existed as at 31 October 2014 and 28 February 2015 and which have been operating in the last 18 months and the last 16 months, respectively, thus will not be affected by the sales performance of newly added retail outlets during the year. The same-store sales growth rates for the six months ended 31 October 2014 and for the four months ended 28 February 2015 are not comparable with the same-store sales growth rates for each of the two years ended 30 April 2013 and 2014 since they do not reflect an annual growth.

Multi-brand outlets

Same-store sales growth of multi-brand outlets were approximately 5.9% and 3.3%, –2.4% and –13.7% for each of the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015, respectively. The same-store sales growth was approximately 5.9% and 3.3% for the two years ended 30 April 2014, respectively, as a result of the relatively stable sales performance of the major multi-brand outlets during the two years ended 30 April 2014 as compared to the respective previous corresponding years. The decline of the same-store sales of our Group for the six months ended 31 October 2014 and the four months ended 28 February 2015 was primarily attributable to the decrease in sales for some multi-brand outlets located in Tsim Sha Tsui and Causeway Bay which were being affected by the Occupy Central movement and the decrease in sales for one retail outlet (namely, Outlet 2) located in Times Square as a result of the renovation of certain areas of Times Square. For further details, see "— Recent developments and material adverse change — Occupy Central movement".

Single-brand boutique outlets

Same-store sales growth of single-brand boutique outlets were approximately 12.0%, 33.9%, 11.6% and –25.6% for the two years ended 30 April 2014, the six months ended 31 October 2014 and the four months ended 28 February 2015, respectively. The same-store sales growth of approximately 12.0% for the year ended 30 April 2013 was primarily attributable to the increase in average selling price for the watches sold in single-brand boutique outlets, which was driven by the introduction of new models for certain major brands of higher selling prices. Our improvement on the same-store sales growth of single-brand boutique outlets was mainly attributable to the strong growth in revenue of single-brand boutique outlets under Brand A and Brand B, namely, Outlet 13, Outlet 14 and Outlet 17 for the year ended 30 April 2014 as a result of the increase in their average selling price and volume of watches sold during the period. The modest growth of the same-store sales of approximately 11.6% for the six months ended 31 October 2014 was primarily attributable to the modest growth of approximately 9.8% in sales of Outlet 17, which contributed over half of the total revenue of single-brand boutique outlets for the six months ended 31 October 2014, as compared to the corresponding period in 2013. The decline of the same-store sales of our Group for the four months ended 28 February 2015 was primarily attributable to the decrease in sales for retail outlets located in Tsim Sha Tsui, Causeway Bay and Mongkok which was being affected by the Occupy Central movement and the decrease in sales for one retail outlet (namely, Outlet 15) located in Times Square as a result of the renovation of certain areas of Times Square. For further details, see "— Recent developments and material adverse change — Occupy Central movement".

Cost of sales

Our cost of sales primarily consists of cost of inventories sold and provision for slow-moving inventories. During the Track Record Period, the main factor affecting our total cost of sales was cost of inventories sold, which contributed most of the total cost of sales of our Group. We mainly purchased and sold Swiss-made, German-made and Japanese-made watches from our suppliers. Our purchase prices for major brands are set by our supplier generally making reference to the retail price and various types of discounts offered by our supplier. Apart from the merchandising discount, other incentive discounts will only be effected when our Group is able to fulfil certain benchmark and requirement set out by our supplier. The cost of sales increased by approximately 18.3%, 31.1% and 27.8% for each of the years ended 30 April 2013 and 2014 and for the six months ended 31 October 2014, respectively, as compared to its previous respective corresponding financial period, which is generally in line and mainly as a result of the increase in sales revenue in the relevant period.

The tables below set forth the breakdown of our Group's cost of sales for the years/period indicated.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Cost of inventories sold	182,885	99.8	215,180	99.3	282,150	99.2	121,045	99.6	153,871	99.1
Provision for slow-moving inventories	341	0.2	1,611	0.7	2,145	0.8	478	0.4	1,455	0.9
Total cost of sales	183,226	100.0	216,791	100.0	284,295	100.0	121,523	100.0	155,326	100.0

Gross profit

As a result of the reasons disclosed above regarding the revenue and cost of sales of our Group, our gross profit increased from approximately HK$121.6 million for the year ended 30 April 2012 to approximately HK$134.8 million for the year ended 30 April 2013 and further increased to approximately HK$162.6 million for the year ended 30 April 2014. The gross profit increased from approximately HK$71.2 million for the six months ended 31 October 2013 to approximately HK$86.2 million for the six months ended 31 October 2014. Our gross profit margin slightly decreased during each of the three years ended 30 April 2014 and six months ended 31 October 2014, being approximately 39.9%, 38.3%, 36.4% and 35.7%, respectively. The gradual decrease in gross profit margin was mainly attributable to the increase in the revenue contribution proportion from the multi-brand outlets, which generally has lower gross profit margin than those from single-brand boutique outlets, given the generally greater discount for purchase of watches that we received from the watch suppliers for retailing at single-brand boutique outlets.

Other (losses)/gains, net

Other net (losses)/gains are primarily consisted of net foreign exchange gains and fair value (losses)/gains of financial assets at fair value through profit or loss. Our Group recorded other net losses of approximately HK$57,000 for the year ended 30 April 2012 was mainly attributable to the fair value losses of financial assets of approximately HK$89,000 and offset by the net foreign exchange gains of approximately HK$32,000 during the year. The fair value losses of financial assets were due to decrease of prices of the index funds held by our Group during the period.

Our Group recorded other net gains for each of the two years ended 30 April 2014 and six months ended 31 October 2013 and 2014 which was mainly due to the net foreign exchange gains in each of the relevant financial periods.

Selling and distribution costs

The following table sets out the breakdown of our selling and distribution costs during the Track Record Period.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Employee benefit expense for sales personnel	13,979	21.6	17,854	21.6	22,032	20.6	9,760	20.1	11,644	23.0
Operating lease payments and rates	40,273	62.2	51,213	61.8	62,348	58.4	29,932	61.8	29,719	58.6
Depreciation of property, plant and equipment	1,016	1.6	1,692	2.1	3,172	3.0	1,151	2.4	1,770	3.5
Advertising and promotion expenses	2,993	4.6	3,906	4.7	4,967	4.7	3,386	7.0	2,584	5.1
Bank and credit card charges	3,960	6.1	4,503	5.4	5,604	5.2	2,386	4.9	3,016	5.9
Provision for onerous operating leases	—	—	—	—	4,528	4.2	—	—	—	—
Other expenses	2,522	3.9	3,675	4.4	4,133	3.9	1,841	3.8	2,002	3.9
Total	64,743	100.0	82,843	100.0	106,784	100.0	48,456	100.0	50,735	100.0

Our selling and distribution costs are primarily consisted of employee benefit expense for sales personnel (comprising mainly salaries and allowances (including bonus) for our sales personnel and retirement benefit costs, including contribution to mandatory provident fund), operating lease payments and rates (comprising mainly the rental payments and rates for our retail outlets, including our payments made under the relevant operation agreements in respect of the Relevant Retail Outlets), depreciation of property, plant and equipment, advertising and promotion expenses, bank and credit card charges (comprising mainly the bank and credit card charges for the use of credit card payment by our retail customers), provision for onerous operating leases and other selling and distribution expenses. The increase of selling and distribution costs during the Track Record Period was consistent with the increase in scale of operation during the period. For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, our selling and distribution costs represented 21.2%, 23.6%, 23.9% and 21.0% of our total revenue, respectively, which are relatively stable during the Track Record Period.

The following table sets out the breakdown of our operating lease payments and rates of our retail outlets during the Track Record Period.

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Multi-brand outlets					
Basic rental expenses	8,125	13,127	21,092	9,058	10,708
Turnover rent expenses	1,024	2,100	1,615	795	1,324
Rates	270	402	760	308	373
Sub-total	9,419	15,629	23,467	10,161	12,405
Single-brand boutique outlets					
Basic rental expenses	14,144	18,609	19,198	10,311	8,455
Turnover rent expenses	15,967	16,180	18,585	7,747	8,423
Rates	451	482	594	285	352
Sub-total	30,562	35,271	38,377	18,343	17,230
Other rental expenses	292	313	504	1,428	84
Total	40,273	51,213	62,348	29,932	29,719

Our operating lease payments and rates of our retail outlets consisted of basic rental expenses, turnover rent expenses and rates for multi-brand outlets and single-brand boutique outlets and other rental expenses. The basic rental expense is the monthly fixed rent payable for the leased retail outlets and the turnover rent expense is calculated by a pre-agreed formula if a specified percentage of the turnover of the retail outlet exceeds the monthly fixed rent.

Administrative expenses

The following table sets out the breakdown of our administrative expenses during the Track Record Period.

	Year ended 30 April						Six months ended 31 October			
	2012		2013		2014		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Employee benefit expense for administrative personnel	4,512	65.8	5,523	66.7	5,725	57.2	2,337	59.5	2,274	22.4
Operating lease payments and rates	258	3.8	291	3.5	466	4.7	231	5.9	233	2.3
Depreciation of property, plant and equipment	215	3.1	288	3.5	296	3.0	147	3.7	148	1.5
Impairment of property, plant and equipment	—	—	—	—	994	9.9	—	—	—	—
Transportation expenses	485	7.1	353	4.3	982	9.8	564	14.3	233	2.3
Professional fees	302	4.4	316	3.8	288	2.9	88	2.2	1,608	15.8
Listing expenses	—	—	—	—	—	—	—	—	4,862	47.8
Other expenses	1,087	15.8	1,508	18.2	1,246	12.5	564	14.4	807	7.9
Total	6,859	100.0	8,279	100.0	9,997	100.0	3,931	100.0	10,165	100.0

Our administrative expenses are primarily consisted of employee benefit expense for administrative personnel (comprising mainly salaries and allowances for our administrative personnel and retirement benefit costs, including contribution to mandatory provident fund and directors' quarters rental), operating lease payments (comprising mainly the rental payments and rates for our office premises and repair centres), depreciation and impairment of property, plant and equipment, transportation expenses, professional fees (comprising mainly accounting and auditor's remuneration, legal and professional fees), Listing expenses and other administrative expenses. The increase of administrative expenses during the Track Record Period was consistent with the increase in scale of operation during the period. For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, our administrative expenses represented approximately 2.3%, 2.4%, 2.2% and 4.2% of our total revenue, respectively. The percentage of administrative expenses to the total revenue for the three years ended 30 April 2014 remained relatively stable and the increase in the percentage of administrative expenses to the total revenue for the six months ended 31 October 2014 was mainly due to the Listing expenses of approximately HK$4.9 million incurred during the period.

Finance costs

Our finance costs are consisted of interest expenses on bank overdrafts, bank loans and finance lease during the Track Record Period.

Income tax

We are subject to taxation on entity basis on profit arising in or derived from the tax jurisdictions in which our subsidiaries are domiciled and operate. Our operating subsidiaries are domiciled and operated in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the respective group entities for the Track Record Period. For each of the three years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2014, our income tax expenses amounted to approximately HK$8.1 million, HK$7.2 million, HK$7.7 million and HK$4.9 million, respectively, with our effective tax rate being approximately 16.3%, 16.6%, 16.8% and 19.6%, respectively. The increase in our effective tax rate for the six months ended 31 October 2014 was primarily due to the non-deductible Listing expenses of approximately HK$4.9 million incurred during the period.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authority.

RESULTS OF OPERATIONS

Six months ended 31 October 2014 compared with six months ended 31 October 2013

Revenue

Our revenue increased from approximately HK$192.7 million for the six months ended 31 October 2013 to approximately HK$241.5 million for the six months ended 31 October 2014, representing an increase of approximately HK$48.8 million or 25.3%. The increase was primarily due to the increase in revenue of multi-brand outlets by approximately HK$25.9 million, or 40.5% and the increase in revenue of single-brand boutique outlets by approximately HK$22.4 million, or 17.5%. The revenue from multi-brand outlets increase from approximately HK$64.0 million for the six months ended 31 October 2013 to approximately HK$90.0 million for the six months ended 31 October 2014 was mainly due to the growth of same-store sales of Outlet 11 of approximately 273.4% after the renovation of the retail outlet in the second half of 2013, the opening of Outlets 3 and 12 in December 2013 and May 2014, respectively. The revenue from single-brand boutique outlets increase from approximately HK$127.5 million for the six months ended 31 October 2013 to approximately HK$149.9 million for the six months ended 31 October 2014 was mainly due to the increase in same-store sales in general as a result of the continue introduction of new watch models by major brands selling at higher price coupled with increase in sales volume.

Cost of sales

Our cost of sales increased from approximately HK$121.5 million for the six months ended 31 October 2013 to approximately HK$155.3 million for the six months ended 31 October 2014, representing an increase of approximately HK$33.8 million or 27.8%. The increase was primarily due to the increase in the quantity of watches sold and higher average purchase cost of Brand A and Brand B during the period as a result of the continue introduction of new watch models of higher prices. The procurement plan of our Group was related to the sales performance of the retail shops and the increase in cost of sales was in line with the increase in turnover as evident by the increase in sales revenue of approximately 25.3% for the six months ended 31 October 2014 while the cost of sales increased by approximately 27.8%.

Gross profit and gross profit margin

Our gross profit increased from approximately HK$71.2 million for the six months ended 31 October 2013 to approximately HK$86.2 million for the six months ended 31 October 2014, representing an increase of approximately HK$15.0 million or 21.1%. The gross profit margin for the six months ended 31 October 2014 slightly decreased to approximately 35.7% from approximately 36.9% for the six months ended 31 October 2013. The increase in our gross profit was primarily due to the increase in sales revenue from approximately HK$192.7 million for the six months ended 31 October 2013 to approximately HK$241.5 million for the six months ended 31 October 2014. The slight decrease in gross profit margin mainly attributable to the increase in the revenue contribution proportion from the multi-brand outlets, which generally has lower gross profit margin than those from single-brand boutique outlets.

Other net gains

Our other net gains decreased from approximately HK$14,000 for the six months ended 31 October 2013 to approximately HK$3,000 for the six months ended 31 October 2014. The decrease in our other net gains was primarily due to the decrease in net foreign exchange gains for the six months ended 31 October 2014.

Selling and distribution costs

Our selling and distribution costs increased from approximately HK$48.5 million for the six months ended 31 October 2013 to approximately HK$50.7 million for the six months ended 31 October 2014, representing an increase of approximately HK$2.2 million or 4.7%, was primarily attributable to the increase in staff salaries and allowances (including bonus) paid to the sales personnel following the addition of the sales personnel hired for the newly-opened Outlets 3, 12 and 16.

Administrative expenses

Our administrative expenses increased from approximately HK$3.9 million for the six months ended 31 October 2013 to approximately HK$10.2 million for the six months ended 31 October 2014, representing an increase of approximately HK$6.3 million or 158.6%. The increase was primarily due to the Listing expenses of approximately HK$4.9 million and the accounting and auditor's remuneration, legal and professional fees of approximately HK$1.6 million incurred during the six months ended 31 October 2014.

Finance costs

Our finance costs were approximately HK$169,000 for the six months ended 31 October 2013 and approximately HK$181,000 for the six months ended 31 October 2014 as our level of bank borrowings during the period remained relatively stable.

Income tax expense

Our income tax expense increased from approximately HK$3.2 million for the six months ended 31 October 2013 to approximately HK$4.9 million for the six months ended 31 October 2014. Our effective tax rate increased from approximately 17.3% for the six months ended 31 October 2013 to approximately 19.6% for the six months ended 31 October 2014. The increase in taxable income tax expense and the increase in our effective tax rate was primarily due to the increase in profit of our Group and the non-deductible Listing expenses of approximately HK$4.9 million incurred during the six months ended 31 October 2014.

Profit for the period

As of the cumulative effect of the foregoing, our profit increased from approximately HK$15.4 million for the six months ended 31 October 2013 to approximately HK$20.2 million for the six months ended 31 October 2014, representing an increase of approximately HK$4.8 million or 31.1%. Our net profit margin slightly increased from approximately 8.0% for the six months ended 31 October 2013 to approximately 8.4% for the six months ended 31 October 2014.

Year ended 30 April 2014 compared with year ended 30 April 2013

Revenue

Revenue of our Group increased from approximately HK$351.6 million for the year ended 30 April 2013 to approximately HK$446.9 million for the year ended 30 April 2014, representing an increase of approximately HK$95.3 million or 27.1%. The increase was primarily due to the increase in revenue of multi-brand outlets by approximately HK$42.6 million, or 40.7% and the increase in revenue of single-brand boutique outlets by approximately HK$51.9 million, or 21.2%. The revenue from multi-brand outlets increased from approximately HK$104.7 million for the year ended 30 April 2013 to approximately HK$147.3 million for the year ended 30 April 2014 was mainly due to the growth of sales of Outlets 1 and 8 of approximately 352.6% and 373.7%, respectively, following their new openings in the second half of the financial year in 2013. The revenue from single-brand boutique outlets increased from approximately HK$244.7 million for the year ended 30 April 2013 to approximately HK$296.6 million for the year ended 30 April 2014 was mainly due to the growth in same-store sales, in particular at Outlet 14 and Outlet 17, where the sales volume has achieved reasonable growth.

Cost of sales

Our cost of sales increased from approximately HK$216.8 million for the year ended 30 April 2013 to approximately HK$284.3 million for the year ended 30 April 2014, representing an increase of approximately HK$67.5 million or approximately 31.1%. The increase was primarily due to the increase in cost of inventories sold, in particular the increase in the quantity of watches sold and higher average purchase cost of Brand A and Brand B during the period as a result of the continuous introduction of new watch models with higher prices. The procurement plan of our Group was related to the sales performance of the retail shops and the increase in cost of sales was generally in line with the increase in turnover as evident by the increase in sales revenue of approximately 27.1% for the year ended 30 April 2014 while the cost of sales increased by approximately 31.1%.

Gross profit and gross profit margin

Our gross profit increased from approximately HK$134.8 million for the year ended 30 April 2013 to approximately HK$162.6 million for the year ended 30 April 2014, representing an increase of approximately HK$27.8 million or 20.6%. The gross profit margin for the year ended 30 April 2014 decreased to approximately 36.4% from approximately 38.3% for the year ended 30 April 2013. The increase in our gross profit was primarily due to increase in sales revenue from approximately HK$351.6 million for the year ended 30 April 2013 to approximately HK$446.9 million for the year ended 30 April 2014. The slight decrease in gross profit margin mainly attributable to the slight decrease in gross profit margin of Brand B which contributed to over half of the total gross profit of our Group during the period as a result of the discontinuation of staff incentive bonus previously offered by Supplier A and the increase in the revenue contribution proportion from the multi-brand outlets, which has generally lower gross profit margin than those from single-brand retail outlets.

Other net gains

Our other income increased from approximately HK$35,000 for the year ended 30 April 2013 to approximately HK$48,000 for the year ended 30 April 2014. The increase in our other income was primarily due to the gain of financial assets at fair value through profit or loss and partially offset by decrease in net foreign exchange gain. During the year ended 30 April 2014, our Group disposed of an index fund and had a gain of approximately HK$24,000 as compared to its fair value as at 30 April 2013.

Selling and distribution costs

Our selling and distribution costs increased from approximately HK$82.8 million for the year ended 30 April 2013 to approximately HK$106.8 million for the year ended 30 April 2014, representing an increase of approximately HK$24.0 million or 28.9%. The increase of selling and distribution costs was relatively consistent with the increase in scale of operation for the year ended 30 April 2014 as compared to the corresponding period in 2013. Our selling and distribution costs represented approximately 23.6% and approximately 23.9% of our total revenue for each of the year ended 30 April 2013 and 2014, respectively. The increase was primarily attributable to (i) increase in rental expenses incurred as a result of the newly-opened Outlets 3 and 16 in December 2013 and November 2013, respectively, and the full year of operation of Outlet 8 and Outlet 18 and the increase in turnover rent of Outlet 14 due to the increase of same-store turnover of Outlet 14 over the period; (ii) the provision for onerous operating leases of HK$4.5 million which were not incurred during the year ended 30 April 2013; and (iii) increase in staff salaries and allowances (including bonus) paid to the sales personnel mainly due to the additional number of sales personnel hired for the newly-opened Outlets 3 and 16 and full year of operation of Outlets 8 and 18 during the period.

Administrative expenses

Our administrative expenses increased from approximately HK$8.3 million for the year ended 30 April 2013 to approximately HK$10.0 million for the year ended 30 April 2014, representing an increase of approximately HK$1.7 million or 20.8%. The increase was primarily due to the impairment of property, plant and equipment which is the aggregated impairment made in relation to certain retail outlets which could not cover the carrying values of their respective leasehold improvement, furniture and fixtures of approximately HK$1.0 million having assessed the stagnant performance of the relevant retail outlets.

Finance costs

Our finance costs increased from approximately HK$249,000 for the year ended 30 April 2013 to approximately HK$361,000 for the year ended 30 April 2014. The increase was primarily due to the increase in interest expenses as a result of certain new bank borrowings obtained by our Group in the second half of the financial year ended 30 April 2013.

Income tax

Our income tax slightly increased from approximately HK$7.2 million for the year ended 30 April 2013 to HK$7.7 million for the year ended 30 April 2014, representing an increase of approximately HK$0.5 million or 6.1%. The increase was primarily attributable to the increase in taxable income as a result of increase in profit during the year ended 30 April 2014. Our effective tax rate has remained relatively stable at approximately 16.8% for the year ended 30 April 2014 as compared to approximately 16.6% for the year ended 30 April 2013.

Profit for the year

As a result of the foregoing, our profit for the year increased slightly from approximately HK$36.3 million for the year ended 30 April 2013 to approximately HK$37.9 million for the year ended 30 April 2014, representing an increase of approximately HK$1.6 million or 4.3%. Our net profit margin decreased from approximately 10.3% for the year ended 30 April 2013 to approximately 8.5% for the year ended 30 April 2014 as a result of the decrease in gross profit margin and the increase in administrative expenses.

Year ended 30 April 2013 compared with year ended 30 April 2012

Revenue

Revenue of our Group increased from approximately HK$304.8 million for the year ended 30 April 2012 to approximately HK$351.6 million for the year ended 30 April 2013, representing an increase of approximately HK$46.8 million or 15.4%. The increase was primarily due to the increase in revenue of multi-brand outlets by approximately HK$28.2 million, or 36.9% and the increase in revenue of single-brand boutique outlets by approximately HK$18.4 million, or 8.1%. The revenue from multi-brand outlets increased from approximately HK$76.5 million for the year ended 30 April 2012 to approximately HK$104.7 million for the year ended 30 April 2013 was mainly due to the opening of additional multi-brand outlets during the year ended 30 April 2013, being Outlet 1, Outlet 6 and Outlet 8 and another retail outlet in Kowloon and the growth of same-store sales of Outlet 2 of approximately 92.0% primarily as a result of the significant increase in the sales of Brand A watches in Outlet 2 after September 2011 which coincided with the closure of a single-brand outlet under Brand A in Causeway Bay in September 2011. The increase in revenue from single-brand boutique outlets from approximately HK$226.3 million for the year ended 30 April 2012 to approximately HK$244.7 million for the year ended 30 April 2013 was mainly due to the increase in average selling price for the watches sold in single-brand boutique outlets, which was driven by the introduction of new models for certain major brands of higher selling prices.

