OVERVIEW

We are a stainless steel products manufacturer principally engaged in the development and manufacture of stainless steel watch bracelets, costume jewellery and accessories for our customers on OEM basis. Based on the Synovate Report, our market share of the global stainless steel watch bracelet market for brands of watches which have an average retail price of HK$10,000 or above was about 9.6% in 2010. Our customers are mainly intermediary agents of internationally renowned brands, as well as some brand owners with headquarters mainly based in Europe (such as Switzerland and Italy). With our production and development capabilities, we are capable to offer a comprehensive production solution to our customers by improving on our customers' conceptual, two-dimensional drawings from the technical, engineering aspects taking into account the properties of Grade 316L stainless steel for the purposes of creating sketches, prototypes, samples and the eventual mass production model for our customers based on their initial design. Our core management team possesses more than 20 years of experience in this industry.

The manufacture and sale of stainless steel watch bracelets had been our business focus during the Track Record Period. The manufacture and sale of stainless steel watch bracelets contributed more than 70% of our total turnover during the Track Record Period. During the Track Record Period, we manufactured about 1.0 million, 0.6 million and 1.2 million watch bracelets for each of the years ended 31 December 2008, 2009 and 2010, respectively.

With a core management team which possesses more than 20 years of experience and technical knowledge in handling stainless steel materials and product design, since 2004, we expanded our product portfolio to include costume jewellery such as earrings, rings, pendants, necklaces, bracelets and cufflinks and by 2007 our product portfolio had expanded to cover accessories such as bag accessories and by 2009, leather belt buckles.

In order to leverage on our experience in the industry to capture the growing market demand for stainless steel products and manufacturing capacities, and to broaden our products portfolio, in June 2011, we have also commenced trial production of stainless steel mobile phone cases, and plan to commence the commercial production thereat in the third quarter of 2011. As at the Latest Practicable Date, we had entered into a master agreement with one mobile phone manufacturer for manufacture of stainless steel mobile phone cases. However, we have only received sales orders for trial production and we had not yet generated any turnover from our stainless steel mobile phone cases business up to the Latest Practicable Date.

Set out below is an analysis of our sales by product category during the Track Record Period:

	For the year ended 31 December					
	2008		2009		2010	
	Turnover	Percentage of total turnover	Turnover	Percentage of total turnover	Turnover	Percentage of total turnover
	HK$ million		HK$ million		HK$ million	
Watch bracelet	242.4	74.7%	180.8	70.4%	308.0	77.3%
Costume jewellery	76.8	23.6%	67.5	26.3%	69.5	17.4%
Accessories	5.4	1.7%	8.6	3.3%	21.1	5.3%
Total	324.6	100.0%	256.9	100.0%	398.6	100.0%

Our customers include intermediary agents of brand owners of internationally renowned brands of watch, costume jewellery and luxury products, such as Winox S.A., UVW Limited and Maillor S.A., who are Independent Third Parties, our brand owner customers and manufacturer(s) of mobile phones. We have long business relationship with such intermediary agents and/or brand owner customers, some of which for over 10 years. With our production and development capabilities, refined manufacturing techniques, commitment to product quality and quality management system, we have been able to maintain our relationship with our customers and cater to our customers' needs with reliable quality standard, flexibility in design and manufacturing process, competitive pricing and on-time delivery. During each of the year ended 31 December 2008, 2009 and 2010, sales to our top five customers accounted for about 95.7%, 91.7% and 86.6% of our total turnover, respectively. Two of these customers have been maintaining business relationships with us since our establishment in 1999. The table below sets forth an analysis of our sales by customer type during the Track Record Period:

	For the year ended 31 December		
	2008	2009	2010
	Percentage of total turnover	Percentage of total turnover	Percentage of total turnover
Intermediary agents	84.7%	77.3%	75.7%
Brand owners	15.3%	22.7%	24.3%
Total	100.0%	100.0%	100.0%

In each of 2008, 2009 and 2010, a significant portion of our turnover was derived from sales to customers located in Switzerland representing about 78.6%, 84.1% and 71.4% of our total turnover of the respective year. The following table sets forth, for the periods indicated, the percentage breakdown of our turnover categorised by geographical locations of our customers.