Cost of sales

Our cost of sales increased from approximately HK$183.2 million for the year ended 30 April 2012 to approximately HK$216.8 million for the year ended 30 April 2013, representing an increase of approximately HK$33.6 million or 18.3%. The increase was primarily attributable to the increase in the cost of inventories sold, in particular the increase in the quantity of watches sold and higher average purchase cost of Brand A during the period as a result of the continuous introduction of new watch models with higher prices. The procurement plan of our Group was highly related to the sales performance of the retail shops and the increase in cost of sales was generally in line with the increase in turnover as evident by the increase in sales revenue of approximately 15.4% for the year ended 30 April 2013 while the cost of sales increased by approximately 18.3%.

Gross profit and gross profit margin

Our gross profit increased from approximately HK$121.6 million for the year ended 30 April 2012 to approximately HK$134.8 million for the year ended 30 April 2013, representing an increase of approximately HK$13.2 million or 10.9%. The gross profit margin for the year ended 30 April 2013 decreased from approximately 39.9% for the year ended 30 April 2012 to approximately 38.3%. The increase in our gross profit was primarily due to increase in sales revenue from approximately HK$304.8 million for the year ended 30 April 2012 to approximately HK$351.6 million for the year ended 30 April 2013. The slight decrease in gross profit margin mainly attributable to the increase in the revenue contribution proportion from the multi-brand outlets, which generally has lower gross profit margin than those from single-brand retail outlets.

Other net gains

We recorded other net gains of approximately HK$35,000 for the year ended 30 April 2013 as compared to other net losses of approximately HK$57,000 recorded for the year ended 30 April 2012. The improvement was primarily due to the decrease in the fair value losses of financial assets from approximately HK$89,000 for the year ended 30 April 2012 to approximately HK$5,000 for the year ended 30 April 2013 as a result of the disposal gain in one of the index funds and the slight decrease in price of the remaining index fund held by our Group during the period.

Selling and distribution costs

Our selling and distribution costs increased from approximately HK$64.7 million for the year ended 30 April 2012 to approximately HK$82.8 million for the year ended 30 April 2013, representing an increase of approximately HK$18.1 million or 28.0%. The increase of selling and distribution costs was relatively consistent with the increase in scale of operation for the year ended 30 April 2013 as compared to the corresponding period in 2012. Our selling and distribution costs represented approximately 21.2% and approximately 23.6% of our total revenue for each of the year ended 30 April 2012 and 2013, respectively. The increase was primarily attributable to (i) increase in rental expenses incurred as a result of newly-opened Outlet 1, Outlet 6, Outlet 8 and Outlet 18 and the increase in turnover rent of Outlet 2 due to the increase of same-store turnover of Outlet 2 over the period; and (ii) increase in staff salaries and allowances (including bonus) paid to the sales personnel mainly due to the additional number of sales personnel hired for the newly-opened Outlets 1, 6, 8 and 18 during the period.

Administrative expenses

Our administrative expenses increased from approximately HK$6.9 million for the year ended 30 April 2012 to approximately HK$8.3 million for the year ended 30 April 2013, representing an increase of approximately HK$1.4 million or 20.7%. The increase was primarily due to increase in administrative staff costs as a result of hiring of additional administrative staff during the period.

Finance costs

Our finance costs increased from approximately HK$199,000 for the year ended 30 April 2012 to approximately HK$249,000 for the year ended 30 April 2013. The increase was primarily attributable to the increase in interest expenses as a result of obtaining certain new bank borrowings during the period.

Income tax

Our income tax decreased from approximately HK$8.1 million for the year ended 30 April 2012 to approximately HK$7.2 million for the year ended 30 April 2013, representing a decrease of approximately HK$0.9 million or 10.7%. The decrease was primarily attributable to the decrease in taxable income as a result of decrease in profit during the year. Our effective tax rate remained relatively stable at approximately 16.6% for the year ended 30 April 2013 as compared to approximately 16.3% for the year ended 30 April 2012.

Profit for the year

As a result of the foregoing, our profit for the year decreased from approximately HK$41.6 million for the year ended 30 April 2012 to approximately HK$36.3 million for the year ended 30 April 2013, representing a decrease of approximately HK$5.3 million or 12.9%. Our net profit margin decreased from approximately 13.7% for the year ended 30 April 2012 to approximately 10.3% for the year ended 30 April 2013 as a result of the decrease in gross profit margin. In addition, the increase in number of multi-brand outlets during the year also contributed to the decrease in net profit margin as the fixed costs of multi-brand outlets are generally comparable with that of single-brand boutique outlets but the revenue scale is normally smaller.

DISCUSSION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF FINANCIAL POSITION

Net current assets position

Our current assets consist primarily of inventories, trade receivables, other receivables and prepayments, financial assets at fair value through profit or loss, cash and cash equivalents and tax recoverable. Our current liabilities consist primarily of trade and other payables, borrowings, dividends payables and current income tax liabilities.

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated. This information should be read together with our combined statements of financial position included in Appendix I to this prospectus.

	As at 30 April			As at 31 October	As at 28 February
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Inventories	45,965	71,425	105,170	102,009	116,127
Trade receivables, other receivables and prepayments	30,045	13,083	8,183	11,391	26,418
Financial assets at fair value through profit or loss	328	218	—	—	—
Cash and cash equivalents	15,996	22,707	20,337	28,186	44,317
Tax recoverable	—	—	183	—	—
	92,334	107,433	133,873	141,586	186,862
Current liabilities					
Trade and other payables	16,000	22,529	49,390	52,686	58,029
Borrowings	2,191	14,464	14,821	7,160	34,214
Dividends payable	—	—	—	45,000	45,000
Current income tax liabilities	4,980	2,932	3,106	6,842	1,594
	23,171	39,925	67,317	111,688	138,837
Net current assets	69,163	67,508	66,556	29,898	48,025

Our net current assets decreased from approximately HK$66.6 million as at 30 April 2014 to approximately HK$29.9 million as at 31 October 2014, representing a decrease of approximately HK$36.7 million or 55.1%. The decrease was primarily due to the dividends payable of approximately HK$45.0 million as at 31 October 2014 as a result of the dividends declared of approximately HK$72.1 million for the six months ended 31 October 2014, which was partially offset by the increase of cash and cash equivalents from approximately HK$20.3 million as at 30 April 2014 to approximately HK$28.2 million as at 31 October 2014 as a result of the funds generated internally from its normal business operation and the decrease in borrowings from approximately HK$14.8 million as at 30 April 2014 to approximately HK$7.2 million as at 31 October 2014 as a result of the repayment of bank borrowings and no additional borrowing was obtained during the six months ended 31 October 2014.

Our net current assets slightly decreased from approximately HK$67.5 million as at 30 April 2013 to approximately HK$66.6 million as at 30 April 2014, representing a decrease of approximately HK$0.9 million or 1.4%. The decrease was primarily due to the increase in trade and other payables from approximately HK$22.5 million as at 30 April 2013 to approximately HK$49.4 million as at 30 April 2014 as a result of (i) the increase in amount due to a shareholder of the Company from nil as at 30 April 2013 to approximately HK$17.2 million as at 30 April 2014, mainly attributable to the dividends declared and settled through current account with the shareholder; (ii) the increase in provision for onerous operating leases from nil as at 30 April 2013 to approximately HK$4.5 million as at 30 April 2014, and was partially offset by an increase in inventories from approximately HK$71.4 million as at 30 April 2013 to approximately HK$105.2 million as at 30 April 2014 as a result of the opening of Outlets 3 and 16 and the increase in the minimum quantity of inventories to be carried at certain retail outlets to enjoy inventory discount from Supplier A during the year ended 30 April 2014.

Our net current assets decreased from approximately HK$69.2 million as at 30 April 2012 to approximately HK$67.5 million as at 30 April 2013, representing a decrease of approximately HK$1.7 million or 2.4%. The decrease was primarily due to (i) a decrease in trade receivables, other receivables and prepayments from approximately HK$30.0 million as at 30 April 2012 to approximately HK$13.1 million as at 30 April 2013 as a result of a decrease in the net amount due from shareholders of the Company due to the offsetting of amount due from shareholders of the Company by the declaration and payment of dividend; (ii) an increase in trade and other payables from approximately HK$16.0 million as at 30 April 2012 to approximately HK$22.5 million as at 30 April 2013 as a result of an increase in the trade payables to third party suppliers of our Group; (iii) an increase in borrowings from approximately HK$2.2 million as at 30 April 2012 to approximately HK$14.5 million as at 30 April 2013 as a result of certain new loans obtained during the year ended 30 April 2013, and was partially offset by the increase in inventories from approximately HK$46.0 million as at 30 April 2012 to approximately HK$71.4 million as at 30 April 2013 mainly as a result of the increase of number of retail outlets from 14 as at 30 April 2012 to 19 as at 30 April 2013.

As at 28 February 2015, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, our net current assets were approximately HK$48.0 million, consisting of approximately HK$186.9 million of current assets and approximately HK$138.8 million of current liabilities. We have obtained additional borrowings in an aggregate amount of approximately HK$31.3 million during the four months ended 28 February 2015. Our net current assets position as at 28 February 2015 primarily reflected the increase in inventory level.

Inventories

Our inventories comprised watches stored in our retail outlets less provision for slow-moving watches based or our inventory provision policy as set out in this paragraph. The following tables sets out the inventories balances as of the indicated dates:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	51,053	78,124	114,014	112,308
Less: provision for slowing-moving inventories	(5,088)	(6,699)	(8,844)	(10,299)
Total	45,965	71,425	105,170	102,009

Inventories amounted to approximately HK$46.0 million, HK$71.4 million, HK$105.2 million and HK$102.0 million, representing approximately 46.0%, 58.1%, 68.9% and 64.2% of our total assets as at 30 April, 2012, 2013 and 2014 and 31 October 2014, respectively. The increase in inventories was primarily due to our expansion of retail network, the increase in the minimum quantity of inventory to be carried at certain retail outlets to enjoy inventory discount from Supplier A and the need to maintain sufficient inventories for certain retail outlets.

We review and monitor our inventory level regularly in accordance with our inventory policy. We use a retail point-of-sale (POS) system to facilitate timely collection, recording and management of sales and inventory data. The POS system links our retail outlets to our head office, which gives our management assess to closely and frequently monitor the inventory level of each retail outlet in real-time and to ensure the maintenance of adequate level of inventory of business operation. The POS system used in our single-brand boutique outlets also grants access to the relevant watch suppliers, which enables them to monitor stock levels. As required by the agreements with Supplier A for retailing, certain of our retail outlets must carry an agreed number of inventories at all times. By closely monitoring inventory levels, our management is able to obtain updated market information to facilitate the maintenance of adequate inventory levels, approve re-stock purchase orders initiated by shop managers or supervisors during daily operations and analyse sales and profit trends. Our procurement plan, therefore, can base on the sale performance and inventory level and make purchases accordingly.

The finished goods of the watch products are the main inventories of our Group. We may accept the consignment of new brands or less popular brands from time to time after considering consumers' preferences and the latest market trends. For the three years ended 30 April 2014 and the six months ended 31 October 2014, we sourced 23, 28, 27 and 18 watch brands on consignment basis.

	Year ended 30 April			Six months ended 31 October
	2012	**2013**	**2014**	**2014**
Average inventory turnover days *(Note 1)*				
Multi-brand outlets	122.5	133.3	138.9	131.0
Single-brand boutique outlets	62.6	73.9	92.6	111.0
Overall *(Note 2)*	83.2	98.8	113.4	122.0

Notes:

1. Average inventory turnover days for multi-brand outlets/single-brand boutique outlets equal inventory for multi-brand outlets/single-brand boutique outlets at the beginning of the year/period plus inventory for multi-brand outlets/single-brand boutique outlets of the end of the year/period, respectively, divided by two. Average inventory turnover days for multi-brand outlets/single-brand boutique outlets equal average inventory turnover days for multi-brand outlet/single-brand boutique outlets divided by cost of sales for multi-brand outlets/single-brand boutique outlets, respectively, and multiplied by 365 for a year and 183 for six-month period.

2. Overall average inventory equals total inventory at the beginning of the year/period plus total inventory at the end of the year/period divided by two. Overall average inventory turnover days equal overall average inventory divided by total cost of sales and multiplied by 365 for a year and 183 for six-month period.

Our overall average inventory turnover days increased from approximately 83.2 days for the year ended 30 April 2012 to approximately 98.8 days for the year ended 30 April 2013. The increase was mainly attributable to the increase in inventory amount in multi-brand outlets as a result of the increase in the number of multi-brand outlets during the year ended 30 April 2013 whereas the nature of the multi-brand outlets generally have higher inventory turnover days than those of the single-brand retail outlets because some brands sold in the multi-brand outlets are less popular than the brands sold at single-brand retail outlets. The overall average inventory turnover days further increased to approximately 113.4 days for the year ended 30 April 2014 which was mainly attributable to the increase in the inventory amount of Brand B as a result of the opening of Outlet 15 and Outlet 16, both being single-brand retail outlets under Brand B, in August 2013 and December 2013, respectively, which had purchased a batch of inventory at the time of the opening of such retail outlets. The overall average inventory turnover days remained relatively stable at approximately 122.0 days for the six months ended 31 October 2014 which our Group maintained similar level of inventory as compared to 30 April 2014.

As at 31 March 2015, approximately 85.3%, 82.0%, 72.1% and 61.6% of our Group's inventory balances as at 30 April 2012, 30 April 2013, 30 April 2014 and 31 October 2014 were subsequently utilized, respectively.

The following table sets out our inventory by aging at the dates indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Aging Analysis:				
Less than 365 days	42,178	63,456	95,683	92,694
365–730 days	4,021	8,311	9,692	10,328
731–999 days	1,392	1,622	3,906	1,960
Over 999 days	3,462	4,735	4,733	7,326
Provision for slow-moving	(5,088)	(6,699)	(8,844)	(10,299)
Total	45,965	71,425	105,170	102,009

The inventories aged over 730 days were approximately HK$4.9 million, HK$6.4 million, HK$8.6 million and HK$9.3 million as at 30 April 2012, 2013 and 2014 and 31 October 2014, respectively, and the provision for slow-moving inventory balances were approximately HK$5.1 million, HK$6.7 million, HK$8.8 million and HK$10.3 million as at 30 April 2012, 2013 and 2014 and 31 October 2014, respectively. No additional provision was required to make to the remaining balance of the inventory aged over 730 days. The inventory aged over 730 days increased by approximately HK$1.5 million or 30.9% to approximately HK$6.4 million as at 30 April 2013, further increased by approximately HK$2.2 million or 35.9% to approximately HK$8.6 million as at 30 April 2014 and increased by approximately HK$0.7 million or 7.5% to approximately HK$9.3 million as at 31 October 2014. These increases followed the similar trend of increases in our overall inventory balance from 30 April 2012 to 31 October 2014 for those slow-moving or off-season models. For details of our control on our inventory management, see "Business — Inventory management".

Trade receivables, other receivables and prepayments

The following tables set out the trade receivables balances as of the dates indicated and the average trade receivables turnover days for the period indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
— Third parties	3,896	1,620	1,038	3,604
— A related company	108	701	166	193
Total	4,004	2,321	1,204	3,797

	For the year ended 30 April			For the six months ended 31 October
	2012	2013	2014	2014
Average trade receivables turnover days *(Note)*	3.3	3.3	1.4	1.9

Note: Average trade receivables equals trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period divided by two. Average trade receivables turnover days equals average trade receivables divided by revenue and multiplied by 365 for a year and 183 for a six-month period.

The following table sets out the breakdown of trade receivables by customer types for the dates indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retail customers	3,867	1,516	982	3,548
Wholesale customers	29	104	56	56
A related company	108	701	166	193
Total	4,004	2,321	1,204	3,797

Our trade receivable balances mainly represented the outstanding amounts receivable by us from our wholesale customers, a related company and credit card companies for retail sales. A majority of our sales generate immediate cash receipts for the full amount of the transactions due to our policy of settling transactions with contemporaneous payment via cash, credit or debit cards. There were no specific credit terms granted to credit card companies. The receivables due from credit card companies were usually settled within 7 days. Currently, our Group' credit terms granted to wholesales customers, including a related party customer, generally ranged from 30 to 60 days from the invoice date (such credit terms generally ranged from 30 to 90 days during the Track Record Period). For each of the three years ended 30 April 2014 and the six months ended 31 October 2014, the trade receivables for retail sales represented approximately 96.6%, 65.3%, 81.5% and 93.4% of the total trade receivables, respectively. As at 30 April 2012, 2013, 2014 and 31 October 2014, our trade receivables were approximately HK$4.0 million, HK$2.3 million, HK$1.2 million and HK$3.8 million, respectively. The trade receivables as at 30 April 2012, 2013 and 2014 and 31 October 2014 was approximately 1.3%, 0.7%, 0.3% and 1.6% of the total turnover, respectively. As over half of trade receivables were from retail sales which are mainly paid by credit cards, the average trade receivables turnover days were within 4 days during the Track Record Period.

The following table sets out the aging analysis of trade receivables, by invoice date, as of the dates indicated:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	3,999	2,217	1,204	3,703
31–60 days	5	104	—	70
61–90 days	—	—	—	24
Total	4,004	2,321	1,204	3,797

As at 30 April 2012, 2013 and 2014 and 31 October 2014, trade receivables of approximately HK$5,000, HK$104,000, nil, and HK$24,000, respectively, were past due but not impaired. The outstanding balances of approximately HK$5,000 and HK$104,000 as at 30 April 2012 and 2013, respectively, were related to two independent wholesale customers and approximately HK$24,000 as at 31 October 2014 was related to Company A, who is a related wholesale customer of our Group. All of these amounts were subsequently settled as at the Latest Practicable Date.

Our policy for impairment on trade receivables is based on the credit history of counterparty, the current market condition by business segment, evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assesses the collectability of overdue balances such as results of follow-up procedures, counterparty payment trends including subsequent payments and customers' financial positions. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we will make provision, if applicable, for the impairment of long overdue trade receivables in order to ensure the quality of our assets. Provision would apply to the trade receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We recognise provision for impairment of trade receivables as administrative expenses in the combined statements of comprehensive income of our Group. During the Track Record Period, the Company had not made any impairment for the trade receivables.

The following table sets out the other receivables and prepayments balances as of the dates indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from shareholders of the Company (non-trade)	21,928	5,814	2,570	—
Rental and utilities deposits	7,933	13,489	13,077	13,091
Other receivables	—	—	952	31
Prepayments	1,080	706	781	2,610
Prepaid Listing expenses	—	—	—	2,558
Total	30,941	20,009	17,380	18,290
Less: non-current portion				
Rental deposits	(4,900)	(9,247)	(10,251)	(8,761)
Prepayments	—	—	(150)	(1,935)
Current portion	26,041	10,762	6,979	7,594

Other receivables and prepayments of our Group consisted of amount due from shareholders of the Company (non-trade), deposits in relation to rental and utilities, prepayments for property, plant and equipment, other prepayments, prepaid Listing expenses and other receivables. Our other receivables and prepayments decreased from approximately HK$30.9 million as at 30 April 2012 to approximately HK$20.0 million as at 30 April 2013 was primarily due to the decrease in the net amount due from shareholders of the Company as a result of the dividends declared during the year set off by the amount due from shareholders of the Company, and was partially offset by the increase in rental and utilities deposits as a result of the additional leased retail outlets of our Group. The balance further decreased to approximately HK$17.4 million as at 30 April 2014 primarily due to further decrease in the net amount due from shareholders of the Company as a result of the dividends declared during the year partially set off by the amount due from shareholders of the Company, and partially was offset by the other receivables from an independent supplier of our Group in relation to leasehold improvements. The balances increased to approximately HK$18.3 million as at 31 October 2014 primarily due to (i) the increase in prepayment for the acquisition of a vessel, and (ii) the listing expenses prepaid during the period, which was partially offset by the decrease in the amount due from shareholders of the Company. The trend of the current portion of the other receivables and prepayments are in the same trend with the total other receivables and prepayments.

Our trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Our management has maintained a strict control over outstanding balances of trade and other receivables and reviewed overdue amounts regularly.

Trade and other payables

The following tables set out the trade and other payables balances as of the indicated dates and the trade payables turnover days for the period indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
— third parties	9,964	16,654	20,416	23,706
— a related party	255	163	139	164
Sub-total	10,219	16,817	20,555	23,870
Amount due to a shareholder of the Company (non-trade)	—	—	17,170	18,500
Rent payable	3,597	4,091	4,354	3,857
Accrued employee benefit expense	1,857	2,266	2,480	2,777
Provision for reinstatements	528	978	1,404	1,338
Provision for onerous operating leases	—	—	4,528	3,038
Other accruals and payables	297	245	1,140	1,147
Total	16,498	24,397	51,631	54,527
Less: non-current portion	(498)	(1,868)	(2,241)	(1,841)
Current portion	16,000	22,529	49,390	52,686

	Year ended 30 April			Six months ended 31 October
	2012	2013	2014	2014
Average trade payables turnover days *(Note)*	16.7	22.8	24.0	26.2

Note: Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period divided by two. Average trade payables turnover days equals average trade payables divided by cost of sales and multiplied by 365 for a year and 183 for a six-month period.

Our trade payables represented the outstanding amounts payable by us to our suppliers. As at 30 April 2012, 2013 and 2014, and 31 October 2014, our trade payables were approximately HK$10.2 million, HK$16.8 million, HK$20.6 million and HK$23.9 million, respectively. These increases were primarily due to the general increase in trade payables attributable to Brand A and Brand B as a result of the generally higher level of purchases from our suppliers to meet growing demands from customers and the expansion of existing retail outlets.

Our Group is generally granted by the suppliers a credit period ranging from 30 days to 60 days to settle our payment after date of invoice. Our average trade payables turnover days increased from approximately 16.7 days for the year ended 30 April 2012 to 22.8 days for the year ended 30 April 2013, and further to approximately 24.0 days and 26.2 days for the year ended 30 April 2014 and for the six months ended 31 October 2014, respectively, which was primarily attributable to the addition of retail outlets from 14 retail outlets as at 30 April 2012 to 19 retail outlets as at 30 April 2013 and the higher level of inventories sourced from suppliers to cope with the opening of new retail outlets or expansion of existing retail outlets.

The following table sets out the aging analysis of trade payables, by invoice date, as of the dates indicated:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	8,403	14,413	18,349	22,159
31 to 60 days	914	1,160	905	1,432
61 to 90 days	590	926	746	140
Over 90 days	312	318	555	139
Total	10,219	16,817	20,555	23,870

Our Group had no overdue payment to our suppliers as at 30 April 2012, 30 April 2013, 30 April 2014 and 31 October 2014.