	For the year ended 31 December					
	2008		2009		2010	
	Turnover	Percentage of turnover	Turnover	Percentage of turnover	Turnover	Percentage of turnover
	HK$'million		HK$'million		HK$'million	
Switzerland	255.0	78.6%	216.0	84.1%	284.6	71.4%
Hong Kong	56.6	17.4%	30.7	11.9%	69.8	17.5%
Other European and Asian countries	13.0	4.0%	10.2	4.0%	44.2	11.1%
Total	324.6	100.0%	256.9	100.0%	398.6	100.0%

As at the Latest Practicable Date, we operated two production facilities in the PRC, namely the Dalang Factory and the Dongfengcun Factory. Our Dalang Factory is located in Dalang Town, Dongguan, Guangdong Province of the PRC, with an aggregate site area of about 59,009 sq.m. and 15 buildings erected thereon, comprising factory buildings, warehouse, staff quarters, training centre and other ancillary buildings with an aggregate gross floor area of about 46,380 sq.m. Our Dalang Factory is principally responsible for the development and manufacture of our stainless steel watch bracelet, costume jewellery and accessories, with a workforce of more than 3,000 employees as at 31 December 2010. Our Dongfengcun Factory is located in Dongfengcun, Boluo County, Huizhou, Guangdong Province of the PRC with an aggregate site area of about 6,666 sq.m. and four buildings erected thereon, comprising one factory building, two ancillary buildings and one electricity room with an aggregate gross floor area of about 3,730 sq.m. As at the Latest Practicable Date, our Dongfengcun Factory had a workforce of about 90 employees for the production of stainless steel mobile phone cases. Our Dongfengcun Factory has been leased by us since May 2011 for temporary production use pending completion of the planned development of our own production facilities at Huzhen, Huizhou, further details of which are set out in the paragraph headed "Business strategies – Expansion of production capacity" below.

Stainless steel is a naturally hard, corrosive-resistant, tarnish-resistant, durable and fully recyclable material. Its aesthetic, metallic sheen makes it a versatile alternative to other materials for production of watch bracelets, jewellery and other luxury products. The anti-allergic property of stainless steel also makes it suitable for use as production materials for watch bracelets and jewellery as it renders relatively lower risk to human health even after prolonged contact with human skin. Given its resistance to corrosion and tarnish, stainless steel products can be easily cleaned without the needs of using special chemical cleaners, and require less maintenance such as polishing. Coupled with the application of the PVD coating technique which involves purely physical processes, we are able to coat our stainless steel products with different materials (such as gold) to give different colours and combination of materials according to the product designs, with improved adhesion of the coated materials to our products which, as compared with that produced through the traditional electroplating process, makes such coating more resistant from scratches. As compared with the traditional electroplating process which is generally required for production of copper-based products for either colouring or anti-corrosion purposes, the PVD coating technique does not involve the use and disposal of harmful chemicals and therefore is more environmentally friendly. Given the above properties of stainless steel, our Directors expect that stainless steel is becoming more common as a base material for watch bracelets, costume jewellery and accessories such as leather belt buckles, and also in mobile phone cases and other consumer products. Our Directors consider that there is keen demand for manufacturing capacities in the PRC with the necessary processing techniques and quality management system for stainless steel materials from customers who have stringent demand on product quality and timely delivery. Our Directors take the view that there is vast development potential for the stainless steel specialised OEM industry in the PRC. Please refer to the "Industry overview" section of this prospectus for further details in relation to the industry in which we operate.

During the Track Record Period, we have maintained CAGRs of about 10.8% and 21.6% in respect of our turnover and net profit respectively, and our Group achieved gross profit margins of about 37.6%, 38.8% and 42.8% for each of the three years ended 31 December 2010, respectively. Our Directors consider that such growth in turnover (which exceeds the industry average) and net profit and the relatively high gross profit margins achieved by us during the Track Record Period were attributable to our continued success in maintaining our product quality at reasonable costs for satisfying our customers' requirements. It also demonstrates our success in capturing the business opportunities with our extensive experience and strong market position in the stainless steel watch bracelet manufacturing industry for internationally renowned brands, and our dedication to product quality and new production techniques and processes development.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

Long term business relationships with our customers and our ability to develop new customers

We have had long business relationship with our customers, some of which we have been collaborating with for over 10 years. With our production and development capabilities, refined manufacturing techniques and processes and quality management system, we are able to maintain our relationship with our customers and cater to their demands with reliable quality standard, flexibility in design and manufacturing process, competitive pricing and on-time delivery. During each of the year ended 31 December 2008, 2009 and 2010, sales to our top five customers accounted for about 95.7%, 91.7% and 86.6% of our total turnover, respectively. Two of these customers, namely Winox S.A. and UVW Limited, have been maintaining business relationships with us since our establishment in 1999.