Our other payables consisted of amount due to a shareholder of the Company (non-trade), rent payable, accrued employee benefit expense, provisions for reinstatements and provision for onerous operating leases and other accruals and payables. As at 30 April 2014 and 31 October 2014, the amount due to a shareholder of the Company was unsecured, interest-free and repayable on demand. Our other payables increased from approximately HK$6.3 million as at 30 April 2012 to approximately HK$7.6 million as at 30 April 2013, primarily due to the increase in rent payable arising from the accrued rental expenses during the rent free period offered by the landlord of the newly-opened Outlets 1, 6, 8, 18 and 19 during the year ended 30 April 2013. The other payables further increased to approximately HK$31.1 million as at 30 April 2014 was primarily attributable to the amount due to a shareholder of the Company (non-trade) of approximately HK$17.2 million as a result of the unsecured, interest-free and repayable on demand advance from a shareholder of the Company and the provision for onerous operating leases of approximately HK$4.5 million as at 30 April 2014 which is a provision made in relation to certain retail outlets where the unavoidable costs of meeting the obligations under the leases exceeded the economic benefits expected to be received under them. The balances of other payables of our Group increased to approximately HK$30.7 million as at 31 October 2014 primarily due to the unsecured, interest-free and repayable on demand advance from Mr. Lam and the decrease in the provision for onerous operating leases of approximately HK$1.5 million upon lease payment for the committed lease agreements. The trend of the current portion of the other payables are in the same trend with the total other payables.

Our trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The balance due to a shareholder of the Company as at 31 October 2014 is expected to be fully settled before listing of the Shares.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow and treasury management

Our principal sources of funds are a combination of cash generated from operations, advance by a shareholder of the Company and various short-term and long-term bank borrowings. We generally assess our liquidity based on these items. Our primary liquidity requirements are to finance working capital, fund the payment of interest expense and principal on our borrowings and fund our capital expenditures. We recorded net cash inflow from operating activities during the Track Record Period and have historically met our working capital and other liquidity requirements principally from cash generated from our operations. We were able to repay our obligations under bank loans when they became due during the Track Record Period. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, the proceeds from the Share Offer, banking facilities and borrowings as well as other debt and equity financing.

Our Directors are not aware of any material change to the underlying drivers of the sources of cash of our Group and the use of cash by our Group subsequent to 31 October 2014 and up to the date of this prospectus.

Cash flows

Set out below are our net cash flows for the years/periods indicated:

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	40,621	15,084	18,132	20,762	28,446
Net cash used in investing activities	(1,281)	(5,011)	(2,070)	(926)	(3,004)
Net cash used in financing activities	(39,976)	(2,797)	(18,432)	(21,884)	(17,593)
Net (decrease)/increase in cash and cash equivalents	(636)	7,276	(2,370)	(2,048)	7,849

Net cash generated from operating activities

Our cash flows from operating activities primarily comprising our profit before taxation adjusted for non-cash items such as depreciation and impairment, fair value losses/(gains) of financial assets through profit or loss, provision for slow-moving inventories, deferred rent, payment of finance cost, the changes in trade receivables, other receivables and prepayments, trade and other payables, inventories and the payment of income tax.

For the year ended 30 April 2012, our net cash generated from operating activities was approximately HK$40.6 million, while our net cash inflow from operating activities after adjustment for non-cash items and finance cost but before changes in working capital was approximately HK$51.4 million. The difference of approximately HK$10.8 million was primarily attributable to increase in inventories balances of approximately HK$8.7 million for our expansion of retail network and the need to maintain sufficient inventories for our retail outlets, increase in trade receivables, other receivables and prepayments of approximately HK$1.6 million and income tax payment of approximately HK$4.3 million, which was partially offset by an increase in trade and other payables of approximately HK$3.8 million.

For the year ended 30 April 2013, our net cash generated from operating activities was approximately HK$15.1 million, while our net cash inflow from operating activities after adjustment for non-cash items and finance cost but before changes in working capital was approximately HK$48.5 million. The difference of approximately HK$33.4 million was primarily attributable to increase in inventories balances of approximately HK$27.1 million for our expansion of retail network and the need to main sufficient inventories for our retail outlets, increase in trade receivables, other receivables and prepayments of approximately HK$3.5 million and income tax payment of approximately HK$9.1 million, which was partially offset by an increase in trade and other payables of approximately HK$6.3 million.

For the year ended 30 April 2014, our net cash generated from operating activities was approximately HK$18.1 million, while our net cash inflow from operating activities after adjustment for non-cash items and finance cost but before changes in working capital was approximately HK$57.3 million. The difference of approximately HK$39.2 million was primarily attributable to increase in inventories balances of approximately HK$35.9 million for our expansion of retail network and the need to main sufficient inventories for our retail outlets, and income tax payment of approximately HK$8.6 million, which was partially offset by an increase in trade and other payables of approximately HK$4.6 million and decrease in trade receivables, other receivables and prepayments of approximately HK$0.7 million.

For the six months ended 31 October 2013, our net cash generated from operating activities was approximately HK$20.8 million, while our net cash inflow from operating activities after adjustment for non-cash items and finance cost but before changes in working capital was approximately HK$20.6 million. The difference of approximately HK$0.2 million was primarily attributable to increase in trade and other payables of approximately HK$9.8 million, which was partially offset by increase in inventories balances of approximately HK$3.4 million for our expansion of retail network and the need to main sufficient inventories for our retail outlets, increase in trade receivables, other receivables and prepayments of approximately HK$5.4 million and income tax payment of approximately HK$0.9 million.

For the six months ended 31 October 2014, our net cash generated from operating activities was approximately HK$28.4 million, while our net cash inflow from operating activities after adjustment for non-cash items and finance cost but before changes in working capital was approximately HK$26.9 million. The difference of approximately HK$1.5 million was primarily attributable to increase in trade and other payables of approximately HK$3.4 million, decrease in inventories balances of approximately HK$1.7 million, which was partially offset by increase in trade receivables, other receivables and prepayments of approximately HK$2.5 million and tax payment of approximately HK$1.0 million.

Net cash used in investing activities

Our cash outflow from investing activities consisted primarily of purchases of property, plant and equipment, prepayments for purchases of property, plant and equipment and our cash inflow from investing activities consisted primarily of proceeds from disposal of financial assets at fair value through profit or loss.

For the year ended 30 April 2012, our net cash used in investing activities was approximately HK$1.3 million which is mainly attributable to the purchases of property, plant and equipment including leasehold improvements for renovation of two newly opened retail outlets and purchase of motor vehicle.

For the year ended 30 April 2013, our net cash used in investing activities was approximately HK$5.0 million which is mainly attributable to the purchases of property, plant and equipment of approximately HK$5.1 million including leasehold improvements, furniture and fixtures, office equipment for the newly opened retail outlets, office and watch repair centre and vessel, which was partially offset by the proceeds from disposal of an index fund of approximately HK$0.1 million.

For the year ended 30 April 2014, our net cash used in investing activities was approximately HK$2.1 million which is mainly attributable to the purchases of and prepayments for purchases of property, plant and equipment of approximately HK$2.2 million and HK$0.2 million, respectively, including leasehold improvements for renovation of two existing and one newly opened retail outlets and furniture and fixtures for certain retail outlets, which was partially offset by the proceeds from disposal of an index fund of approximately HK$0.2 million.

For the six months ended 31 October 2013, our net cash used in investing activities was approximately HK$0.9 million which is mainly attributable to the purchases of property, plant and equipment including leasehold improvements for renovation of one existing retail outlet.

For the six months ended 31 October 2014, our net cash used in investing activities was approximately HK$3.0 million which is mainly attributable to the purchases of and prepayment for purchase of property, plant and equipment of approximately HK$1.1 million and HK$1.9 million, respectively, including leasehold improvements for renovation of one newly opened and two existing retail outlets.

Net cash used in financing activities

Our cash outflow from financing activities consisted primarily of repayment of borrowings and obligation under a finance lease, net changes in balances with shareholders of the Company, interests payment and acquisition of additional ownership interest in a subsidiary and our cash inflow from financing activities consisted primarily of proceeds from new borrowings and proceeds issue of new shares.

For the year ended 30 April 2012, our net cash used in financing activities was approximately HK$40.0 million which is primarily attributable to repayment of bank borrowings of approximately HK$2.0 million, payment of interest expense of approximately HK$0.2 million, net decrease in balances with shareholders of the Company of approximately HK$29.7 million and the acquisition of the remaining 22% ownership interest in Treasure Ascent from an independent third party of approximately HK$8.1 million.

For the year ended 30 April 2013, our net cash used in financing activities was approximately HK$2.8 million which is primarily attributable to repayment of bank borrowings of approximately HK$5.9 million, net decrease in balances with shareholders of the Company of approximately HK$15.4 million and payment of interest expense of approximately HK$0.2 million which was partially offset by the proceeds from new bank borrowings of approximately HK$18.7 million.

For the year ended 30 April 2014, our net cash used in financing activities was approximately HK$18.4 million which is primarily attributable to repayment of bank borrowings and obligation under a finance lease of approximately HK$14.3 million and HK$2.7 million, respectively, payment of interest expense of approximately HK$0.4 million and net decrease in balances with shareholders of the Company of approximately HK$18.2 million which was partially offset by the proceeds from new bank borrowings of approximately HK$14.7 million.

For the six months ended 31 October 2013, our net cash used in financing activities was approximately HK$21.9 million which is primarily attributable to repayment of bank borrowings and obligation under a finance lease of approximately HK$7.2 million and HK$1.0 million, respectively, net decrease in balances with shareholders of the Company of approximately HK$16.1 million and payment of interest expense of approximately HK$0.2 million, which was partially offset by the proceeds from issue of new shares of approximately HK$2.5 million.

For the six months ended 31 October 2014, our net cash used in financing activities was approximately HK$17.6 million which is primarily attributable to repayment of bank borrowings of approximately HK$7.7 million, net decrease in balances with shareholders of our Group of approximately HK$8.1 million, payment of interest expense of approximately HK$0.2 million and payment of Listing expenses of approximately HK$1.7 million.

INDEBTEDNESS

Borrowings

The following table sets out the breakdown of our indebtedness as at the dates indicated:

	As at 30 April			As at	
	2012	**2013**	**2014**	**31 October 2014**	**28 February 2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current					
Bank overdrafts	565	—	—	—	—
Short-term bank loans	—	5,324	4,712	882	29,548
Other borrowing	202	—	—	—	—
Current portion of long-term bank loans due from repayment within one year	616	5,642	5,831	3,167	2,333
Long-term bank loans due after one year which contain repayment on demand clause	808	3,498	4,278	3,111	2,333
Total	2,191	14,464	14,821	7,160	34,214

Our bank borrowings consisted of bank overdrafts, other borrowing related to a finance lease and bank loans. As at 30 April 2012, 30 April 2013, 30 April 2014, 31 October 2014 and 28 February 2015, the amounts of long-term bank loans due after one year, which contain a repayment on demand clause, of approximately HK$0.8 million, HK$3.5 million, HK$4.3 million, HK$3.1 million and HK$2.3 million, respectively, are classified as current liabilities. The carrying amounts of the Group's bank overdrafts and borrowings are denominated in HK dollars, unsecured and approximate to their fair values.

As at 30 April 2012, the outstanding balance of our bank borrowings was approximately HK$2.2 million with the weighted average effective interest rate per annum ranging between approximately 3.5% and 6.2% which comprised bank overdrafts and bank loans of approximately HK$0.6 million and HK$1.4 million, respectively, and other borrowing related to a finance lease of approximately HK$0.2 million for a motor vehicle of our Group.

As at 30 April 2013, the outstanding balance of our bank borrowings was approximately HK$14.5 million with the weighted average effective interest rate per annum ranging between approximately 1.3% and 2.9% which comprised short-term and long-term bank loans of approximately HK$5.3 million and HK$9.2 million, respectively. The increase of bank borrowings balance as at 30 April 2013 as compared to 30 April 2012 was primarily due to our Group has obtained new bank borrowings during the period to fund our expansion efforts of our business operation.

As at 30 April 2014, the outstanding balance of our bank borrowings was approximately HK$14.8 million with the weighted average effective interest rate per annum ranging between approximately 1.8% and 2.4% which comprised short-term and long-term bank loans of approximately HK$4.7 million and HK$10.1 million, respectively. The bank borrowings balance of our Group as at 30 April 2014 remained stable as compared to those as of 30 April 2013.

As at 31 October 2014, the outstanding balance of our bank borrowings was approximately HK$7.2 million with the weighted average effective interest rate per annum ranging between approximately 1.4% and 3.3% which comprised short-term and long-term bank loans of approximately HK$0.9 million and HK$6.3 million, respectively. The decrease of bank borrowings balance as at 31 October 2014 as compared to 30 April 2014 was primarily attributable to the repayment of the existing bank borrowings during the six months ended 31 October 2014.

As at 28 February 2015, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, the outstanding balance of our bank borrowings was approximately HK$34.2 million with the weighted average effective interest rate per annum ranging between approximately 4.5% and 2.7% which comprised short-term and long-term bank loans of approximately HK$29.5 million and HK$4.7 million, respectively. The increase of bank borrowings balance as at 28 February 2015 as compared to 31 October 2014 was primarily due to the obtaining of new bank borrowings by our Group in November 2014.

Our bank loans as at 28 February 2015 did not contain any material or restrictive covenant that may materially hinder our ability to obtain or renew our loans.

Banking facilities

As at 30 April 2012, 2013 and 2014, 31 October 2014 and 28 February 2015, our Group had aggregate banking facilities of approximately HK$6.4 million, HK$18.5 million, HK$17.2 million, HK$18.5 million and HK$34.7 million, respectively, for bank overdrafts and loans. Certain portions of banking facilities under a facility entered into by us with a bank on 5 February 2015 (for details, see "— Liquidity and capital resources — Latest indebtedness") were subject to certain conditions and were not included in our banking facilities amount as at 28 February 2015. The unused facilities as at the same date amounted to approximately HK$4.4 million, HK$4.0 million, HK$2.4 million, HK$11.4 million and HK$0.5 million, respectively. The banking facilities were used to finance our working capital.

The Group's banking facilities are subject to annual review and secured or guaranteed by:

(i) unlimited personal guarantee from Mr. Lam as at 30 April 2012, 2013 and 2014, 31 October 2014 and 28 February 2015. All such guarantees are expected to be released prior to the Listing;

(ii) a motor vehicle with a carrying value of approximately HK$0.5 million as at 30 April 2012 (nil as at 30 April 2013 and 2014, 31 October 2014 and 28 February 2015);

(iii) unlimited cross guarantees provided by certain companies now comprising our Group as at 30 April 2012, 2013 and 2014, 31 October 2014 and 28 February 2015; and

(iv) a guarantee granted by the Special Loan Guarantee Scheme operated by the Hong Kong Government guarantee amounting to approximately HK$6.4 million, HK$14.4 million, HK$20.0 million, HK$17.6 million and HK$9.6 million as at 30 April 2012, 2013 and 2014, 31 October 2014 and 28 February 2015, respectively.

Latest indebtedness

On 5 February 2015, members of our Group, as borrower, entered into a facility agreement (the "**Facility Agreement**") with a bank for HK$64.0 million and HK$8.0 million with an interest rate at 2.7% and 4.1%, respectively, per annum over Hong Kong Inter-bank Offered Rate or the bank's cost of funds, whichever is higher, to (i) finance part of the bank borrowing settlement by our Group of approximately HK$20.0 million on 8 April 2015; (ii) settle the amounts due to our Director of HK$8.5 million; and (iii) utilise any remaining balance to finance partial payment of dividend declared but not paid for the six months ended 31 October 2014 and working capital of the Group. The bank borrowings of HK$64 million will be settled as follows: (i) HK$35.0 million within seven working days upon the proceeds from the Listing being available to our Group; and (ii) the remaining balance on or before the 45th day of the Listing. The bank borrowings of HK$8.0 million will be settled by 30 September 2015 unless the bank allows for a rollover.

Pursuant to the Facility Agreement, it shall be an event of default if (i) Mr. Lam and Ms. Chan ceases to maintain, directly or indirectly, not less than 51% of the issued share capital of the Company; or (ii) Mr. Lam and Ms. Chan ceases to be the single largest Shareholder. Mr. Lam, Ms. Chan and the Controlling Shareholder will own 70.625% of the issued share capital of the Company upon Listing.

Save as disclosed herein, our Directors confirm that there is no material change in our indebtedness position since 28 February 2015, up to the date of this prospectus.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings or any withdrawal or request for early repayment of bank loans or borrowings, nor did we breach any financial covenants during the Track Record Period.

We intend to continue to finance portions of our capital expenditure primarily with cash generated from our operating activities and proceeds from the Share Offer. We currently do not have plans for other material external debt financing.

Except as disclosed in this section and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Directors confirm that we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance lease on hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as at 28 February 2015, the latest practicable date for liquidity disclosure.

Contingent Liabilities

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

CONTRACTUAL OBLIGATIONS

Operating lease commitments

Operating lease payments represented rentals payable by us for our rental of office premises, directors' quarters, and retail outlets. Leases are negotiated for fixed terms ranging from 1 to 3 years while some are cancellable with a notice period of 3 to 6 months. The following table sets out our outstanding commitments in respect of non-cancellable operating leases which fall due at the end of the dates as indicated.

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	21,828	31,306	37,301	33,083
Later than 1 year and no later than 5 years	9,096	25,440	21,674	11,119
Total	30,924	56,746	58,975	44,202

Capital commitments

On 17 September 2014, our Group entered into a contract with an independent third party to purchase a yacht at a price of approximately HK$6.5 million of which approximately HK$1.9 million has been paid as the first deposit. The remaining balance of approximately HK$4.5 million is to be settled within 6 months from 31 October 2014.

As at 30 April 2012, 2013 and 2014, our Group did not have any material capital commitments. As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Company did not have any material capital commitments.

CAPITAL EXPENDITURES

Historical capital expenditures

We have funded our historical capital expenditures through cash flows generated from operating activities advance from Mr. Lam and bank borrowing. The following table sets forth a summary of our capital expenditures during the Track Record Period:

	For the year ended 30 April			For the six months ended 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retail outlets	908	2,585	5,074	1,069
Head offices	373	2,531	—	—
Total	1,281	5,116	5,074	1,069

Our capital expenditures comprised of the leasehold improvements, purchases of furniture and fixtures, office equipment and motor vehicles and vessel. Our total capital expenditure increased substantially from HK$1.3 million for the year ended 30 April 2012 to approximately HK$5.1 million for the year ended 30 April 2013. The increase was mainly attributable to (i) the renovation for newly-opened Outlets 1, 6, 8, 18 and 19, (ii) the renovation for the Office, and (iii) the purchase of a vessel of approximately HK$1.7 million during the year ended 30 April 2013. The capital expenditure remained stable at approximately HK$5.1 million for the year ended 30 April 2014 which mainly comprised of the renovation for certain leasing and new retail outlets, and renovation and purchase of furniture and fixtures for Outlets 15 and 16. The capital expenditure decreased to approximately HK$1.1 million for the six months ended 31 October 2014 which mainly comprised of the renovation for certain leasing and new retail outlets.

Estimated future capital expenditures

We expect to incur approximately HK$1.4 million and HK$2.7 million for the six months ending 30 April 2015 and the year ending 30 April 2016, respectively, for our leasehold improvements of our retail outlets. We expect to fund the capital expenditure for the two years ending 30 April 2017 with proceeds from the Listing, cash flows from operations and debt financing, if necessary, which may include drawing new short or long term loans or issuing debt instruments. For further details, see "— Liquidity and capital resources — Cash flow and treasury management".

ANALYSIS OF OTHER KEY FINANCIAL RATIOS

	As at/for the year ended 30 April			As at/for the six months ended 31 October
	2012	**2013**	**2014**	**2014**
Gearing ratio *(Note 1)*	2.9%	17.9%	17.9%	15.9%
Return on equity *(Note 2)*	51.1%	42.7%	41.6%	N/A
Current ratio *(Note 3)*	4.0	2.7	2.0	1.3
Quick ratio *(Note 4)*	2.0	0.9	0.4	0.4
Interest coverage *(Note 5)*	250.9	175.7	127.1	139.8
Return on total assets *(Note 6)*	39.0%	28.1%	22.5%	N/A
Debt to equity ratio *(Note 7)*	0.3	0.5	0.8	2.5

Notes:

1. Gearing ratio is calculated by dividing total borrowings by total equity as at the respective year/period end.

2. Return on equity is calculated by dividing the net profit attributable to owners of our Company for the corresponding year/period divided by the total equity.

3. Current ratio is calculated by dividing the current assets by the current liabilities as at the respective year/period end.

4. Quick ratio is calculated by dividing the current assets (net of inventories) by the current liabilities as at the respective year/period end.

5. Interest coverage ratio is calculated by dividing profit before taxation and interest on bank loans divided by interest on bank loans of the financial year/period.

6. Return on total assets is calculated by dividing the net profit attributable to owners of our Company for the corresponding year/period divided by the total assets.

7. Debt to equity ratio is calculated by dividing the total liabilities by total equity as at the respective year/period end.

Gearing ratio

Our gearing ratio increased from approximately 2.9% as at 30 April 2012 to approximately 17.9% as at 30 April 2013, primarily due to the new bank borrowings obtained during the year ended 30 April 2013. Our gearing ratio remained at approximately 17.9% as at 30 April 2014 and decreased to approximately 15.9% as at 31 October 2014 primarily due to the decrease in borrowings, which was partially offset by the decrease in the total equity of the Company as a result of the increase in dividends payable as at 31 October 2014.

Return on equity

Our return on equity ratio decreased from approximately 51.1% for the year ended 30 April 2012 to approximately 42.7% for the year ended 30 April 2013, and further decreased to approximately 41.6% for the year ended 30 April 2014, primarily due to the increased in equity of our Group as a result of the increase in inventories for these periods.

Current ratio

Our current ratio decreased from approximately 4.0 as at 30 April 2012 to approximately 2.7 as at 30 April 2013, primarily due to the increase in bank borrowing by approximately HK$12.3 million. The current ratio slightly decreased to 2.0 as at 30 April 2014 and further decreased to approximately 1.3 as at 31 October 2014 primarily due to the increase in amount due to a shareholder of the Company of approximately HK$17.2 million as at 30 April 2014 and the increase in dividends payable of HK$45.0 million as at 31 October 2014, respectively.

Quick ratio

Our quick ratio decreased from approximately 2.0 as at 30 April 2012 to approximately 0.9 as at 30 April 2013, primarily due to the increase in bank borrowing by approximately HK$12.3 million and the increase in the inventories of approximately HK$25.5 million. The quick ratio further decreased to approximately 0.4 as at 30 April 2014 and remained at approximately 0.4 as at 31 October 2014, primarily due to the increase in amount due to a shareholder of the Company of approximately HK$17.2 million and the increase in dividends payable of HK$45.0 million as at 30 April 2014 and 31 October 2014, respectively.