Other than a solid customer base with long relationship with us, we are also able to develop selected new customers in pursuit of our growth strategy focusing on the market of stainless steel watch bracelets, costume jewellery and accessories for internationally renowned brands, and develop new product categories based on our expertise in handling stainless steel materials and product designs.

Ability to offer comprehensive product development and manufacturing solutions

With our production and development capabilities, we are capable to offer a comprehensive product development and manufacturing solution to our customers by developing and producing the final products based on our customers' two-dimensional, conceptual drawings for eventual mass production. This enhances the production efficiency of our products, shortens the rollout time for new products and enable stringent cost and quality control throughout the process on one hand, and secures the continuous orders for the production of our products on the other hand.

We have close working relationship with our customers, and maintain ongoing dialogues with them, from the product design and development stage to production phase and product delivery. Representatives from our customers visit our production facilities from time to time to assess our production progress and perform quality control inspection at our production lines and on ordered products. We receive up-to-date information regarding some of our customers' product development plans and planned production orders for the coming seasons, which is essential for our production planning.

In addition to product warranty services such as repair, refurbishment or replacement of products, we also provide after-sales services to our customers at their request by manufacturing discontinued models in small batches.

Refined quality management system and high quality products

Our products are supplied to customers of or for internationally renowned brands with headquarters mainly based in Europe (such as Switzerland and Italy), who have stringent requirements in respect of our manufacturing technique and processes, product quality, product safety and labour conditions. Our products are also required to comply with European standards on the use of chemicals and materials, such as REACH and RoHS. With our years of business relationship with our customers, and over 10 years of experience in the industry, we are experienced and have the expertise and manufacturing capabilities to meet our customers' stringent production requirements and delivery schedules and statutory product safety requirements.

Product quality is one of the key concerns of our customers. We have in place established quality control system and procedures for procurement of our production materials, consumables and component parts which are used in our manufacturing processes, and quality control inspection is performed at different stages of the manufacturing process and on our finished products to ensure the quality of our products. We also have our own test laboratory and equipment at our Dalang Factory for tests on some of our production materials and on our finished products. During the Track Record Period, we have maintained a relatively low product return rate, with an average product return rate (in terms of volume) in respect of our stainless steel watch bracelet products of about 0.1%, 0.3% and 0.2% and that for our stainless steel costume jewellery and accessories of about 0.4%, 0.3% and 0.4%, for each of the years ended 31 December 2008, 2009 and 2010 respectively. Our Directors consider that our low product return rate is a key contributing factor for our long and sustained business relationship with our customers, and as a result, our Group achieved gross profit margin of about 37.6%, 38.8% and 42.8% for each of the three years ended 31 December 2010, respectively.

Refined manufacturing techniques and processes in handling stainless steel materials

We have over 10 years of experience in manufacturing stainless steel watch bracelets with our own product development and research and development capabilities, and our core production management team members have on average over 20 years of experience in the industry. With our years of experience in handling stainless steel materials, we have developed and refined our manufacturing techniques and processes. We believe that maintaining our technical and manufacturing standard is a key to remain competitive in the industry. In particular, our Directors consider that our polishing techniques for stainless steel materials are one of our key competitive edge over our competitors in the world, and we are capable of handling different kinds of polishing process for our customers to maximize production flexibility and product quality. Accordingly, we have established our own research and development function. In 2004, we began to research and develop our own semi-automatic polishing techniques for stainless steel materials by coupling purchased machinery with our technical knowhow, which were put into production use in 2006 for our polishing processes.

We are committed to enhancing our manufacturing standards and capability. We introduced automation technologies and machinery such as CNC and dual hole drilling machines in our manufacturing processes, with the aim of enhancing our production efficiency and technical standard, flexibility to product design, and consistency of product quality. We had invested in aggregate HK$5.9 million, HK$5.2 million and HK$22.7 million in the purchase of new production machinery during each of the years ended 31 December 2008, 2009 and 2010, respectively.