Interest coverage

Our interest coverage ratio decreased from approximately 250.9 for the year ended 30 April 2012 to approximately 175.7 for the year ended 30 April 2013. The decrease was primarily due to the increase in the finance cost as a result of obtaining certain new bank borrowings with the decrease in operating profit during the year ended 30 April 2013. The interest coverage ratio further decreased to approximately 127.1 for the year ended 30 April 2014. The decrease was mainly due to the increase in finance costs as a result of certain new bank borrowings obtained in the second half of the financial year ended 30 April 2014. Our interest coverage ratio was approximately 139.8 for the six months ended 31 October 2014, which remained relatively stable as compared to the year ended 30 April 2014.

Return on total assets

Our return on total assets ratio decreased from approximately 39.0% for the year ended 30 April 2012 to approximately 28.1% for the year ended 30 April 2013, and further decreased to approximately 22.5% for the year ended 30 April 2014 primarily due to the increase in total assets for the above periods while the net profit attributable to owners of our Company remained relatively stable during the periods.

Debt to equity ratio

Our debt to equity ratio increased from approximately 0.3 as at 30 April 2012 to approximately 0.5 as at 30 April 2013, primarily due to the increase in new bank borrowings and remained relatively stable at approximately 0.8 as at 30 April 2014. The debt to equity ratio increased to approximately 2.5 as at 31 October 2014 primarily due to the increase in total liabilities as a result of the increase in dividends payables as at 31 October 2014.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, after taking into account the financial resources available to us including the estimated net proceeds of the Share Offer, the available banking facilities and our internally generated funds, our Group has sufficient working capital to satisfy our requirements for our current operation and planned expansion for at least the next 12 months following the date of this prospectus.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

We are exposed to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk) and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Currency risk

We settled our purchases mainly in HKD and sold the watches mainly through our retail network in Hong Kong and we accept cash payments mainly in HKD and RMB during the Track Record Period. For the Track Record Period, over 90% of our total sales (including non-cash payments) were settled in HKD. Most of our monetary assets and liabilities and income and expenditures are denominated in HKD and hence, we do not have any material foreign exchange exposure. We have not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the Track Record Period. As at 30 April 2012, 30 April 2013, 30 April 2014 and 31 October 2014, we did not have any outstanding hedging instruments.

Cash flow and fair value interest rate risk

Our Group is exposed to interest rate risk as borrowings are carried at variable rates. For each of the years ended 30 April 2012, 2013 and 2014 and 31 October 2014, if the interest rates on borrowings had been 50 basis-points higher/lower with all other variables held constant, post-tax profit for the year would be approximately HK$8,305, HK$60,387, HK$61,876 and HK$30,000 lower/higher, respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Having considered the cash flow and fair value interest rate risk, we have not entered into any interest rate hedging arrangements.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to cash flow interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements and our compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet the liquidity requirements in the short and longer term. Management of our Group believes there is no significant liquidity risk as our Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund our operations and debt servicing requirements and to satisfy our future working capital and other financing requirements from our operation cash flows and available bank financing.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 30 April 2015 are expected to be adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK$28.8 million (based on the mid-point of the indicative Offer Price range of HK$0.7 per Offer Share and 200,000,000 Offer Shares). During the Track Record Period, we incurred Listing expenses of approximately HK$7.4 million of which approximately HK$4.9 million was recognised in the combined statements of comprehensive income and approximately HK$2.5 million was recognised as prepayments in the combined statements of financial position. We expect to further incur Listing expenses in relation to the Share Offer in the amount of approximately HK$21.4 million prior to the completion of the

Share Offer, of which, (i) approximately HK$8.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK$13.2 million and HK$0.2 million are expected to be recognised as expenses in our combined statements of comprehensive income for each of the two years ending 30 April 2016, respectively.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the two years ending 30 April 2016 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 30 April 2015 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past. See "Risk Factors — Risks relating to our business — Our financial performance for the year ending 30 April 2015 will be affected by certain non-recurring expenses on our financial performance." for associated risks.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Company entered into the following material transactions with related parties:

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Continuing transactions					
Purchases from Company B *(Note 1)*	(912)	(925)	(826)	(450)	(296)
Sales to Company A *(Note 1)*	1,302	1,052	1,084	590	804
Rental expenses to Mr. Lam *(Note 2)*	—	(56)	(167)	(84)	(82)
Rental expenses to Ms. Chan *(Note 2)*	—	(54)	(162)	(81)	(81)
Non-continuing transactions					
Sales of yacht to Mr. Lam *(Note 3)*	—	—	—	—	867

Notes:

1. Purchases/sales of goods from/to related companies were carried out at rate mutually-agreed between the parties involved in the transactions.

2. Rental expenses are paid with reference to market rates of similar properties for office premises. The Company and Mr. Lam and Ms. Chan have mutually agreed to terminate the lease agreements respectively in December 2014.

3. The yacht was sold to Mr. Lam at the carrying value of approximately HK$0.9 million as at 30 September 2014.

The following table sets forth the outstanding amounts arising from the related party transactions at the end of each reporting period as indicated. Receivables and payables from/(to) the below related parties were unsecured, interest-free and repayable on demand.

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade				
Amount due from Company A	108	701	166	193
Amount due to Company B	(255)	(163)	(139)	(164)
Non-trade				
Amount due from Ms. Ma	5,750	1,300	2,570	—
Amount due from/(to) Mr. Lam	16,178	4,514	(17,170)	(18,500)

The maximum outstanding balance due from the related parties during the Relevant Periods are as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from Company A	305	701	944	265
Amount due from Ms. Ma	5,750	5,750	2,570	—
Amount due from Mr. Lam	16,178	4,514	4,680	—

All of the above related party transactions were conducted in accordance with the terms and condition that were mutually agreed by the parties involved. The Directors have confirmed that the sales and purchases between the Company and the related parties were conducted on arm's length basis. The Directors have further confirmed that these related party transactions did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. All non-trade balances due from/(to) related parties as at 31 October 2014 are expected to be settled before Listing. For further details, please refer to note 26(d) of the Accountant's Report set out in Appendix I to this prospectus.

DIVIDEND POLICY

Our group companies had declared dividend during each of the years ended 30 April 2014, and the six months ended 31 October 2014 amounting to approximately HK$13.0 million, HK$31.5 million, HK$38.6 million and HK$72.1 million, respectively. As at the Latest Practicable Date, 100%, 100%, 100% and 37.6% of the declared dividend for the said periods have been settled from our own internal resources, respectively.

Subject to the Companies Law and our Memorandum and Articles, through a general meeting, we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements, future prospects and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the recommendation of our Directors at their discretion and, save as provided in the Articles, approval of our Shareholders. We cannot guarantee then, if and in what form dividends will be paid and the past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

The Company did not have any distributable reserves as at 31 October 2014.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information" for details.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Save for the Facility Agreement which contains provision requiring specific performance obligation imposed on Mr. Lam and Ms. Chan, details of which are set out in "— Indebtedness — Latest indebtedness", which is required to be disclosed under Rule 13.18 of the Listing Rules, we confirmed that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to refine our retail network. We had entered into a lease agreement for a term of three years commencing from 1 March 2015 in relation to the opening of a single-brand boutique outlet under Brand C in New Town Plaza in Shatin. It is expected that this single-brand boutique outlet would commence operation in April 2015. We also plan to relocate Outlet 2 and Outlet 3 (both of which were multi-brand outlets which we operated during the Track Record Period and closed prior to the Latest Practicable Date. The leases of both of which expired on 13 March 2015) to two adjoining premises within the same shopping mall so as to continue operating our retail business in prime locations. The size of the two premises in aggregate is similar to that of the two existing retail outlets in aggregate. We have entered into a lease agreement covering such two premises, one for a term commencing from 30

March 2015 and the other from 12 June 2015, respectively, and both for a term expiring on 29 March 2018. We received a notice of termination from the landlord of Outlet 4 in January 2015 to terminate the lease of Outlet 4 due to improvement work of the shopping mall and we will vacate the premise by 30 April 2015. We plan to close the retail outlet and our Directors confirm that no leasehold expenses have to be written off as those expenses are fully depreciated.

During the Track Record Period, we incurred Listing expenses of approximately HK$4.9 million and we currently expect that our financial results for the year ending 30 April 2015 will be negatively impacted by non-recurring Listing expenses of approximately HK$13.4 million (calculated on the assumption of an Offer Price of HK$0.7 per Share, being the mid-point of the indicative Offer Price range), of which approximately HK$13.2 million and HK$0.2 million are expected be recognised as expenses in our combined statements of comprehensive income for each of the two years ending 30 April 2016, respectively. Our net profit for the year ending 30 April 2015 is expected to be significantly lower than that of the previous financial year.

Occupy Central movement

In late September 2014, a civil disobedience movement referred to as Occupy Central (the "**Movement**") began in Hong Kong which had spread across and mainly affected four districts, including Admiralty, Tsim Sha Tsui, Causeway Bay and Mongkok. 14 out of our 19 retail outlets we then operated were located in the affected districts. The same-store sales of nine of the affected retail outlets for the three months ended 31 December 2014 (being the period within which the relevant retail outlets were affected by the Movement) had experienced different degrees of drop, which have an impact on our revenue for the year ending 30 April 2015. Nevertheless, given that the Movement had been ceased in December 2014, and having considered that the revenue of the retail segment of our Group for the eight months ended 31 December 2014 still experienced growth, our Directors are of the view that the Movement did not have any material adverse effect on our business operations and financial position as a whole. See "Risk Factors — Risks relating to our industry — Macro-economic factors have had and may have a material adverse effect on our business, financial conditions and results of operations." for associated risks.

The drop of visitors to Hong Kong

As widely reported by the media recently, the number of visitors dropped significantly in March 2015 and according to such media reports: (i) the average number of mainland tours registered with the Travel Industry Council of Hong Kong was 320 per day in March 2015 and 470 per day in March 2014, representing an about 30% drop and an about 20% drop in mainland tours during the Easter and Ching Ming holidays in 2015, compared to the same period in the preceding year, was recorded; and (ii) the number of visitors to Hong Kong in March 2015 dropped approximately 8.7%, of which the number of PRC visitors dropped approximately 10.0%, compared to March 2014.

The recent appreciation of US dollar may also affect the tourist industry in Hong Kong. According to the Ipsos Report, as a result of the appreciation of US dollar, tourists may find nearby Asian counties such as Japan, Singapore or South Korea more attractive due to the relatively weaker currencies in Japanese yen, Singapore dollars or South Korean won, and thus reduces the number of visitors to Hong Kong. The Ipsos Report points out that the whole retail industry in Hong Kong, and not exclusively the watch and jewellery sector, will be subject to the impact of the appreciation of the US dollar.

In light of the above and due to the closure of Outlet 2 and Outlet 3 as a result of the expiry of the lease agreements on 13 March 2015 as discussed above, the sales of our Group in March 2015 had substantially dropped as compared to March 2014. In the event that the number of visitors to Hong Kong continues to drop, our Directors expect our revenue and profitability will continue to be affected. For the associated risks, please see "Risk Factors — Risks relating to our business — The number of PRC visitors to Hong Kong decreased in March 2015. Any further reduction in the number of PRC tourists to Hong Kong could affect the retail industry and in turn adversely affect our business, results of operations and financial condition.".

Save as disclosed above, our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects subsequent to the Track Record Period.

SENSITIVITY AND BREAKEVEN ANALYSIS

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in the major factors contributing to revenue, including sales volume and average selling price, and operating costs of our operation of retail outlets, including cost of sales, employee benefits expense and operating lease payments, on our net profit or loss before income tax and net profit or loss for the year during the Track Record Period. The sensitivity analysis is performed with reference to the historical changes in assumptions regarding sales volume, average selling price, cost of sales, employee benefits expense and operating lease payments and rates with all other assumptions held constant.

	Increase/ (decrease) in percentage	Year ended 30 April 2012 Increase/ (decrease) in net profit/loss before income tax		2013 Increase/ (decrease) in net profit/loss before income tax		2014 Increase/ (decrease) in net profit/loss before income tax		Six months ended 31 October 2014 Increase/ (decrease) in net profit/loss before income tax	
			Increase/ (decrease) in net profit/loss for the period		Increase/ (decrease) in net profit/loss for the period		Increase/ (decrease) in net profit/loss for the period		Increase/ (decrease) in net profit/loss for the period
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales volume	10%/	12,147	10,143	13,472	11,249	16,246	13,566	8,611	7,190
	(10%)	(12,147)	(10,143)	(13,472)	(11,249)	(16,246)	(13,566)	(8,611)	(7,190)
Average selling price	20%/	24,294	20,285	26,944	22,498	32,493	27,131	17,222	14,380
	(20%)	(24,294)	(20,285)	(26,944)	(22,498)	(32,493)	(27,131)	(17,222)	(14,380)
Cost of sales	(20%)/	36,645	30,599	43,358	36,204	56,859	47,477	31,065	25,940
	20%	(36,645)	(30,599)	(43,358)	(36,204)	(56,859)	(47,477)	(31,065)	(25,940)
Employee benefits expense	(30%)/	5,548	4,632	7,013	5,856	8,327	6,953	4,175	3,486
	30%	(5,548)	(4,632)	(7,013)	(5,856)	(8,327)	(6,953)	(4,175)	(3,486)
Operating lease payments and rates	(30%)/	12,159	10,153	15,451	12,902	18,844	15,735	8,986	7,503
	30%	(12,159)	(10,153)	(15,451)	(12,902)	(18,844)	(15,735)	(8,986)	(7,503)

For each of the three years ended 30 April 2014, and the six months ended 31 October 2014, the sales volume amounted to approximately 51.3 thousand pieces, 55.7 thousand pieces, 62.5 thousand pieces and 32.6 thousand pieces, respectively. For each of the three years ended 30 April 2014, and the six months ended 31 October 2014, the average selling price amounted to approximately HK$5,931, HK$6,307, HK$7,145 and HK$7,400, respectively. For the two years ended 30 April 2013 and 2014 and the six months ended 31 October 2014, the sales volume increased by approximately 8.5%, 12.2% and 7.1%, respectively, as compared with those of the two years ended 30 April 2012 and 2013 and the six months ended 31 October 2013. Therefore, a change of 10% in sales volume was adopted for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. For the two years ended 30 April 2013 and 2014 and the six months ended 31 October 2014, the average selling price increased by approximately 6.3%, 13.3% and 17.0%, respectively, as compared with those of the two years ended 30 April 2012 and 2013 and the six months ended 31 October 2013. Therefore, a change of 20% in our average selling price was adopted for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively.

For each of the three years ended 30 April 2014, and six months ended 31 October 2014, the cost of sales amounted to approximately HK$183.2 million, HK$216.8 million, HK$284.3 million and HK$155.3 million, respectively, representing approximately 60.1%, 61.7%, 63.6% and 64.3% of our total revenue. For each of the three years ended 30 April 2014, and six months ended 31 October 2014, the employee benefits expense amounted to approximately HK$18.5 million, HK$23.4 million, HK$27.8 million and HK$13.9 million, respectively, representing approximately 6.1%, 6.6%, 6.2% and 5.8% of our total revenue. For each of the three years ended 30 April 2014, and six months ended 31 October 2014, the operating lease payments and rates amounted to approximately HK$40.5 million, HK$51.5 million, HK$62.8 million and HK$30.0 million, respectively, representing approximately 13.3%, 14.6%, 14.1% and 12.4% of our total revenue. For the two years ended 30 April 2013 and 2014 and the six month ended 31 October 2014, the weighted average cost of sales per unit of watches sold increased by approximately 9.1%, 16.9% and 19.3%, respectively, as compared with those of the two years ended 30 April 2012 and 2013 and six month ended 31 October 2013. Therefore, a change of 20% in our cost of sales is adopted for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. For the two years ended 30 April 2013 and 2014 and the six month ended 31 October 2014, the employee benefits expense increased by approximately 26.4%, 18.7% and 15.0%, respectively, as compared with those of the two years ended 30 April 2012 and 2013 and six month ended 31 October 2013. Therefore, a change of 30% in our employee benefits expense is adopted for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively. For the two years ended 30 April 2013 and 2014 and the six month ended 31 October 2014, the operating lease payments and rates increased by approximately 27.1% and 22.0% and decreased by approximately 0.7%, respectively, as compared with those of the two years ended 30 April 2012 and 2013 and six month ended 31 October 2013. Therefore, a change of 30% in our operating lease payments and rates is adopted for each of the three years ended 30 April 2014 and the six months ended 31 October 2014, respectively.

For the year ended 30 April 2012, it is estimated that with (i) a decrease in sales volume of approximately 41.1%, (ii) a decrease in average selling price of approximately 41.1%, (iii) an increase in cost of sales of approximately 27.2%, (iv) an increase in employee benefits expense of approximately 269.7%, or (v) an increase in operating lease payments and rates of approximately 123.1% and all other variables held constant, our Group would achieve breakeven. For the year ended 30 April 2013, it is estimated that with (i) a decrease in sales volume of approximately 32.3%, (ii) a decrease in average selling price of approximately 32.3%, (iii) an increase in cost of sales of approximately 20.0%, (iv) an increase in employee benefits expense of approximately 185.9%, or (iv) an increase in operating lease payments and rates of approximately 84.4% and all other variables held constant, our Group would achieve breakeven. For the year ended 30 April 2014, it is estimated that with (i) a decrease in sales volume of approximately 27.9%, (ii) a decrease in average selling price of approximately 27.9%, (iii) an increase in cost of sales of approximately 16.0%, (iv) an increase in employee benefits expense of approximately 163.4%, or (v) an increase in operating lease payments and rates of approximately 72.2% and all other variables held constant, our Group would achieve breakeven. For the six months ended 31 October 2014, it is estimated that with (i) a decrease in sales volume of approximately 28.1%, (ii) a decrease in average selling price of approximately 28.1%, (iii) an increase in cost of sales of approximately 15.6%, (iv) an increase in employee benefits expense of approximately 173.8%, or (v) an increase in operating lease payments and rates of approximately 80.7% and all other variables held constant, our Group would achieve breakeven.

FUTURE PLANS

See "Business — Our business strategies" for a description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds from the Share Offer which we will receive, after deducting the underwriting fees and estimated expenses in relation to the Share Offer payable by our Company, will be approximately HK$111.2 million (assuming an Offer Price of HK$0.7 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus). We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately HK$38.9 million or 35.0% for expanding our retail and sales network by opening three and three retail outlets in each of the two years ended 30 April 2017, respectively. It is currently estimated that for the opening of each retail outlet, approximately HK$1.0 million to HK$1.6 million will be used for renovation and approximately HK$2.7 million to HK$6.3 million will be used for the initial inventory purchases. The actual capital expenditure for opening each retail outlet is subject to various factors including inflation rate, market changes, supplier's or franchisor's requirements for each retail outlet, whether it is used as a single-brand boutique or multi-brand outlet and size of the outlet. For further details, see "Business — Our business strategies — Expand our retail and sales network";

- approximately HK$13.4 million or 12.0% for improving our same-store sales growth, including renovation of retail outlets, staff training and providing greater incentives to our sales staff. For further details, see "Business — Our business strategies — Improve our same-store sales growth and profit margin";

- approximately HK$4.4 million or 4.0% for improving our supplier network and enhancing knowledge of our sales staff by participating in large overseas watch exhibitions. For details, see "Business — Our business strategies — Improve our supplier network and enhance the knowledge of our sales staff";

- approximately HK$7.8 million or 7.0% for increasing our marketing effort, including advertising on newspapers, magazines and outdoor advertisement media to arouse public awareness of our watches and organising in-store exhibitions and sponsoring different public promotional events. For further details, see "Business — Our business strategies — Increase our marketing effort";

- approximately HK$38.9 million or 35.0% for repayment of a short-term bank loan with interest charged at 2.7% per annum over Hong Kong Inter-bank Offered Rate or the bank's cost of funds, whichever is higher, to (i) settle part of our Group's outstanding tax loan and revolving loan which was used as working capital of our Group; (ii) settle certain amounts due to our Directors for the purpose of our Group's daily operations; and (iii) finance partial payment of dividend which was declared but not yet paid in the six months ended 31 October 2014. The bank borrowings will be settled as follows: (i) HK$35 million within seven working days upon the proceeds from the Listing being available to our Group; and (ii) the remaining balance on or before the 45th day of the Listing. Any remaining dividend and amounts due to our Directors not covered by the bank loan will be covered by our internal resources. For details, see "Financial Information — Indebtedness — Latest indebtedness"; and

- approximately HK$7.8 million or 7.0% for working capital and other general corporate purposes of our Group.

If the Offer Price is fixed at the high end of the Offer Price range, being HK$0.8 per Offer Share, the net proceeds we receive from the Share Offer will increase by approximately HK$19.2 million. If the Offer Price is fixed at the low end of the Offer Price range, being HK$0.6 per Offer Share, the net proceeds we receive from the Share Offer will decrease by approximately HK$19.2 million.

To the extent that the net proceeds of the Share Offer are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

To the extent that net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we presently intend to deposit such net proceeds into short-term deposits with licensed banks and/or financial institutions.

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator and Sole Bookrunner

Quam Securities Company Limited

Joint Lead Managers

Quam Securities Company Limited
Brilliant Norton Securities Company Limited

Co-Managers

Goldin Equities Limited
Great Roc Capital Securities Limited
SBI China Capital Financial Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to initially offer 20,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer

Underwriters) shall have the absolute right, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator:

(i) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sole Sponsor and/or the Sole Global Coordinator and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the "**Offer Documents**") was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not, in the sole and absolute opinion of the Sole Global Coordinator, in all material respects fair and honest and based on reasonable assumptions when taken as a whole; or

(ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sole Global Coordinator, a material omission from the Offer Documents in the context of the Share Offer; or

(iii) either (1) there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Global Coordinator, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of our executive Directors or Controlling Shareholders pursuant to the indemnity provisions under the Public Offer Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or

(v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Global Coordinator, untrue, incorrect, inaccurate or misleading in any material respect; or

(vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or

(viii) any person (other than the Sole Sponsor, the Sole Global Coordinator and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(b) there shall develop, occur, exist, or come into effect:

(i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world; or

(ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the

Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world; or

(iii) any change in the general fund raising environment in Hong Kong or elsewhere; or

(iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the PRC, the BVI, the Cayman Islands, or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the "**Relevant Jurisdictions**"); or

(v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the Relevant Jurisdictions; or

(vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in "Risk Factors"; or

(viii) any litigation or claim of importance being instigated or threatened against any member of our Group or any Director; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of our Company vacating his office; or

(xi) the commencement by any governmental, judicial, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or

(xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the Listing Rules, the SFO or any applicable laws and regulations; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting and issuing any of the Offer Shares pursuant to the terms of the Public Offer and/or the Share Offer; or

(xiv) non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the Listing Rules or any other applicable laws and regulations; or

(xv) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to any of the Offer Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules; or

(xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group); or

(xix) a petition or order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xx) a disruption in or any a general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or

(xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which, in each case or in aggregate, in the sole and absolute opinion of the Sole Global Coordinator:

(i) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his/her/its capacity; or

(ii) has or may or will have or is likely to have a material adverse effect on the success or marketability or pricing of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or

(iii) makes it or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer and/or the Placing on the terms and in the manner contemplated in the Underwriting Agreements, this prospectus and the Application Forms; or

(iv) has or may or will, or is likely to have, the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Offer Documents and the Public Offer Underwriting Agreement or which prevents or delays the processing of applications and/or payments pursuant to the Public Offer and/or the Share Offer or pursuant to the underwriting thereof.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, and each of our executive Directors and Controlling Shareholders has undertaken irrevocably and unconditionally with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to procure that:

(a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of the Shares on exercise thereof or as otherwise with the Sole Global Coordinator's prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to our subsidiaries only, repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the aforesaid period); and

(b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, save as pursuant to the Share Option Scheme, he/she/it will not, and will procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it will not, without the Sole Global Coordinator's prior written consent and unless in compliance with the Listing Rules:

(a) at any time during the First Six-Month Period:

(i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or

(iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

(b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that:

(a) until expiry of the Second Six-Month Period, in the event that he/she/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/she/it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;

(b) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it and his/her/its close associates and companies controlled by him/her/it of any Shares or other securities of our Company; and

(c) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:

   (i) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

   (ii) when he/she/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Stock Exchange in writing of any such indication.

Our Company has undertaken to the Sole Sponsor, and our executive Directors and our Controlling Shareholders have undertaken to the Sole Sponsor that they will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (a), (b) or (c) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

(a) during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of the Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); or

(b) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our controlling shareholder (as such term is defined in the Listing Rules).

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities of our Company so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

Placing

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and the executive Directors) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in "— Underwriting arrangements and expenses — Public Offer — Lock-up undertakings to the Public Offer Underwriters".

Commission and expenses

The Public Offer Underwriters will receive a commission of 1.50% of the aggregate Offer Price payable for the Public Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The Public Offer Underwriters will not receive any underwriting commission regarding any Offer Shares reallocated from the Placing to the Public Offer or reallocated from the Public Offer to the Placing. In addition, our Company will pay to the Sole Global Coordinator a management fee of 1.50% of the aggregate Offer Price for the Public Offer Shares.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK$0.7 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK$28.8 million in total, and are payable by our Company.

SOLE SPONSOR'S, SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation fee. The Sole Global Coordinator and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under "— Underwriting arrangements and expenses — Commission and expenses".

We have appointed Quam Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Sole Global Coordinator and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Share Offer.

THE STRUCTURE OF THE SHARE OFFER

The Share Offer consists of the Public Offer and the Placing.

Quam Securities Company Limited is the Sole Global Coordinator to the Share Offer.

An aggregate of 20,000,000 Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 180,000,000 Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the Listing Rules.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$0.8 per Offer Share and is expected to be not less than HK$0.6 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable upon application for the Public Offer Shares

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK$0.8 plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,232.25 for each board lot of 4,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 4 May 2015 and in any event, no later than Friday, 8 May 2015.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price on or before Friday, 8 May 2015, the Share Offer will not proceed and will lapse.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

(i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the agreement on the final Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and

(iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the times) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.tictactime.com.hk** the next day following such lapse. In such event, all application money will be refunded, **without interest**. The terms on which the application money will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bankers or other licenced bank(s) in Hong Kong.

THE PUBLIC OFFER

We are initially offering 20,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below and under the Listing Rules. The Public Offer is managed by the Sole Global Coordinator and is fully underwritten by the Public Offer Underwriters (subject to the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK$0.8 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under "— Conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate to satisfy demand under the Placing.

The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Public Offer Shares

When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer, will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 50.0% of Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

THE PLACING

We are initially offering 180,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the Listing Rules. Investors subscribing for the Placing Shares are also required to pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. It is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of the Company, conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholders base for the benefit of our Company. In addition, our Company and the Sole Global Coordinator will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under "— The Public Offer".

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

(i) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 60,000,000 Shares, representing 30.0% of the total number of the Offer Shares available under the Share Offer;

(ii) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 80,000,000 Shares, representing 40.0% of total number of the Offer Shares available under the Share Offer; and

(iii) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 100,000,000 Shares, representing 50.0% of the total number of the Offer Shares available under the Share Offer.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Monday, 11 May 2015.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC may choose. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LISTING DATE

Assuming that the Share Offer becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Tuesday, 12 May 2015.

1. HOW TO APPLY

To apply for the Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a United States Person (as defined in of Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' name. If you are a body corporate, the application must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person through an authorised attorney, the Company, the Sole Sponsor and the Sole Global Coordinator may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for the Public Offer Shares if you:

— are an existing beneficial owner of our Shares and/or any of our subsidiaries;

— are a Director or chief executive officer of our Company and/or any of our subsidiaries;

— are a close associate (as defined in the Listing Rules) of any of the above;

— are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and

— have been allocated or have applied for or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 April 2015 to 12:00 noon on Monday, 4 May 2015 from:

- any of the following addresses of the Public Offer Underwriters:

  Quam Securities Company Limited
  18/F–19/F, China Building
  29 Queen's Road Central
  Hong Kong

  Brilliant Norton Securities Company Limited
  Room 804, 8/F., Jubilee Centre
  46 Gloucester Road, Wan Chai
  Hong Kong

  Goldin Equities Limited
  23/F Two International Finance Centre
  8 Finance Street, Central
  Hong Kong

  Great Roc Capital Securities Limited
  Suite 3712, 37th Floor
  West Tower, Shun Tak Centre
  168–200 Connaught Road Central
  Hong Kong

  SBI China Capital Financial Services Limited
  Unit A2, 32nd Floor, United Centre
  95 Queensway
  Hong Kong

- any of the following branches of Hang Seng Bank Limited:

District	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 April 2015 to 12:00 noon on Monday, 4 May 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HANG SENG (NOMINEE) LIMITED — TIC TAC INTERNATIONAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times on the following dates:

Tuesday, 28 April 2015	**—**	**9:00 a.m to 5:00 p.m.**
Wednesday, 29 April 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 30 April 2015	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 2 May 2015	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 4 May 2015	**—**	**9:00 a.m. to 12:00 noon**

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 May 2015, the last application day or such later time as described in "— 8. Effect of bad weather on the opening of the Application Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) (if the laws of any place outside Hong Kong apply to your application), agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

— agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

— agree to accept the Public Offer Shares applied for or any lesser number allocated;

— undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

— (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

— confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

— authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

— agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

— agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

— agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

— agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

— agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

— agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

— agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

— agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

— instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

— instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

— instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Tuesday, 28 April 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 29 April 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Thursday, 30 April 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Saturday, 2 May 2015 — 8:00 a.m. to 1:00 p.m.[(1)]
Monday, 4 May 2015 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 28 April 2015 until 12:00 noon on Monday, 4 May 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 4 May 2015, the last application day or such later time as described in "— 8. Effect of bad weather on the opening of the Application Lists".

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Forms headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole

Global Coordinator, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 4 May 2015.

6. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Forms marked "For nominees" you must include:

— an account number; or

— some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

— the principal business of that company is dealing in securities; and

— you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"***Unlisted company***" *means a company with no equity securities listed on the Stock Exchange.*

"***Statutory control***" *means you:*

— *control the composition of the board of directors of the company;*

— *control more than half of the voting power of the company; or*

— *hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

7. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure and Conditions of the Share Offer — Pricing and allocation — Determining the Offer Price".

8. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

— a tropical cyclone warning signal number 8 or above; or

— a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 May 2015. Instead they will open between 9:00 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Monday, 4 May 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

9. PUBLICATION OF RESULTS

Our Company expects to announce the fixed Offer Price, the indication of the level of interest in the Placing, the level of applications under the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 11 May 2015 in the South China Morning Post (in English), in the Hong Kong Economic Times (in Chinese), on our Company's website at **www.tictactime.com.hk** and on the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

— in the announcement to be posted on our Company's website at **www.tictactime.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Monday, 11 May 2015;

— from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 11 May 2015 to 12:00 midnight on Sunday, 17 May 2015;

— by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Monday, 11 May 2015 to Friday, 15 May 2015 on a business day;

— in the special allocation results booklets which will be available for inspection during opening hours from Monday, 11 May 2015 to Wednesday, 13 May 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in "Structure and Conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

— within three weeks from the closing date of the Application Lists; or

— within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

— you make multiple applications or suspected multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;

— your Application Form is not completed in accordance with the stated instructions;

— your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

— the Underwriting Agreements do not become unconditional or are terminated;

— our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

— your application is for more than 50.0% of the Public Offer Shares initially offered under the Public Offer.

11. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.8 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 11 May 2015.

12. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

— share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

— refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 11 May 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 12 May 2015 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 May 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 11 May 2015, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 11 May 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 11 May 2015 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to the stock account of your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

— *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "— 9. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 May 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

— If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 11 May 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

— Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "— 9. Publication of results" on Monday, 11 May 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 May 2015 or such other date as determined by HKSCC or HKSCC Nominees.

— If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

— If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 11 May 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

— Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 11 May 2015.

13. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

28 April 2015

The Directors
Tic Tac International Holdings Company Limited

Quam Capital Limited

Dear Sirs,

We report on the financial information of Tic Tac International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 30 April 2012, 2013 and 2014 and 31 October 2014, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 28 April 2015 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 23 June 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 9 April 2015, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRS. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.3 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined state of affairs of the Group as at 30 April 2012, 2013 and 2014 and 31 October 2014 and of the Group's combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I of the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 31 October 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1.3 of Section II below and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 30 April 2012, 2013 and 2014 and 31 October 2014 and for each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014 (the "Financial Information"), presented on the basis set out in Note 1.3 below.

Combined Statements of Comprehensive Income

		Year ended 30 April			Six months ended 31 October	
		2012	**2013**	**2014**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	5	304,819	351,636	446,913	192,690	241,520
Cost of sales	7	(183,226)	(216,791)	(284,295)	(121,523)	(155,326)
Gross profit		**121,593**	**134,845**	**162,618**	**71,167**	**86,194**
Other (losses)/gains, net	6	(57)	35	48	14	3
Selling and distribution costs	7	(64,743)	(82,843)	(106,784)	(48,456)	(50,735)
Administrative expenses	7	(6,859)	(8,279)	(9,997)	(3,931)	(10,165)
Operating profit		**49,934**	**43,758**	**45,885**	**18,794**	**25,297**
Finance costs	9	(199)	(249)	(361)	(169)	(181)
Profit before income tax		**49,735**	**43,509**	**45,524**	**18,625**	**25,116**
Income tax expense	10	(8,089)	(7,221)	(7,661)	(3,223)	(4,922)
Profit for the year/period		**41,646**	**36,288**	**37,863**	**15,402**	**20,194**
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period		**41,646**	**36,288**	**37,863**	**15,402**	**20,194**
Total profit and comprehensive income attributable to:						
Owners of the Company		38,935	34,529	34,402	13,627	17,919
Non-controlling interests		2,711	1,759	3,461	1,775	2,275
		41,646	**36,288**	**37,863**	**15,402**	**20,194**
Basic and diluted earnings per share	12	N/A	N/A	N/A	N/A	N/A
Dividends	11	13,000	31,500	38,600	27,000	72,140

Combined Statements of Financial Position

		As at 30 April			As at 31 October
		2012	2013	2014	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	13	2,112	5,698	6,736	5,020
Deposits and prepayments	16	4,900	9,247	10,401	10,696
Deferred income tax assets	20	492	525	1,560	1,476
		7,504	15,470	18,697	17,192
Current assets					
Inventories	14	45,965	71,425	105,170	102,009
Trade receivables, other receivables and prepayments	16	30,045	13,083	8,183	11,391
Financial assets at fair value through profit or loss	17	328	218	—	—
Cash and cash equivalents	18	15,996	22,707	20,337	28,186
Tax recoverable		—	—	183	—
		92,334	107,433	133,873	141,586
Total assets		99,838	122,903	152,570	158,778
EQUITY					
Equity attributable to the owners of the Company					
Combined capital	19	1,800	1,800	4,300	4,300
Reserves	19	65,919	74,698	71,800	38,431
		67,719	76,498	76,100	42,731
Non-controlling interests	25	8,450	4,459	6,620	2,325
Total equity		76,169	80,957	82,720	45,056

		As at 30 April			As at 31 October
		2012	2013	2014	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Provision for other liabilities and charges	21	498	1,868	2,241	1,841
Deferred income tax liabilities	20	—	153	292	193
		498	2,021	2,533	2,034
Current liabilities					
Trade and other payables	21	16,000	22,529	49,390	52,686
Borrowings	22	2,191	14,464	14,821	7,160
Dividends payable	11	—	—	—	45,000
Current income tax liabilities		4,980	2,932	3,106	6,842
		23,171	39,925	67,317	111,688
Total liabilities		23,669	41,946	69,850	113,722
Total equity and liabilities		99,838	122,903	152,570	158,778
Net current assets		69,163	67,508	66,556	29,898
Total assets less current liabilities		76,667	82,978	85,253	47,090

Combined Statements of Changes in Equity

	Attributable to owners of the Company					
	Combined capital	Capital reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000 *(Note 19)*	*HK$'000* *(Note 19)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 May 2011	1,800	—	38,374	40,174	15,407	55,581
Total comprehensive income						
Profit for the year	—	—	38,935	38,935	2,711	41,646
Total contributions by and distributions to owners of the Company, recognised directly in equity						
Dividends *(Note 11)*	—	—	(13,000)	(13,000)	—	(13,000)
Changes in ownership interest in a subsidiary without change of control *(Note 25)*	—	1,610	—	1,610	(9,668)	(8,058)
Balance at 30 April and 1 May 2012	1,800	1,610	64,309	67,719	8,450	76,169
Total comprehensive income						
Profit for the year	—	—	34,529	34,529	1,759	36,288
Total contributions by and distributions to owners of the Company, recognised directly in equity						
Dividends *(Note 11)*	—	—	(25,750)	(25,750)	(5,750)	(31,500)
Balance at 30 April and 1 May 2013	1,800	1,610	73,088	76,498	4,459	80,957
Total comprehensive income						
Profit for the year	—	—	34,402	34,402	3,461	37,863
Total contributions by and distributions to owners of the Company, recognised directly in equity						
Dividends *(Note 11)*	—	—	(37,300)	(37,300)	(1,300)	(38,600)
Additional paid in capital	2,500	—	—	2,500	—	2,500
Balance at 30 April and 1 May 2014	4,300	1,610	70,190	76,100	6,620	82,720

	Attributable to owners of the Company					
	Combined capital	**Capital reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total comprehensive income						
Profit for the period	—	—	17,919	17,919	2,275	20,194
Total contributions by and distributions to owners of the Company, recognised directly in equity						
Dividends *(Note 11)*	—	—	(65,570)	(65,570)	(6,570)	(72,140)
Waiver of amount due to a shareholder of the Company *(Note 19)*	—	14,282	—	14,282	—	14,282
Balance at 31 October 2014	4,300	15,892	22,539	42,731	2,325	45,056
(Unaudited)						
Balance at 1 May 2013	1,800	1,610	73,088	76,498	4,459	80,957
Total comprehensive income						
Profit for the period	—	—	13,627	13,627	1,775	15,402
Total contributions by and distributions to owners of the Company, recognised directly in equity						
Dividends *(Note 11)*	—	—	(27,000)	(27,000)	—	(27,000)
Additional paid in capital	2,500	—	—	2,500	—	2,500
Balance at 31 October 2013	4,300	1,610	59,715	65,625	6,234	71,859

Combined Statements of Cash Flows

		Year ended 30 April			Six months ended 31 October	
		2012	**2013**	**2014**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from operating activities						
Net cash generated from operations	24	44,905	24,233	26,698	21,621	29,464
Income tax paid		(4,284)	(9,149)	(8,566)	(859)	(1,018)
Net cash generated from operating activities		40,621	15,084	18,132	20,762	28,446
Cash flows from investing activities						
Purchases of property, plant and equipment		(1,281)	(5,116)	(2,162)	(926)	(1,069)
Prepayments for purchase of property, plant and equipment		—	—	(150)	—	(1,935)
Proceeds from disposal of financial assets at fair value through profit or loss		—	105	242	—	—
Net cash used in investing activities		(1,281)	(5,011)	(2,070)	(926)	(3,004)

		Year ended 30 April			Six months ended 31 October	
		2012	2013	2014	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from financing activities						
Proceeds from new borrowings		—	18,699	14,658	—	—
Repayment of borrowings		(2,014)	(5,861)	(14,301)	(7,167)	(7,661)
Net change in balances with shareholders of the Company		(29,705)	(15,386)	(18,186)	(16,055)	(8,091)
Additional paid in capital		—	—	2,500	2,500	—
Payment of obligation under a finance lease		—	—	(2,742)	(993)	—
Interest paid		(199)	(249)	(361)	(169)	(181)
Acquisition of additional ownership interest in a subsidiary		(8,058)	—	—	—	—
Payment of listing expenses (equity portion)		—	—	—	—	(1,660)
Net cash used in financing activities		(39,976)	(2,797)	(18,432)	(21,884)	(17,593)
Net (decrease)/increase in cash and cash equivalents		(636)	7,276	(2,370)	(2,048)	7,849
Cash and cash equivalents at beginning of the year/period		16,067	15,431	22,707	22,707	20,337
Cash and cash equivalents at end of the year/period	18	15,431	22,707	20,337	20,659	28,186

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 23 June 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in retail and wholesale of watches in Hong Kong (the "Listing Business"). The ultimate holding company of the Company is Tic Tac Investment Holdings Limited. The ultimate controlling party of the Group is Mr. Lam Man Wah ("Mr. Lam").

These Financial Information is presented in Hong Kong dollars ("HK$") unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the Reorganisation as described below, the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Subsidiaries"). The Operating Subsidiaries were collectively controlled by Mr. Lam throughout the Relevant Periods.

Pursuant to the Reorganisation, the Company acquired the shareholding interests in the Listing Business through the following steps:

(i) On 18 June 2014, Tic Tac Investment Holdings Limited was incorporated in the British Virgin Islands with limited liability. On the date of incorporation, 90 shares and 10 shares of Tic Tac Investment Holdings Limited were allotted to Mr. Lam and Ms. Chan Ka Yee, Elsa ("Ms. Chan"), respectively.

(ii) On 23 June 2014, the Company was incorporated in the Cayman Islands with limited liability. On the date of incorporation, 1 share of the Company was allotted to Harneys Services (Cayman) Limited which was then transferred to Tic Tac Investment Holdings Limited on the same day.

(iii) On 1 July 2014, Tic Tac International Company Limited was incorporated in the British Virgin Islands. On the date of incorporation, 1 share of Tic Tac International Company Limited was allotted and issued to the Company and it became a wholly-owned subsidiary of the Company.

(iv) On 20 January 2015, Mr. Lam transferred his shareholding interests in Tic Tac Time (Trading) Company Limited and Tic Tac Time (Retail) Company Limited to Tic Tac International Company Limited.

(v) Pursuant to the sale and purchase agreement dated 31 March 2015, Mr. Lam, Ms. Chan, Ms. Ma Lili ("Ms. Ma") sold their respective shareholding interests in City Great Limited, Jenus Top International Limited, Sun Step Asia Limited, Tic Tac Time Company Limited and Treasure Ascent International Limited to Tic Tac Time (Trading) Company Limited and Tic Tac Time (Retail) Company Limited. In return, the Company allotted and issued 5,833 shares and 94,166 of its shares on 9 April 2015, to Ms. Ma and Tic Tac Investment Holdings Limited which was owned by Mr. Lam and Ms. Chan, respectively, as the consideration.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Equity interest held as at 30 April 2012	30 April 2013	30 April 2014	31 October 2014	Principal activities and place of operation	*Notes*
Directly held									
Tic Tac International Company Limited	British Virgin Islands, limited liability company	1 July 2014	USD1	N/A	N/A	N/A	N/A	Investment holding in Hong Kong	(i)
Indirectly held									
City Great Limited	Hong Kong, limited liability company	25 January 2007	HK$1	100%	100%	100%	100%	Wholesale of watches in Hong Kong	(ii)
Jenus Top International Limited	Hong Kong, limited liability company	30 June 2004	HK$300,000	50%	50%	50%	50%	Retail of watches in Hong Kong	(ii)
Sun Step Asia Limited	Hong Kong, limited liability company	17 June 2006	HK$500,000	100%	100%	100%	100%	Wholesale of watches in Hong Kong	(ii)
Tic Tac Time Company Limited	Hong Kong, limited liability company	28 July 1997	HK$3,000,000	100%	100%	100%	100%	Retail of watches in Hong Kong	(ii)
Tic Tac Time (Retail) Company Limited (formerly known as Zoom Prospect Limited)	British Virgin Islands, limited liability company	4 October 2013	USD1	N/A	N/A	100%	100%	Investment holding in Hong Kong	(i)
Tic Tac Time (Trading) Company Limited (formerly known as Sky Dynasty Development Limited)	British Virgin Islands, limited liability company	4 October 2013	USD1	N/A	N/A	100%	100%	Investment holding in Hong Kong	(i)
Treasure Ascent International Limited	Hong Kong, limited liability company	22 October 2008	HK$500,000	100%	100%	100%	100%	Retail of watches in Hong Kong	(iii)

Notes:

(i) No audited statutory financial statements have been issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(ii) The statutory financial statements of these companies for each of the years ended 30 April 2012 and 2013 were audited by Kelvin Chong & Partners, Certified Public Accountants in Hong Kong.

The statutory financial statements of these companies for the year ended 30 April 2014 were audited by Solarmark (HK) C.P.A Co. Ltd, Certified Public Accountants in Hong Kong.

(iii) The statutory financial statements of this company for each of the years ended 31 December 2011 and 2012 were audited by Kelvin Chong & Partners, Certified Public Accountants in Hong Kong.

The statutory financial statements of this company for the year ended 31 December 2013 were audited by Solarmark (HK) C.P.A Co. Ltd, Certified Public Accountants in Hong Kong.

(iv) Except for Treasure Ascent International Limited which adopts 31 December as its financial year end date because of the request from a major franchisor, all Operating Subsidiaries have adopted 30 April as their financial year end date.

1.3 Basis of presentation

The Operating Subsidiaries, engaging in the Listing Business, were under common control of Mr. Lam, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Financial Information has been prepared on a combined basis.

The Financial Information has been prepared by including the financial information of the Operating Subsidiaries, under the common control of Mr. Lam immediately before and after the Reorganisation as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Lam, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Lam's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or sold of to a third party during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which is in accordance with HKFRS issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, except as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The following are standards, amendments and interpretations to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 May 2014, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS (Amendment)	Annual improvements to HKFRS 2010–2012 cycle	1 July 2014
HKFRS (Amendment)	Annual improvements to HKFRS 2011–2013 cycle	1 July 2014
HKFRS (Amendment)	Annual improvements to HKFRS 2012–2014 cycle	1 January 2016

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKAS and HKFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2.2 Subsidiaries

(a) ***Consolidation***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HK$ which is the Company's functional and the Group's presentation currency.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within "other (losses)/ gains, net".

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Leasehold improvements	Lease terms of 3 to 5 years
Furniture and fixtures	Shorter of lease term or 5 years
Office equipment	3 years
Motor vehicles and vessels	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "other (losses)/gains, net" in profit or loss.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

(a) *Classification*

The Group classifies its financial assets into two categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it has been acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "deposits", "trade receivables and other receivables" and "cash and cash equivalents" in the combined statements of financial position.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within "other gains/(losses), net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Inventories

Inventories representing merchandise are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises invoiced cost less purchase rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the combined statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Combined capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

Borrowing costs are charged to profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting dates.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) ***Pension obligations***

The Group participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Company has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) ***Provision for bonus plans***

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of returns and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods — retail*

The Group operates a chain of retail outlets for selling watch products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) *Sales of goods — wholesale*

The Group sells a range of watch products to the retailers in Hong Kong and Macau. Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to retailers. The retailer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the retailers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified locations, the risks of obsolescence and loss have been transferred to the retailers. No element of financing is deemed present as the sales are made with a credit term of 7 to 60 days, which is consistent with the market practice.

(c) *Repair and maintenance*

Repair and maintenance service are recognised in the accounting period in which the services are rendered.

2.20 Leases

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessors are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

(b) *Finance leases*

The Group leases certain furniture and fixtures under finance lease agreements. Leases of the furniture and fixtures where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased furniture and fixtures and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.21 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the combined financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) ***Cash flow interest rate risk***

The Group is exposed to interest rate risk as borrowings are carried at variable rates.

During the Relevant Periods, if the interest rates on borrowings had been 50 basis-points higher/lower with all other variables held constant, post-tax profit for the years ended 30 April 2012, 2013 and 2014 and six months ended 31 October 2014 would be HK$8,305, HK$60,387, HK$61,876 and HK$30,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) ***Credit risk***

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables, other receivables, deposits and financial assets at fair value through profit or loss. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group's cash and cash equivalents were deposited with high quality financial institutions. Therefore, the directors do not expect any losses arising from non-performance by these counterparties.

Trade receivables, other receivables and deposits mainly represented the rental deposits, trade receivables from credit card companies, wholesale customers and a related party. They are assessed by reference to the historical information about counterparty default rates. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

(c) ***Liquidity risk***

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statements of financial position dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the Relevant Periods. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand	Less than 3 months	More than 3 months to 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 April 2012				
Trade and other payables	—	15,897	—	15,897
Borrowings	1,989	68	141	2,198
	1,989	15,965	141	18,095
As at 30 April 2013				
Trade and other payables	—	22,230	—	22,230
Borrowings	14,464	—	—	14,464
	14,464	22,230	—	36,694
As at 30 April 2014				
Trade and other payables	17,170	26,988	—	44,158
Borrowings	14,821	—	—	14,821
	31,991	26,988	—	58,979
As at 31 October 2014				
Trade and other payables	18,500	30,428	—	48,928
Borrowings	7,160	—	—	7,160
Dividends payable	45,000	—	—	45,000
	70,660	30,428	—	101,088

The table below summarizes the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total outflows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2012	1,367	684	167	2,218
At 30 April 2013	11,296	3,545	—	14,841
At 30 April 2014	10,977	2,457	1,979	15,413
At 31 October 2014	4,222	2,412	784	7,418

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current borrowings" as shown in the combined statements of financial positions) less cash and cash equivalents. Total capital is calculated as "equity" shown in the combined statements of financial positions plus net debt of the Company.

The gearing ratios as at 30 April 2012, 2013 and 2014 and 31 October 2014 are as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings *(Note 22)*	2,191	14,464	14,821	7,160
Less: cash and cash equivalents *(Note 18)*	(15,996)	(22,707)	(20,337)	(28,186)
Net (cash)/debt	(13,805)	(8,243)	(5,516)	(21,026)
Equity	76,169	80,957	82,720	45,056
Total capital	62,364	72,714	77,204	24,030
Gearing ratio	N/A	N/A	N/A	N/A

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial assets at fair value through profit or loss comprise the investment in funds and are categorised under level 1.

There was no financial instrument categorised under level 2 and level 3 as at 30 April 2012, 2013 and 2014 and 31 October 2014. There was no transfer between levels 1 and 2 during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014.

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, deposits, trade and other payables, bank borrowings approximate to their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for slow-moving inventories

The Group assesses annually whether any provision is required to reflect the carrying value of inventory, in accordance with the accounting policy stated in Note 2.9. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. This estimation requires the use of judgement.

(b) Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at each statement of financial position dates with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

(c) Estimated useful lives of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Depreciation expense would be significantly affected by the useful lives of the property, plant and equipment as estimated by management. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Estimated impairment of property, plant and equipment

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

(e) Impairment of trade and other receivables

Management determines the provision for impairment of trade and other receivables based on the credit history of counterparty and the current market condition by business segment. Significant judgment is exercised on the assessment of the collectability of receivables from each counterparty. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, counterparty payment trends including subsequent payments and customers' financial positions. If the financial conditions of the counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(f) Income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Provision for onerous operating lease

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Certain retail outlets with non-cancellable clause in the respective agreements generated low profits or losses during the Relevant Periods, management had performed the impairment assessment on those loss-making retail outlets. A provision for onerous operating lease of HK$4,528,000 (2012 and 2013: Nil) was recognised for the year ended 30 April 2014 for the best estimate of the net amount of the unavoidable lease costs. For details, please refer to Note 13.

5 SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the information received by them.

The Group is principally engaged in the wholesale and retail of watches in Hong Kong. The Executive Directors separately consider the performance and resources allocation of each retail outlet and each wholesale company. Each retail outlet and each wholesale company is considered as a separable operating segment.

The results of all the retail outlets have been aggregated in arriving at the retail business reporting segment of the Group. The retail segment derives its revenue primarily from retail of multi brands of watches in Hong Kong. All the retail outlets sell similar class of watches with similar pricing strategy and targeted customers.

The results of the wholesale companies have been aggregated in arriving at the wholesale business reporting segment of the Group. The wholesale segment derives its revenue primarily from wholesale of multi brands of watches in Hong Kong. All the wholesale companies sell similar class of watches with similar pricing strategy and targeted customers.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit excluding fair value measurements of financial assets at fair value through profit or loss, listing expenses and finance cost.

For the year ended 30 April 2012

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	302,755	1,754	—	304,509
External service income	310	—	—	310
Inter-segment sales and service income	—	3,987	(3,987)	—
	303,065	5,741	(3,987)	304,819
Segment profit/(loss)	50,118	(95)	—	50,023
Unallocated fair value losses of financial assets at fair value through profit or loss				(89)
Finance costs				(199)
Profit before income tax				49,735

For the year ended 30 April 2013

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	349,399	1,912	—	351,311
External service income	325	—	—	325
Inter-segment sales	—	4,857	(4,857)	—
	349,724	6,769	(4,857)	351,636
Segment profit	43,041	722	—	43,763
Unallocated fair value losses of financial assets at fair value through profit or loss				(5)
Finance costs				(249)
Profit before income tax				43,509

For the year ended 30 April 2014

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	443,856	2,630	—	446,486
External service income	427	—	—	427
Inter-segment sales	—	4,580	(4,580)	—
	444,283	7,210	(4,580)	446,913
Segment profit	45,012	849	—	45,861
Unallocated fair value gains of financial assets at fair value through profit or loss				24
Finance costs				(361)
Profit before income tax				45,524

For the six months ended 31 October 2014

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
External sales	239,869	1,414	—	241,283
External service income	237	—	—	237
Inter-segment sales	—	1,989	(1,989)	—
	240,106	3,403	(1,989)	241,520
Segment profit/(loss)	30,395	(236)	—	30,159
Unallocated listing expenses				(4,862)
Finance costs				(181)
Profit before income tax				25,116

For the six months ended 31 October 2013

	Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
External sales	191,559	928	—	192,487
External service income	203	—	—	203
Inter-segment sales	—	2,164	(2,164)	—
	191,762	3,092	(2,164)	192,690
Segment profit	18,510	283	—	18,793
Unallocated fair value gains of financial assets at fair value through profit or loss				1
Finance costs				(169)
Profit before income tax				18,625

Sales between segments are carried out at terms mutually-agreed between the parties involved in transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the combined statement of comprehensive income.

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong as at 30 April 2012, 2013 and 2014 and 31 October 2014. Accordingly, no analysis by geographical segment is provided. For each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, there are no single external customers who contributed more than 10% revenue of the Group.

Other profit and loss disclosure

	Year ended 30 April								
	2012			2013			2014		
	Retail	Wholesale	Total	Retail	Wholesale	Total	Retail	Wholesale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	1,229	2	1,231	1,978	2	1,980	3,466	2	3,468
Provision for inventories	341	—	341	1,611	—	1,611	1,516	629	2,145
Impairment of property, plant and equipment *(Note 13)*	—	—	—	—	—	—	994	—	994
Provision for onerous operating leases	—	—	—	—	—	—	4,528	—	4,528

	Six months ended 31 October					
	2013			2014		
	Retail	Wholesale	Total	Retail	Wholesale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)			
Depreciation of property, plant and equipment	1,297	1	1,298	1,917	1	1,918
Provision for slow-moving inventories	472	6	478	919	536	1,455

6 OTHER (LOSSES)/GAINS, NET

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Fair value (losses)/gains of financial assets at fair value through profit or loss *(Note 17)*	(89)	(5)	24	1	—
Net foreign exchange gains	32	40	24	13	3
	(57)	35	48	14	3

7 EXPENSES BY NATURE

	Year ended 30 April			Six months ended 31 October	
	2012	2013	2014	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold	182,885	215,180	282,150	121,045	153,871
Provision for slow-moving inventories *(Note 14)*	341	1,611	2,145	478	1,455
Employee benefit expense *(Note 8)*	18,491	23,377	27,755	12,097	13,918
Depreciation of property, plant and equipment *(Note 13)*	1,231	1,980	3,468	1,298	1,918
Impairment of property, plant and equipment *(Note 13)*	—	—	994	—	—
Operating lease payments					
— Office premises	239	263	329	165	165
— Repair centres	14	24	128	62	63
— Retail outlets	39,552	50,328	60,995	29,339	28,995
Advertising and promotion expenses	2,993	3,906	4,967	3,386	2,584
Auditor's remuneration	197	188	153	25	664
Bank and credit card charges	3,960	4,503	5,604	2,386	3,016
Provision for onerous operating leases *(Note 13)*	—	—	4,528	—	—
Listing expenses	—	—	—	—	4,862
Other expenses	4,925	6,553	7,860	3,629	4,715
Total cost of sales, selling and distribution costs and administrative expenses	254,828	307,913	401,076	173,910	216,226

8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and allowances	17,234	21,864	26,044	11,268	12,993
Directors' quarters rental	577	610	647	319	320
Retirement benefit costs					
— Mandatory Provident Fund Scheme	680	903	1,064	510	605
	18,491	23,377	27,755	12,097	13,918

Notes:

(a) Directors' emoluments

The emoluments of individual directors of the Company were set out below:

	Salaries	**Discretionary bonus**	**Directors' quarters rental**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2012					
Executive directors					
Lam Man Wah	792	100	492	31	1,415
Chan Ka Yee, Elsa	180	—	—	9	189
Tsang Hok Man	378	380	85	12	855
	1,350	480	577	52	2,459
For the year ended 30 April 2013					
Executive directors					
Lam Man Wah	792	200	538	34	1,564
Chan Ka Yee, Elsa	180	—	—	9	189
Tsang Hok Man	440	500	72	15	1,027
	1,412	700	610	58	2,780

	Salaries	Discretionary bonus	Directors' quarters rental	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2014					
Executive directors					
Lam Man Wah	792	200	647	34	1,673
Chan Ka Yee, Elsa	180	—	—	9	189
Tsang Hok Man	528	650	—	15	1,193
	1,500	850	647	58	3,055
For the six month ended 31 October 2014					
Executive directors					
Lam Man Wah	396	—	320	18	734
Chan Ka Yee, Elsa	90	—	—	4	94
Tsang Hok Man	277	—	—	9	286
	763	—	320	31	1,114
(Unaudited)					
For the six months ended 31 October 2013					
Executive directors					
Lam Man Wah	396	—	319	18	733
Chan Ka Yee, Elsa	90	—	—	4	94
Tsang Hok Man	264	—	—	7	271
	750	—	319	29	1,098

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014.

Mr. Fung Tat Man, Mr. Cheng Kin Chung and Mr. Lo Wai Kei, Wilkie were appointed as the Company's independent non-executive directors on 21 April 2015. During the Relevant Periods, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

(b) Five highest paid individuals

For each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, the five individuals whose emoluments were the highest in the Group include 2 directors whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 3 individuals are as follows:

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, bonus, other allowances and benefits in kind	1,142	1,350	1,388	546	597
Retirement benefit costs — Mandatory Provident Fund Scheme	36	43	45	22	26
	1,178	1,393	1,433	568	623

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals				
	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
				(Unaudited)	
Nil – HK$1,000,000	3	3	3	3	3

9 FINANCE COSTS

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Finance costs					
— Interest expense on bank borrowings wholly repayable within 5 years	84	225	361	169	181
— Interest expense on other borrowings wholly repayable within 5 years	22	18	—	—	—
— Interest expense on bank overdrafts	93	6	—	—	—
	199	249	361	169	181

For each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$84,000, HK$225,000, HK$361,000, HK$169,000 and HK$181,000, respectively.

10 INCOME TAX EXPENSE

The amount of income tax charged to the combined statements of comprehensive income represents:

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong profits tax					
Current income tax	8,114	7,101	8,557	2,784	4,937
Deferred income tax *(Note 20)*	(25)	120	(896)	439	(15)
	8,089	7,221	7,661	3,223	4,922

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	49,735	43,509	45,524	18,625	25,116
Calculated at tax rate of 16.5%	8,206	7,179	7,511	3,073	4,144
Tax effects of:					
Expenses not deductible for tax purposes	65	284	150	150	778
Others	(182)	(242)	—	—	—
Income tax expense	8,089	7,221	7,661	3,223	4,922

For each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, the weighted average applicable tax rate was 16.3%, 16.6%, 16.8%, 17.3% and 19.6%, respectively. The weighted average applicable tax rate approximates to the statutory tax rate of 16.5% for each of the years ended 30 April 2012, 2013 and 2014 and for the six months ended 31 October 2013. The increase in weighted average applicable tax for the six months ended 31 October 2014 was mainly due to the non-deductible listing expenses of HK$4,862,000.

11 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends disclosed during the each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014 represented dividends declared and paid or payable by the Operating Subsidiaries to respective shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Treasure Ascent International Limited					
— Declared and paid interim dividends	13,000	20,000	27,000	27,000	3,000
— Declared and paid special dividends	—	—	9,000	—	14,000
— Declared special dividends	—	—	—	—	—
— Declared interim dividends	—	—	—	—	35,000
Jenus Top International Limited					
— Declared and paid interim dividends	—	11,500	2,600	—	5,000
— Declared and paid final dividends	—	—	—	—	5,140
— Declared interim dividends	—	—	—	—	3,000
Tic Tac Time Company Limited					
— Declared interim dividends	—	—	—	—	7,000
	13,000	31,500	38,600	27,000	72,140

Dividends of HK$13,000,000, HK$20,000,000, HK$27,000,000, HK$14,000,000 and HK$47,000,000 out of the profits of Treasure Ascent International Limited for each of the years ended 31 December 2010, 2011, 2012, 2013 and 2014, respectively, have been declared during the Relevant Periods.

Dividends of HK$1,500,000, HK$10,000,000, HK$2,600,000, HK$5,140,000, HK$8,000,000 out of the profits of Jenus Top International Limited for each of the years ended 30 April 2011, 2012, 2013, 2014 and 2015 respectively, have been declared during the Relevant Periods.

Dividends of HK$7,000,000 out of the profits of Tic Tac Time Company Limited for the year ended 30 April 2015 have been declared during the Relevant Periods.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the each of the years ended 30 April 2012, 2013 and 2014 and for each of the six months ended 31 October 2013 and 2014 on a combined basis as disclosed in Note 1.3 above.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles and vessel	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2011					
Cost	3,015	427	407	728	4,577
Accumulated depreciation	(1,918)	(296)	(286)	(121)	(2,621)
Net book amount	1,097	131	121	607	1,956
Year ended 30 April 2012					
Opening net book amount	1,097	131	121	607	1,956
Additions	971	10	47	359	1,387
Depreciation *(Note 7)*	(918)	(71)	(96)	(146)	(1,231)
Closing net book amount	1,150	70	72	820	2,112
At 30 April 2012					
Cost	3,971	437	454	1,087	5,949
Accumulated depreciation	(2,821)	(367)	(382)	(267)	(3,837)
Net book amount	1,150	70	72	820	2,112
Year ended 30 April 2013					
Opening net book amount	1,150	70	72	820	2,112
Additions	3,632	101	153	1,680	5,566
Depreciation *(Note 7)*	(1,309)	(35)	(83)	(553)	(1,980)
Closing net book amount	3,473	136	142	1,947	5,698
At 30 April 2013					
Cost	7,421	538	607	2,767	11,333
Accumulated depreciation	(3,948)	(402)	(465)	(820)	(5,635)
Net book amount	3,473	136	142	1,947	5,698
Year ended 30 April 2014					
Opening net book amount	3,473	136	142	1,947	5,698
Additions	2,384	2,979	137	—	5,500
Depreciation *(Note 7)*	(2,095)	(735)	(85)	(553)	(3,468)
Impairment *(Note 7)*	(832)	(162)	—	—	(994)
Closing net book amount	2,930	2,218	194	1,394	6,736
At 30 April 2014					
Cost	9,635	3,517	744	2,767	16,663
Accumulated depreciation and impairment	(6,705)	(1,299)	(550)	(1,373)	(9,927)
Net book amount	2,930	2,218	194	1,394	6,736

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles and vessel	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 31 October 2014					
Opening net book amount	2,930	2,218	194	1,394	6,736
Additions	1,046	—	23	—	1,069
Disposals	—	—	—	(867)	(867)
Depreciation *(Note 7)*	(1,056)	(560)	(53)	(249)	(1,918)
Closing net book amount	2,920	1,658	164	278	5,020
At 31 October 2014					
Cost	10,616	3,517	767	1,089	15,989
Accumulated depreciation and impairment	(7,696)	(1,859)	(603)	(811)	(10,969)
Net book amount	2,920	1,658	164	278	5,020

Depreciation of HK$1,016,000, HK$1,692,000, HK$3,172,000, HK$1,151,000 and HK$1,770,000 have been charged to "selling and distribution costs" and HK$215,000, HK$288,000, HK$296,000, HK$147,000 and HK$148,000 have been charged to "administrative expenses" for each of the years ended 30 April 2012, 2013 and 2014 and each of the six months ended 31 October 2013 and 2014, respectively.

Each retail outlet is identified as an individual cash-generating unit ("CGU"). Certain retail outlets generated low profits or losses during the Relevant Periods, management had performed the impairment assessment on those loss-making retail outlets. Value-in-use calculations were used by management. These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by management covering the lease period of the respective retail outlets. For the year ended 30 April 2014, the estimated recoverable amount for certain loss-making retail outlets was negative by applying the discount rate of 14%. The estimated recoverable amounts for certain retail outlets could not cover the carrying values of their respective leasehold improvement, furniture, fixtures and the net amount unavoidable lease costs. An aggregated impairment loss on leasehold improvements, furniture and fixtures of respective retail outlets of HK$994,000 (2012 and 2013: Nil) and a provision for onerous operating leases of HK$4,528,000 (2012 and 2013: Nil) have been charged to the "selling and distribution costs" for the year ended 30 April 2014. For details of the provision for onerous contract, please refer to Note 21(d).

As at 30 April 2012, a borrowing is secured on a motor vehicle with a carrying value of HK$461,000 *(Note 22)*.

The Group leases certain furniture and fixtures under finance lease agreements. The leases are for a term of 3 years and the ownership of these assets does not belong to the Group. The Group has paid all the lease payment in advance and there was no future minimum lease payment for the finance lease as at 30 April 2014 and 31 October 2014.

The net book value of property, plant and equipment held under finance lease obligations comprise:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost — capitalised finance leases	—	—	2,742	2,742
Accumulated depreciation	—	—	(662)	(1,198)
Net book amount	—	—	2,080	1,544

14 INVENTORIES

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	51,053	78,124	114,014	112,308
Less: provision for slow-moving inventories	(5,088)	(6,699)	(8,844)	(10,299)
	45,965	71,425	105,170	102,009

Movements in provision for slow-moving inventories are as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	(4,747)	(5,088)	(6,699)	(8,844)
Charged to profit or loss *(Note 7)*	(341)	(1,611)	(2,145)	(1,455)
At end of the year	(5,088)	(6,699)	(8,844)	(10,299)

The cost of inventories recognized as expense and included in cost of sales amounted to HK$183,225,000, HK$216,791,000, HK$284,295,000, HK$121,523,000 and HK$155,326,000 which included provision for slow-moving inventories of HK$341,000, HK$1,611,000, HK$2,145,000, HK$478,000 and HK$1,455,000 for each of the years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2013 and 2014, respectively.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets as per combined statements of financial position				
Loans and receivables:				
— Trade receivables and other receivables	33,865	21,624	17,803	16,919
— Cash and cash equivalents (excluding bank overdrafts)	15,996	22,707	20,337	28,186
Financial assets at fair value through profit or loss	328	218	—	—
Total	50,189	44,549	38,140	45,105
Liabilities as per combined statements of financial position				
Other financial liabilities at amortised cost:				
— Borrowing	2,191	14,464	14,821	7,160
— Trade and other payables	15,897	22,230	44,158	48,928
— Dividends payable	—	—	—	45,000
Total	18,088	36,694	58,979	101,088

16 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(Note a)*				
— third parties	3,896	1,620	1,038	3,604
— a related company *(Note 26)*	108	701	166	193
	4,004	2,321	1,204	3,797
Amounts due from shareholders of the Company (non-trade) *(Note b)*	21,928	5,814	2,570	—
Rental and utilities deposits	7,933	13,489	13,077	13,091
Prepayments	1,080	706	781	2,610
Prepaid listing expenses	—	—	—	2,558
Other receivables	—	—	952	31
	34,945	22,330	18,584	22,087
Less: non-current portion				
— rental deposits	(4,900)	(9,247)	(10,251)	(8,761)
— prepayments for property, plant and equipment	—	—	(150)	(1,935)
	(4,900)	(9,247)	(10,401)	(10,696)
Current portion	30,045	13,083	8,183	11,391

The maximum exposure to credit risk as at 30 April 2012, 2013 and 2014 and 31 October 2014 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade receivables, deposits, other receivables and prepayments approximate to their fair values and were denominated in HK$.

Notes:

(a) Trade receivables and amount due from a related company

The trade receivables and amount due from a related company mainly comprise receivables from credit card companies for retail sales and wholesale customers. There were no specific credit terms granted to those credit card companies. The receivables due from credit card companies were usually settled within 7 days. The Group's credit terms granted to wholesale customers, including a related party customer, generally ranged from 30 to 90 days from the invoice date during the Relevant Periods. As at 30 April 2012, 2013 and 2014 and 31 October 2014, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	3,999	2,217	1,204	3,703
31 to 60 days	5	104	—	70
61 to 90 days	—	—	—	24
	4,004	2,321	1,204	3,797

As at 30 April 2012, 2013 and 2014 and 31 October 2014, trade receivables of HK$5,000, HK$104,000, nil, and HK$24,000, respectively, were past due but not impaired. These balances relate to two independent customers and a related company for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 to 30 days	5	104	—	—
31 to 60 days	—	—	—	24
Overdue but not impaired	5	104	—	24

(b) Amounts due from shareholders of the Company

As at 30 April 2012, 2013 and 2014, the amounts due from shareholders of the Company were unsecured, interest-free and repayable on demand.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment funds				
Beginning balance, at fair value	417	328	218	—
Disposals	—	(105)	(242)	—
Fair value (losses)/gains during the year/period *(Note 6)*	(89)	(5)	24	—
Ending balance, at fair value	328	218	—	—

The Group purchased certain bank investment funds during the Relevant Periods. These investment funds were publicly traded. Net asset values of the investment funds were reported on a daily basis and the investment funds may be redeemed at any time.

Financial assets at fair value through profit or loss were presented within "investing activities" in the combined statements of cash flows. The fair values of all investments funds were based on their current bid prices in an active market.

18 CASH AND CASH EQUIVALENTS

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank	15,747	22,579	20,136	28,065
Cash on hand	249	128	201	121
Cash and cash equivalents	15,996	22,707	20,337	28,186
Maximum exposure to credit risk	15,747	22,579	20,136	28,065

Cash, cash equivalents and bank overdrafts include the following for the purpose of the combined statements of cash flows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	15,996	22,707	20,337	28,186
Bank overdrafts *(Note 22)*	(565)	—	—	—
Cash and cash equivalents	15,431	22,707	20,337	28,186

The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	15,987	22,692	20,318	28,167
Renminbi	9	15	19	19
	15,996	22,707	20,337	28,186

19 COMBINED CAPITAL AND RESERVES — GROUP

	Combined capital	**Capital reserve**	**Retained earnings**	**Total**
	HK$'000 *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*
Balance at 1 May 2011	1,800	—	38,374	40,174
Total comprehensive income for the year	—	—	38,935	38,935
Dividends *(Note 11)*	—	—	(13,000)	(13,000)
Changes in ownership interests in a subsidiary without change of control *(Note 25)*	—	1,610	—	1,610
Balance at 30 April and 1 May 2012	1,800	1,610	64,309	67,719
Total comprehensive income for the year	—	—	34,529	34,529
Dividends *(Note 11)*	—	—	(25,750)	(25,750)
Balance at 30 April and 1 May 2013	1,800	1,610	73,088	76,498
Total comprehensive income for the year	—	—	34,402	34,402
Dividends *(Note 11)*	—	—	(37,300)	(37,300)
Additional paid in capital *(Note c)*	2,500	—	—	2,500
Balance at 30 April and 1 May 2014	4,300	1,610	70,190	76,100
Total comprehensive income for the period	—	—	17,919	17,919
Dividends *(Note 11)*	—	—	(65,570)	(65,570)
Waiver of amount to a shareholder of the Company *(Note b)*	—	14,282	—	14,282
Balance at 31 October 2014	4,300	15,892	22,539	42,731

	Combined capital	Capital reserve	Retained earnings	Total
	HK$'000 *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*
(Unaudited)				
Balance at 30 April and 1 May 2013	1,800	1,610	73,088	76,498
Total comprehensive income for the period	—	—	13,627	13,627
Dividends *(Note 11)*	—	—	(27,000)	(27,000)
Additional paid in capital *(Note c)*	2,500	—	—	2,500
Balance at 31 October 2013	4,300	1,610	59,715	65,625

Notes:

(a) Combined capital as at 30 April 2012, 2013 and 2014 and 31 October 2014 represented the combined share capital of the Operating Subsidiaries after elimination of inter-company investments.

(b) Capital reserve as at 30 April 2012, 2013 and 2014 and 31 October 2014 represented the difference between the fair value of the consideration paid and the carrying value of the non-controlling interests acquired and was recorded in the equity. As at 31 October 2014, Mr. Lam agreed to waive part of his lending to the Group. The waived amount of HK$14,282,000 was credited to the capital reserve.

(c) On 11 October 2013, 2,500,000 shares of Tic Tac Time Company Limited, were allotted to Mr. Lam at HK$2,500,000.

20 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax asset:				
Recoverable within 12 months	63	120	624	892
Recoverable after more than 12 months	429	405	936	584
	492	525	1,560	1,476
Deferred income tax liabilities:				
Payable or to be settled within 12 months	—	(20)	(47)	(101)
Payable or to be settled more than 12 months	—	(133)	(245)	(92)
	—	(153)	(292)	(193)
Deferred income tax assets, net	492	372	1,268	1,283

The movement in the deferred income tax account is as follows:

	As at 30 April 2012	As at 30 April 2013	As at 30 April 2014	As at 31 October 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	467	492	372	1,268
Credited/(charged) to the combined statements of comprehensive income *(Note 10)*	25	(120)	896	15
At end of the year/period	492	372	1,268	1,283

The movements in deferred income tax liabilities and assets during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities — accelerated tax depreciation

	As at 30 April 2012	As at 30 April 2013	As at 30 April 2014	As at 31 October 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	—	—	(153)	(292)
(Charged)/credited to the combined statements of comprehensive income	—	(153)	(139)	99
At end of the year/period	—	(153)	(292)	(193)

Deferred income tax assets

	Provision	Decelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2011	—	177	290	467
Credited/(charged) to the combined statements of comprehensive income	—	48	(23)	25
At 30 April and 1 May 2012	—	225	267	492
Credited/(charged) to the combined statements of comprehensive income	—	103	(70)	33
At 30 April and 1 May 2013	—	328	197	525
Credited/(charged) to the combined statements of comprehensive income	747	418	(130)	1,035
At 30 April and 1 May 2014	747	746	67	1,560
(Charged)/credited to the combined statements of comprehensive income	(246)	166	(4)	(84)
At 31 October 2014	501	912	63	1,476

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Company and the Group did not have unrecognised deferred income tax asset for tax losses.

21 PROVISION FOR OTHER LIABILITIES AND CHARGES, TRADE AND OTHER PAYABLES

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note a)*				
— third parties	9,964	16,654	20,416	23,706
— a related party *(Note 26)*	255	163	139	164
	10,219	16,817	20,555	23,870
Amount due to a shareholder of the Company (non-trade) *(Note b)*	—	—	17,170	18,500
Rent payable	3,597	4,091	4,354	3,857
Accrued employee benefit expense	1,857	2,266	2,480	2,777
Provision for reinstatement *(Note c)*	528	978	1,404	1,338
Provision for onerous operating leases *(Notes d and 13)*	—	—	4,528	3,038
Other accruals and payables	297	245	1,140	1,147
	16,498	24,397	51,631	54,527
Less: non-current portion	(498)	(1,868)	(2,241)	(1,841)
Current portion	16,000	22,529	49,390	52,686

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the carrying amounts of trade payables, an amount to a shareholder of the Company, provisions and other payables approximate to their fair value and were mainly denominated in HK$.

Notes:

(a) Trade payables and an amount due to a related company

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	8,403	14,413	18,349	22,159
31 to 60 days	914	1,160	905	1,432
61 to 90 days	590	926	746	140
Over 90 days	312	318	555	139
	10,219	16,817	20,555	23,870

(b) Amount due to a shareholder of the Company

As at 30 April 2014 and 31 October 2014, the amount due to a shareholder of the Company was unsecured, interest-free and repayable on demand. The balance due to a shareholder of the Company as at 31 October 2014 is expected to be fully settled before listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited.

(c) Provision for reinstatements costs

Movements in the Group's provision for reinstatement costs are as follows:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	422	528	978	1,404
Additional provision during the year	106	450	596	—
Settlements	—	—	(170)	(66)
At end of the year	528	978	1,404	1,338

(d) Provision for onerous contracts

Movements in the Group's provision for onerous contracts are as follows:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	—	—	—	4,528
Provision during the year	—	—	4,528	—
Release of provision upon payment of rental charges	—	—	–	(1,490)
At end of the year	—	—	4,528	3,038

The provision for onerous contracts represented the anticipated unavoidable costs for fulfilling the onerous non-cancellable lease agreements. The lease agreements will expire by end of 2015. The provision amount was reduced upon the payment of the rental charges.

22 BORROWINGS

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank overdrafts	565	—	—	—
Short-term bank loans	—	5,324	4,712	882
Other borrowing	202	—	—	—
Current portion of long-term bank loans due for repayment within one year	616	5,642	5,831	3,167
Long-term bank loans due after one year which contain repayment on demand clause	808	3,498	4,278	3,111
	2,191	14,464	14,821	7,160

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities. All borrowings are wholly repayable within 5 years as at 30 April 2012, 2013 and 2014 and 31 October 2014.

Borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts on demand	565	—	—	—
Within 1 year	818	10,966	10,543	4,049
Between 1 and 2 years	642	3,498	2,333	2,333
Between 2 and 5 years	166	—	1,945	778
	2,191	14,464	14,821	7,160

The weighted average interest rates during the Relevant Periods were as follows:

	As at 30 April			As at 31 October
	2012	2013	2014	2014
Short-term bank loans	—	2.9%	2.4%	3.3%
Other short-term borrowing	6.2%	—	—	—
Long-term bank loans	3.5%	1.3%	1.8%	1.4%
Bank overdrafts	5.5%	2.1%	—	—

The carrying amounts of the Group's bank overdraft and borrowings are denominated in HK$ and unsecured and approximate to their fair value.

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Group had aggregate banking facilities of HK$6,424,000, HK$18,491,000, HK$17,180,000 and HK$18,545,000, respectively, for overdrafts and loans. Unused facilities as at the same date amounted to HK$4,435,000, HK$4,027,000, HK$2,359,000 and HK$11,385,000, respectively. The Group's banking facilities are subject to annual review and secured or guaranteed by:

(i) unlimited personal guarantee from Mr. Lam as at 30 April 2012, 2013 and 2014 and 31 October 2014. These loans were replaced by another banking facilities dated 5 February 2015;

(ii) unlimited cross guarantees provided by certain companies now comprising the Group as at 30 April 2012, 2013 and 2014 and 31 October 2014;

(iii) a guarantee granted by the Special Loan Guarantee Scheme operated by the Hong Kong Special Administrative Region ("HKSAR") Government amounting to HK$6,400,000, HK$14,400,000, HK$20,000,000 and HK$17,600,000 as at 30 April 2012, 2013 and 2014 and 31 October 2014, respectively; and/or

(iv) a motor vehicle with a carrying value of HK$461,000 as at 30 April 2012 (30 April 2013 and 2014 and 31 October 2014: Nil). (Note 13)

23 COMMITMENTS

(a) Capital commitments

On 17 September 2014, the Group entered into a contract with an independent third party to purchase a yacht at a price of HK$6,450,000 of which HK$1,935,000 has been paid as the first deposit. The remaining balance of HK$4,515,000 is to be settled within 6 months from 31 October 2014.

As at 30 April 2012, 2013 and 2014, the Group did not have any material capital commitments. As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Company did not have any material capital commitments.

(b) Operating commitments

The Group leases various retail outlets, offices, directors' quarters and warehouses. The majority of lease agreements are non-cancellable with lease terms between 1 and 3 years. Some lease agreements are cancellable with a notice period of 3 to 6 months. The lease expenses charged to the statement of comprehensive income during the Relevant Periods are disclosed in Note 7.

The future aggregate minimum lease rental expenses in respect of an office, repair centres and the quarter for directors under non-cancellable operating leases are as follows:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	21,828	31,306	37,301	33,083
Later than 1 year and no later than 5 years	9,096	25,440	21,674	11,119
	30,924	56,746	58,975	44,202

The above lease commitments do not include commitments for additional rentals payable, if any, when turnover of individual retail outlet exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Company did not have any material operating lease commitments.

24 NET CASH GENERATED FROM OPERATIONS

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	49,735	43,509	45,524	18,625	25,116
Adjustments for:					
Depreciation of property, plant and equipment	1,231	1,980	3,468	1,298	1,918
Impairment of property, plant and equipment	—	—	994	—	—
Fair value losses/(gains) of financial assets through profit or loss	89	5	(24)	(1)	—
Provision for slow-moving inventories	341	1,611	2,145	478	1,455
Provision for/(utilisation of) onerous operating leases	—	—	4,528	—	(1,490)
Deferred rent	(219)	1,116	352	57	(318)
Finance costs	199	249	361	169	181
	51,376	48,470	57,348	20,626	26,862
Changes in working capital:					
Trade receivables, other receivables and prepayments	(1,557)	(3,499)	652	(5,371)	(2,478)
Inventories	(8,701)	(27,071)	(35,890)	(3,388)	1,706
Trade and other payables	3,787	6,333	4,588	9,754	3,374
Net cash generated from operations	44,905	24,233	26,698	21,621	29,464

Non-cash transactions

The dividends declared during the Relevant Periods were settled through the current accounts with the respective shareholders except for the dividend payable of HK$45,000,000 outstanding as at 31 October 2014.

As at 31 October 2014, Mr. Lam agreed to waive part of its lending to the Group. The waived amount of HK$14,282,000 was credited to the capital reserve directly without any cash settlements.

25 SUBSIDIARY WITH SIGNIFICANT NON-CONTROLLING INTERESTS

(a) Treasure Ascent International Limited

On 23 June 2011, Mr. Lam acquired the remaining 22% equity interest in Treasure Ascent International Limited from an independent third party at a consideration of HK$8,058,000. After the acquisition, Treasure Ascent International Limited became wholly owned by Mr. Lam.

As at 23 June 2011, the carrying value of the non-controlling interest attributed to the independent third party was HK$9,668,000. The difference between the fair value of consideration paid and the carrying value of the non-controlling interests acquired was recorded in the equity.

(b) Jenus Top International Limited

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Group holds 50% of the equity shares of Jenus Top International Limited. Management considers that the Group has control with a 50% equity interest as Mr. Lam was given the full power by the other shareholder to negotiate, conclude and execute on behalf of Jenus Top International Limited all contracts, agreements and relevant documentation, to do all acts in relation to the day to day business transactions of Jenus Top International Limited and to make decision for Jenus Top International Limited in all matters including but not limited to operational policy, financial policy, dividend policy, funding structure and selecting, acquiring or disposing of assets and/or business. The Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power.

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the total non-controlling interests attributable to Ms. Ma amounted to HK$8,450,000, HK$4,459,000, HK$6,620,000, and HK$2,325,000, respectively, for Jenus Top International Limited.

(c) Set out below is the financial information of Jenus Top International Limited that is material to the Group.

Statement of financial position

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Assets	18,191	10,933	16,459	12,353
Liabilities	(1,563)	(2,315)	(3,876)	(7,877)
Total current net assets	16,628	8,618	12,583	4,476
Non-current				
Assets	373	435	845	421
Liabilities	(101)	(135)	(188)	(247)
Total non-current net assets	272	300	657	174
Net assets	16,900	8,918	13,240	4,650

Statements of comprehensive income

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	28,345	29,278	42,643	20,350	24,189
Profit before income tax	4,240	4,274	8,369	4,164	5,449
Income tax expense	(628)	(756)	(1,447)	(614)	(899)
Profit and total comprehensive income for the year	3,612	3,518	6,922	3,550	4,550
Total comprehensive income allocated to non-controlling interests	1,806	1,759	3,461	1,775	2,275
Dividends paid to non-controlling interests *(Note 11)*	—	5,750	1,300	—	4,000

Statements of cash flows

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from operating activities					
Cash generated from operations	8,182	5,291	9,930	5,363	4,606
Income tax paid	(414)	(381)	(907)	(907)	(705)
Net cash generated from operating activities	7,768	4,910	9,023	4,456	3,901
Net cash used in an investing activity	—	(4)	—	—	—
Net cash used in financing activities	(9,999)	(2,600)	(5,140)	(1,140)	(5,000)
Net (decrease)/increase in cash and cash equivalents	(2,231)	2,306	3,883	3,316	(1,099)
Cash and cash equivalents at beginning of year	3,569	1,338	3,644	3,883	7,527
Cash and cash equivalents at end of year	1,338	3,644	7,527	7,199	6,428

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	**Relationship with the Group**
Mr. Lam	Executive director and shareholder of the Company
Ms. Chan	Executive director and shareholder of the Company
Ms. Ma	Shareholder of the Company and the non-executive director of one of the subsidiaries now comprising the Group
Mr. Tsang Hok Man	Executive director of the Company
Company A	Significant influence by a director of the Company
Company B	Significant influence by a director of the Company

(b) **Transactions with related parties**

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 30 April			**Six months ended 31 October**	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Continuing transactions					
Rental expenses to Mr. Lam *(Note i)*	—	(56)	(167)	(84)	(82)
Rental expenses to Ms. Chan *(Note i)*	—	(54)	(162)	(81)	(81)
Purchase from Company B *(Note ii)*	(912)	(925)	(826)	(450)	(296)
Sales to Company A *(Note ii)*	1,302	1,052	1,084	590	804
Discontinued transactions					
Sales of yacht to Mr. Lam *(Note iii)*	—	—	—	—	867

Notes:

(i) Rental expenses are paid with reference to market rates of similar properties for office premises.

(ii) Purchases/sales of goods from/to related companies were carried out at rate mutually-agreed between the parties involved in the transactions.

(iii) The yacht was sold to Mr. Lam at the carrying value of HK$867,000 as at the disposal date.

(c) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 April			Six months ended 31 October	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, bonus, other allowances and benefits in kind	2,982	3,691	4,037	1,462	1,507
Retirement benefit costs — Mandatory Provident Fund Scheme	69	87	88	44	49
	3,051	3,778	4,125	1,506	1,556

(d) Amount due from/(to) related parties

The Group has the following balances with the related parties:

	As at 30 April			As at 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade				
Amount due from Company A	108	701	166	193
Amount due to Company B	(255)	(163)	(139)	(164)
Non-trade				
Amount due from Ms. Ma	5,750	1,300	2,570	—
Amount due from/(to) Mr. Lam	16,178	4,514	(17,170)	(18,500)

The maximum outstanding balances due from the related parties during the Relevant Periods are as follows:

	Year ended 30 April			Six months ended 31 October
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from Company A	305	701	944	265
Amount due from Ms. Ma	5,750	5,750	2,570	—
Amount due from Mr. Lam	16,178	4,514	4,680	—

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amount due from Company A is neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate to their fair values and are denominated in HK$.

All non-trade balances due from/(to) related parties as at 31 October 2014 are expected to be fully settled before listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited.

(e) Other arrangements with related parties

Banking facilities available to the Group were guaranteed by Mr. Lam as at 30 April 2012, 2013 and 2014 and 31 October 2014. Such facilities were replaced by another banking facilities dated 5 February 2015.

27 CONTINGENT LIABILITIES

As at 30 April 2012, 2013 and 2014 and 31 October 2014, the Company and the Group did not have any material contingent liabilities.

28 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 October 2014:

(i) On 28 November 2014, the Group obtained additional banking facilities of HK$8,620,000 under the personal guarantee from Mr. Lam and the cross guarantee among certain companies now comprising the Group. A new bank loan of HK$8,000,000 was drawn under the banking facilities in December 2014. Such facilities were replaced by another banking facilities dated 5 February 2015.

(ii) On 5 December 2014, the Group obtained additional banking facilities of HK$15,000,000 under the personal guarantee from Mr. Lam and the cross guarantee among certain companies now comprising the Group. A new loan of HK$15,000,000 was drawn under the banking facilities in December 2014 and was fully settled in April 2015.

(iii) On 5 February 2015, the Group obtained/re-entered into total banking facilities of HK$79,167,000 to replace its existing banking facilities. Such banking facilities were obtained under unlimited guarantee from the Company, personal guarantee from Mr. Lam and cross guarantee among certain companies comprising the Group. The personal guarantee from Mr. Lam will be released upon the successful listing of shares of the Company on the Stock Exchange of Hong Kong Limited.

(iv) On 9 April 2015, the Group completed the Reorganisation *(Note 1.2)*.

29 FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 23 June 2014 with an authorised share capital of HK$100,000,000, divided into 10,000,000,000 shares of HK$0.01 each. As at 31 October 2014, the Company had cash balance of HK$0.01 representing issued share capital of HK$0.01. Except for this, it had no other assets, liabilities or distributable reserves as at that date.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 October 2014 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 October 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the owners of the Company as of 31 October 2014 as if the Share Offer had taken place on 31 October 2014.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 October 2014 or at any future dates following the Share Offer. It is prepared based on the combined net assets of the Group as at 31 October 2014 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 October 2014 *(Note 1)*	**Estimated net proceeds from the Share Offer** *(Note 2)*	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 October 2014**	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.6 per Share	42,731	96,827	139,558	0.17
Based on an Offer Price of HK$0.8 per Share	42,731	135,227	177,958	0.22

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 31 October 2014 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 31 October 2014 of HK$42.7 million.

(2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares and the Offer Price of HK$0.6 and HK$0.8 per Share after deduction of the underwriting fees and other related expenses borne by a subsidiary of the Company on behalf of the Company (excluding approximately HK$4,862,000 listing expenses which have been incurred as of 31 October 2014) and takes no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note (2) above and on the basis that 800,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer had been completed on 31 October 2014 but takes no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 October 2014.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN PROSPECTUS

TO THE DIRECTORS OF TIC TAC INTERNATIONAL HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tic Tac International Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 October 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 28 April 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 October 2014 as if the proposed initial public offering had taken place at 31 October 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months period ended 31 October 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 October 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 June 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount from time to time unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands. The Company is a body corporate capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 April 2015 to become effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 October 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the

Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation and registration of our Company under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 June 2014. Our Company has established a principal place of business in Hong Kong at Suite No. 9, 11/F, Tower 1, China Hong Kong City, China Ferry Terminal, Canton Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 10 March 2015. Mr. Lam of Flat B, 29/F, Block 1, Elegant Terrace, 36 Conduit Road, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our Company operates subject to the relevant laws of the Cayman Islands and its constitution which comprises the Memorandum and the Articles. A summary of various provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital

Our Company was incorporated on 23 June 2014. As at the date of incorporation, the authorised share capital of our Company was HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each, of which one Share was allotted and issued to the initial subscriber as fully paid, which was then transferred to Tic Tac Investment on the same day.

Pursuant to a sale and purchase agreement dated 31 March 2015 entered into between Mr. Lam, Ms. Chan, Ms. Ma, Tic Tac Trading, Tic Tac Retail, Tic Tac International, Tic Tac Investment and our Company, (i) Mr. Lam transferred the entire issued share capital in City Great and Sun Step to Tic Tac Trading; and (ii) Mr. Lam, Ms. Chan and Ms. Ma transferred all of their respective interests in Treasure Ascent, Jenus Top and Tic Tac Time to Tic Tac Retail. In return, our Company allotted and issued 94,166 and 5,833 Shares to Tic Tac Investment and Ms. Ma respectively on 9 April 2015.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be HK$100,000,000 divided into 10,000,000,000 Shares, with 800,000,000 shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to issue Shares referred to in "— A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 21 and 22 April 2015" and the exercise of any options which may be granted under the Share Option Scheme below, our Company does not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders passed on 21 and 22 April 2015

On 21 and 22 April 2015, written resolutions of our Shareholders entitled to vote at general meetings of our Company were passed, pursuant to which, among other things:

(a) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise the sum of HK$5,999,000 from the amount standing to the credit of the share premium account of our Company and that the said sum be applied in paying up in full at par 599,900,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to our Shareholders appearing on the register of members of our Company at the close of business on the date of this prospectus (or as such holders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company, and so that such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

(b) conditional on (i) the Listing Committee granting the approval of the listing of, and the permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the Capitalisation Issue or the exercise of any options which may be granted under the Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

    (i) the Share Offer was approved and that our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Share Offer on and subject to the terms and conditions set out in this prospectus and in the relevant Application Forms;

(ii) the rules of the Share Option Scheme (the principal terms of which are set out in "— D. Share Option Scheme") was approved and adopted and our Directors or any committee thereof established by our Board were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with the Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary, expedient or desirable to implement the Share Option Scheme;

(c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or any issue of Shares upon exercise of rights of subscription or conversion attaching to any securities of our Company (if any) which are convertible into Shares or the Share Offer or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate nominal value not exceeding 20% of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

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

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders of our Company in general meeting revoking, varying or renewing such mandate given to our Directors;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the

Share Offer and Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

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

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders of our Company in general meeting revoking, varying or renewing such mandate given to our Directors;

(e) the general unconditional mandate granted to our Directors as mentioned in paragraph (c) above was extended by the addition to the total nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company under the mandate pursuant to paragraph (d) above, provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme); and

(f) our Company approved and adopted the Articles in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the Listing Date.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise the business and the structure of our Group in anticipation of the Listing. For information relating to the Reorganisation, see "History, Reorganisation and Corporate Structure — Corporate reorganisation".

5. Changes in share capital of subsidiaries of our Company

The subsidiaries of our Company are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of our Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

Tic Tac International

On 31 March 2015, as part of the Reorganisation and in consideration of 94,166 Shares and 5,833 Shares to be allotted and issued to Tic Tac Investment and Ms. Ma by the Company pursuant to a sale and purchase agreement dated 31 March 2015 in respect of the sale and purchase of the entire issued capital of each of City Great, Sun Step, Treasure Ascent, Jenus Top and Tic Tac Time to our Group by Mr. Lam, Ms. Chan and Ms. Ma, Tic Tac International allotted and issued one share in its share capital credited as fully paid to the Company.

Tic Tac Retail

On 31 March 2015, as part of the Reorganisation and in consideration of the allotment and issue of one share in its share capital to the Company by Tic Tac International, Tic Tac Retail allotted and issued one share in its share capital credited as fully paid to Tic Tac International.

Tic Tac Trading

On 31 March 2015, as part of the Reorganisation and in the consideration of the allotment and issue of one share in its share capital to the Company by Tic Tac International, Tic Tac Trading allotted and issued one share in its share capital credited as fully paid to Tic Tac International.

Tic Tac Time

On 11 October 2013, the authorised share capital of Tic Tac Time was increased from HK$500,000.00 to HK$3,000,000.00.

Save as disclosed above and in "History, Reorganisation and Corporate Structure — Corporate structure and history", there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This section includes information relating to the repurchase of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Provisions of the Listing Rules*

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange subject to certain restrictions, the most important restrictions are below summarised:

(i) *Shareholder's Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 21 April 2015, our Directors were granted a general unconditional mandate to exercise all powers of our Company repurchase ("**Repurchase Mandate**") up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or (iii) such mandate being revoked, varied or renewed by the passing of an ordinary resolution by our Shareholders in a general meeting.

(ii) *Source of Funds*

The repurchase of the Shares by our Company must be paid out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association, Listing Rules and the applicable laws of the Cayman Islands and any other laws and regulations applicable to our Company. Our Company may not repurchase Shares on the Stock Exchange for a consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully paid up.

(b) ***Reasons for repurchases***

Repurchase will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(c) ***Funding of repurchase***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands and any other laws and regulations applicable to our Company.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase mandate is exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing positions which in the opinion of our Directors are from time to time appropriate for our Company.

(d) ***General***

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles of Association and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as disclosed, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company.

No core connected person of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

B. FURTHER INFORMATION ABOUT OUR GROUP'S BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus which are or may be material:

(a) bought and sold notes dated 20 January 2015, whereby Tic Tac International bought from Mr. Lam one share of US$1.00 each in Tic Tac Trading for a consideration of US$1.00 in cash;

(b) bought and sold notes dated 20 January 2015, whereby Tic Tac International bought from Mr. Lam one share of US$1.00 each in Tic Tac Retail for a consideration of US$1.00 in cash;

(c) an agreement dated 31 March 2015 entered into among Mr. Lam, Ms. Chan, Ms. Ma, Tic Tac Retail, Tic Tac Trading, Tic Tac International, Tic Tac Investment and our Company, pursuant to which (i) Mr. Lam agreed to sell and Tic Tac Trading agreed to purchase, one ordinary share of City Great for the consideration of the allotment and issuance of 333 Shares to Tic Tac Investment by our Company; (ii) Mr. Lam agreed to sell and Tic Tac Trading agreed to purchase, 500,000 ordinary shares of Sun Step for the consideration of the allotment and issuance of 333 Shares of Tic Tac Investment by our Company; (iii) Mr. Lam and Ms. Chan agreed to sell and Tic Tac Retail agreed to purchase, 2,999,999 ordinary shares and one ordinary share of Tic Tac Time respectively, for the consideration of the allotment and issuance of 5,667 Shares to Tic Tac Investment by our Company; (iv) Mr. Lam agreed to sell and Tic Tac Retail agreed to purchase, 150,000 ordinary shares of Jenus Top for the consideration of the allotment and issuance of 5,833 Shares to Tic Tac Investment by our Company; (v) Ms. Ma agreed to sell and Tic Tac Retail agreed to purchase, 150,000 ordinary shares of Jenus Top for the consideration of the allotment and issuance of 5,833 Shares to Ms. Ma by our Company; and (vi) Mr. Lam agreed to sell and Tic Tac Retail agreed to purchase, 500,000 ordinary shares of Treasure Ascent for the consideration of the allotment and issuance of 82,000 Shares to Tic Tac Investment by our Company;

(d) an application for shares dated 31 March 2015 signed by Tic Tac International whereby Tic Tac International applied for one share in Tic Tac Trading in the consideration of the allotment and issuance of one ordinary share in the share capital of Tic Tac International to our Company;

(e) an application for shares dated 31 March 2015 signed by Tic Tac International whereby Tic Tac International applied for one share in Tic Tac Retail in the consideration of the allotment and issuance of one ordinary share in the share capital of Tic Tac International to our Company;

(f) an application for shares dated 31 March 2015 signed by the Company whereby the Company applied for one share in the share capital of Tic Tac International for the consideration of the allotment and issuance of 94,166 Shares and 5,833 Shares to Tic Tac Investment and Ms. Ma, respectively;

(g) the Deed of Non-competition;

(h) the Deed of Indemnity; and

(i) the Public Offer Underwriting Agreement.

2. Our intellectual property rights

(a) *Trademarks*

(i) As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Class	Registrant	Place of registration	Registration number	Date of registration	Expiry date
A Tic Tac time B Tic Tac time	14 *(Note 1)*	Tic Tac Time	Hong Kong	300524123	4 November 2005	3 November 2015
A Tic Tac time B Tic Tac time	35 *(Note 2)*	Tic Tac Time	Hong Kong	300847666	10 April 2007	9 April 2017
ZAND	35 *(Note 3)*	Tic Tac Retail	Hong Kong	303164148	14 October 2014	13 October 2024
Tic Tac time 滴達鐘錶	35 *(Note 3)*	Tic Tac Retail	Hong Kong	303164139	14 October 2014	13 October 2024

Trademark	Class	Registrant	Place of registration	Registration number	Date of registration	Expiry date
A QUARTER B QUARTER	35 *(Note 3)*	Tic Tac Retail	Hong Kong	303164120	14 October 2014	13 October 2024
SPEED TIME	35 *(Note 3)*	Tic Tac Retail	Hong Kong	303164111	14 October 2014	13 October 2024
Premium	35 *(Note 3)*	Tic Tac Retail	Hong Kong	303164157	14 October 2014	13 October 2024

Notes:

1. Class 14: watches, jewellery watches, watches back cover, watches case, watches metal band, watches buckle, watch chains, watches package, precious metals and their alloys, precious stones, gold and silver ware, horological and chronometric instrument, goblets of precious metals; all included in Class 14.

2. Class 35: Retailing, wholesaling and distributing of watches, clocks and fittings, horological and chronometric instruments; all included in class 35.

3. Class 35: Advertising; business management; business administration; office functions.

(ii) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

Trademark	Class *(Note)*	Applicant	Place of application	Application number	Date of application
Tic Tac International	35	The Company	Hong Kong	303290896	3 February 2015
Premium	35	Tic Tac Retail	Hong Kong	303305187	13 February 2015

Note:

Class 35: Advertising; business management; business administration; office functions.

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
tictactime.com.hk	Tic Tac Time	18 June 2008	19 June 2020

C. DISCLOSURE OF INTERESTS

1. Directors

(a) *Interest and/or short positions of our Directors and chief executive of our Company in the shares, underlying shares or debenture of our Company and associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the interests and/or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Our Company*

Name of Shareholder	Long/short position	Capacity/Nature of Interest	Number of Shares	Percentage of shareholding
Mr. Lam *(Note)*	Long position	Interests in controlled corporation	565,000,000	70.625%
Ms. Chan *(Note)*	Long position	Interests of spouse	565,000,000	70.625%

Note: The entire issued share capital of Tic Tac Investment is beneficially owned as to 90% by Mr. Lam and 10% by Ms. Chan. Tic Tac Investment will directly hold 565,000,000 Shares, representing 70.625% of the total number of issued shares of our Company, immediately after completion of the Share Offer and the Capitalisation Issue. Therefore, Mr. Lam is deemed to be interested in all the Shares held by Tic Tac Investment pursuant to the SFO. Ms. Chan, being the spouse of Mr. Lam, is deemed to be interested in all the Shares that Mr. Lam is interested in pursuant to the SFO.

(ii) *Associated Corporation*

Name of Director	Name of the associated corporation	Long/short position	Number of shares	Approximate percentage of interest in the associated corporation
Mr. Lam	Tic Tac Investment	Long position	100 *(Note)*	100% *(Note)*
Ms. Chan	Tic Tac Investment	Long position	100 *(Note)*	100% *(Note)*

Note: The entire issued share capital of Tic Tac Investment is beneficially owned as to 90% by Mr. Lam and 10% by Ms. Chan, the spouse of Mr. Lam. Accordingly each of Mr. Lam and Ms. Chan is deemed or taken to be interested in 100% of the issued share capital in Tic Tac Investment pursuant to the SFO.

(b) *Particulars of service contracts*

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from 12 May 2015 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). Mr. Tsang Hok Man is also entitled to receive an annual bonus of not less than HK$600,000 for each completed year of service. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Amount
Mr. Lam	HK$2,400,000 as director
Ms. Chan	HK$600,000 as director
Tsang Hok Man	HK$600,000 as director

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. The appointments are subject to the provisions of the Articles of Association, the Companies Ordinance, the Companies Law and the Listing Rules with regard to vacation of office of Directors, removal and retirement of rotation of Directors. Each of our independent non-executive Directors are appointed with an initial term of three years commencing from 12 May 2015 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save for directors' fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director. The annual remuneration payable to our independent non-executive Directors under each of the letters of appointment are as follows:

Name	Amount
Fung Tat Man	HK$120,000
Cheng Kin Chung	HK$120,000
Lo Wai Kei, Wilkie	HK$120,000

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of Directors*

(i) The aggregate remuneration paid by our Company to our Directors for each of the three years ended 30 April 2014 and the six months ended 31 October 2014 were approximately HK$2.5 million, HK$2.8 million, HK$3.1 million and HK$1.1 million respectively (including salaries and allowances, discretionary bonuses and pension scheme contributions).

(ii) None of our Directors waived any emolument for each of the years ended 30 April 2012, 2013 and 2014 and the six months ended 31 October 2013 and 2014.

(iii) Save as disclosed in the Accountant's Report in Appendix I to this prospectus, no other emoluments have been paid or are payable by our Company to our Directors for each of the three years ended 30 April 2014 and the six months ended 31 October 2014.

(iv) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 30 April 2014 and the six months ended 31 October 2014 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(v) Under the arrangement currently in force, conditional upon the Listing, the estimated aggregate remuneration (including bonus, if any) payable by our Group to our Directors for the financial year ending 30 April 2015 is expected to be about HK$3.13 million.

2. Substantial Shareholders

(a) *Interests in our Company*

So far as our Company is aware, each of the following persons, other than a Director or chief executive of our Company who will, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), have an interest or a short position in the shares, or underlying shares or debentures of our Company and its associated corporations which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Shareholder	Long/short position	Capacity/Nature of Interest	Number of Shares	Percentage of shareholding
Tic Tac Investment	Long position	Beneficial owner	565,000,000	70.625%

3. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

4. Related party transactions

Save as disclosed in this prospectus and in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material transactions or related party transactions.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme:

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of our Shareholders passed on 21 April 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) ***Purpose***

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) ***Conditions***

The Share Option Scheme is conditional upon:

(i) the passing of the necessary resolution(s) by Shareholders to approve and adopt the Share Option Scheme;

(ii) the Listing Committee granting approval (whether subject to conditions or not) of the Share Option Scheme and any right to subscribe for Shares pursuant to the Share Option Scheme ("**Share Options**") which may be granted thereunder, and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Share Options;

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such conditions) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(c) ***Scope of Participants and eligibility of Participants***

The Board may, at its discretion, invite:

(i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;

(iv) any provider of goods and/or services to our Group; or

(v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up the Share Options.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) ***Acceptance of offer***

Offer of a Share Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) ***Subscription price***

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which a Share Option is granted, and (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which a Share Option is granted; and (iii) the nominal value of a Share.

(f) ***Maximum number of Shares available for subscription***

(i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue, unless our Company obtains an approval from its shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, our Company may seek approval of its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, our Company may seek separate approval from its shareholders in general meeting for granting Share Options beyond the 10% limit provided the Share Options granted in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Share Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) ***Conditions, restrictions or limitations on offers of Share Options***

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Share Option, there are neither any performance targets that need to be achieved by the grantee before a Share Option can be exercised nor any minimum period for which a Share Option must be held before the Share Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of Share Options impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

(h) ***Maximum entitlement of Shares of each Participant***

(i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including both exercised, cancelled and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding (i) above, any further grant of Share Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his associates if the participant is a connected person) abstaining from voting. The number and the terms of the Share Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) ***Grant of Share Options to connected persons***

(i) Any grant of Share Options to a Participant who is a director, chief executive or substantial shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Participant).

(ii) Where the Board proposes to grant any Share Option to a Participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates and such Share Option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Share Options granted and to be granted (including Share Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and

(2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of such grant and if the date of such grant is not a trading day, the trading day immediately preceding the date of such grant, in excess of HK$5,000,000,

such proposed grant of Share Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

(j) ***Exercise of Share Options***

A Share Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which a Share Option was granted, at any time during the option period after the Share Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) ***Transferability of the Share Options***

A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Share Option.

(l) ***If a grantee ceased to be a Participant by reason other than death or misconduct***

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Share Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company, as the case may be, failing which it will lapse.

(m) ***On the death of a grantee***

If the grantee dies before exercising the Share Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Share Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) ***Termination of employment of a grantee by reason of misconduct***

A Share Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.

(o) ***Voluntary winding-up of our Company***

In the event a notice is given by our Company to its shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 4 business days prior to the proposed general meeting) exercise the Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise. Subject to the above, a Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) ***General offer by way of take-over***

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Share Options in full (to the extent not already exercised) even though the option period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror. Subject to the above, a Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) ***Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court provided that the relevant Share Options are not subject to a term or condition precedent to them exercisable which has not been fulfilled, exercise any of his or her Share Options whether in full or in part, but the exercise of an Share Option as aforesaid shall be conditional upon such compromise or arrangement becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) ***Rank pari passu***

The Shares to be allotted and issued upon the exercise of a Share Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date of allotment.

(s) ***Alteration in capital structure***

In the event of any alteration in the capital structure of our Company whilst any Share Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of the number of Shares of our Company in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of our Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to our Company or any employee, consultant or adviser to our Group or in the event of any distribution of our Company's legal assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of our Company, such corresponding alterations (if any) shall be made to:

(i) the number of Shares subject to the Share Option so far as unexercised; or

(ii) the subscription price,

or any combination thereof, as the auditors or the independent financial adviser of our Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) ***Duration of the Share Option Scheme***

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) ***Cancellation of Share Options granted***

The Board may at any time at its absolute discretion cancel any Share Option previously granted to, but not exercised by the grantee. Where our Company cancels Share Options and offers Share Options to the same grantee, the offer of the grant of such new Share Options may only be made with available Share Options to the extent not yet granted (excluding the cancelled Share Options) within the limit approved by our Shareholders as mentioned in paragraph (f) above. A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Share Option is cancelled by the Board as provided above.

(v) ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(w) ***Alteration of provisions of the Share Option Scheme***

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Share Options, the option period and all such other matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of our Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by the Stock Exchange and our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Share Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(x) ***Restrictions on the time of grant of Share Options***

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish announcement for its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no Share Option may be granted.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 800,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Committee for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 80,000,000 Shares which may be issued upon the exercise of the Share Options which may be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Each of our Controlling Shareholders including the successors in title of each of them (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries (being the material contract item (h) referred to in "— B. Further information about our Group's business — 1. Summary of material contracts") to provide indemnities in connection with, among other things, any taxation which might be payable by any member of our Group in respect of any incomes, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which dealings in the Shares of the Company first commence on the Main Board of the Stock Exchange (the "**Effective Date**").

The Indemnifiers have also pursuant to the Deed of Indemnity referred to above, given indemnities in favour of our Group in connection with, among other things, any estate duty which is or becomes payable by any members of our Group by virtue of section 35 Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) under the provisions of section 43 of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside of Hong Kong) by reason of the death of any person and by reason of the assets of our Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to our Group or any members of our Group at any time prior to 11 February 2006 (i.e. being the date on which The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect).

However, the Indemnifiers shall not be liable under the Deed of Indemnity for taxation where:

(a) to the extent that provision, or allowance has been made for such taxation in the audited combined accounts of our Group for each of the three years ended 30 April 2014 and the six months ended 31 October 2014 ("**Relevant Accounts**"); or

(b) the taxation falling on any member of our Group in respect of its accounting period commencing on or after 1 November 2014 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, the Indemnifiers, members of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than (i) in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date or (ii) pursuant to a legally binding commitment created on or before the Effective Date or (iii) pursuant to any statement of intention made in this prospectus; or

(c) to the extent that any provision or reserve made for taxation in the Relevant Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of Hong Kong, the Cayman Islands or the BVI, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Pursuant to the Deed of Indemnity, each of the Indemnifiers has also undertaken and covenanted with each member of our Group to hold our Group and each member of our Group harmless and keep our Group and each member of our Group fully indemnified on demand against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from any violation or non-compliance with the laws, rules or regulations applicable to our Group prior to the Listing Date, including all historical non-compliance incidents as disclosed in "Business — Legal compliance and proceedings — Non-compliance".

2. Litigation

As at the Latest Practicable Date, neither our Company nor any other member of our Group is engaged in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary expenses

The preliminary expenses relating to incorporation of our Company are estimated to be approximately HK$60,000 and are payable by our Company.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The fees to be paid to the Sole Sponsor in relation to its role as Sole Sponsor in connecting with the Listing is HK$5.7 million.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the Capitalisation Issue or pursuant to the exercise of any options that may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

6. Material adverse change

Save as disclosed in "Summary and Highlights — Recent developments subsequent to the Track Record Period" and "Financial Information — Recent developments and material adverse change", our Directors confirm that there has been no material adverse change in our Group's financial or trading position or prospects since 31 October 2014 (being the date on which the latest audited combined financial statements of our Group was made up).

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Quam Capital Limited	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
FC Law (Lawyers and Private Notaries)	Macau legal advisers
Ipsos Hong Kong Limited	Independent industry consultants
Kwong, Alan	Barrister-at-law, Hong Kong

8. Consents of experts

Each of the experts referred to in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or legal opinion (as the case may be) and the references to its name in the form and context in which it respectively appears.

None of the experts referred to in paragraph 7 above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Disclaimers

Save as disclosed in this prospectus:

(a) Our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share option Scheme), have or deemed to have an interest or a short position in the shares or underlying shares of our Company which will fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) None of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company and its associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties whose names are listed in "— E. Other information — 7. Qualification of experts" is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor any of the parties whose names are listed in "— E. Other information — 7. Qualification of experts" is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in "— E. Other information — 7. Qualification of experts":

(i) is interested legally or beneficially in any securities of our Company or any of its subsidiaries; or

(ii) has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any or its subsidiaries;

(f) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our directors, owns more than 5.0% of our Company's issued share capital) is interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

11. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus,

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) there have been no interruptions in our business that may have or have had a significant effect on our financial position in the last 12 months;

(v) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale or any shares or loan capital of any member of our Group;

(vi) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(vii) none of the equity and debt securities of our company is listed or dealt with in any other stock exchange nor is any listing or permission to deal is being proposed to be sought;

(viii) our Company has no outstanding convertible debt securities; and

(ix) there are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE** and **YELLOW** Application Forms;

(b) copies of the written consents referred to in "E. Other information — 8. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in "B. Further information about our Group's business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office(s) of Tung & Co. in association with Jia Yuan Law Office at Office 1601, 16/F, LHT Tower, 31 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus (both dates inclusive):

(a) the Memorandum and Articles;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of our Group for each of the three financial years ended 30 April 2014 and the six months ended 31 October 2014;

(d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the material contracts referred to in "B. Further information about our Group's business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(f) the service contracts with the executive Directors and the appointment letters with the independent non-executive Directors referred to in "C. Disclosure of interests — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus;

(g) the written consents referred to in "E. Other information — 8. Consents of experts" in Appendix IV to this prospectus;

(h) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

(i) the legal opinion issued by FC Law (Lawyers and Private Notaries), the legal advisers to the Company as to Macau law, in respect of certain aspects of our Group in Macau;

(j) the legal opinion issued by Mr. Kwong, Alan, barrister-at-law, Hong Kong;

(k) the rules of the Share Option Scheme referred to "D. Share Option Scheme" in Appendix IV to this prospectus;

(l) the Companies Law; and

(m) the industry report prepared by Ipsos Hong Kong Limited referred to in "Industry Overview".

Tic Tac International Holdings Company Limited

滴達國際控股有限公司