We believe that our long experience in the handling and processing of stainless steel materials and our commitment to invest in machinery and improving our manufacturing techniques enables us to stay competitive in the industry and maintain long term relationship with our customers.

Experienced management team with a proven track record

Our core management team is led by our founder and Chairman, Mr. Yiu, who has over 27 years of experience in the metal products manufacturing industry. Such experience has enhanced his knowledge and understanding of the watch bracelet industry and in turn, contributed to his rich experience in providing manufacturing solutions for use of stainless steel in products to our customers and led to expansion of our product category to include costume jewellery and accessories products. Several senior management staff, including Mr. Li, the chief executive officer of our Company and the general manager of Winox Enterprise and Winox WFOE and is in charge of the overall managerial work of our Group, Mr. Chan, the Head of Factory (Division B) of Winox Enterprise and Winox WFOE, Mr. Ng Kam Tung, Head of Factory (Division A – Production) of Winox Enterprise and Winox WFOE, Mr. Wong Wing Yin, the Head of Operations of Winox Enterprise and Winox WFOE and Mr. Lam Man Wai, the Head of Research and Development of Winox Enterprise and Winox WFOE, have been with us or in the industry for an average of over 20 years.

We believe that our management team's in-depth knowledge of the OEM business of manufacturing stainless steel watch bracelets, costume jewellery and accessories products can enable us to respond efficiently to various challenges from the changing market conditions. We believe that the knowledge, skill and experience of our senior management team are crucial to the future development of our Group.

BUSINESS STRATEGIES

With our proven track record, our Directors believe that our Group is well-positioned to further develop our business as an original equipment manufacturer specialising in manufacturing stainless steel products, in particular stainless steel watch bracelets, costume jewellery and accessories, for our customers based on their design and specifications and to capture new business opportunities. We aim to continue to establish our market presence in the industry and expand our product category to capture growth in the market. To achieve this, we plan to continue to capitalise on opportunities to leverage our competitive strengths and implement our business strategies as follows:

Strengthen and expand our customer base

We plan to strengthen our relations with our customers through continued collaboration in product development and product quality management. Our sales and marketing team regularly visit our customers to obtain information on their planned production orders, market trends and their product development plans and to provide them with information on new production techniques and materials, while our customers also visit our Dalang Factory and our offices from time to time to inspect our production lines and production processes at their different manufacturing stages. We believe that our close relationship with our customers is key to maintaining and strengthening our customer base.

We also plan to expand our customer base by targeting suitable customers and proactively approaching them for business opportunities, including through contacting them through the internet, referrals from our existing customers, visiting their offices and attending industry trade fairs. In line with our customer base of intermediary agents for owners of internationally renowned brands and the brand owners of such brands with headquarters mainly based in Europe, instead of lowering our product prices to attract new customers who place emphasis on cost control, we currently intend to target internationally renowned brand owners, have significant business turnover and good credit record, and with a focus on product quality.

Broaden our products portfolio

Given the qualities of stainless steel as a naturally hard, corrosive-resistant, tarnish-resistant, durable and environmentally friendly material, coupled with its aesthetic and metallic sheen making it a versatile alternative to other materials for production of watch bracelets, jewellery and other luxury products (or their components), and with relatively low risk to human health even after prolonged contact with human skin, our Directors believe that stainless steel is becoming more common as a base material for watch bracelets, costume jewellery and accessories products (or their components) such as leather belt buckles, and also in mobile phone cases or other luxury consumer products, replacing metallic materials that require additional production processes which generate pollution (for instance, electroplating process is required for copper to have a polished shiny effect). Our Directors consider that there is keen demand for stainless steel products manufacturing capacities in the world with the necessary processing techniques and quality management system for stainless steel materials, especially from customers who have concerns over the ecological impact of the production processes on the environment. We plan to leverage on our experience to capture the growing market demand for stainless steel products and manufacturing capacities. According to the Synovate Report, it is expected that the global demand for usage of stainless steel in costume jewellery, accessories and mobile phone cases will increase at a faster pace than that for watch bracelets in the near future. We currently intend to put our focus of development on our stainless steel costume jewellery and accessories by setting aside particular production line for these two products at our Dalang Factory and the future Huzhen Factory and expand our product category to include other stainless steel products, such as stainless steel cases for mobile phones.

As our production lines are adjustable to accommodate the production of different products depending on our production needs, by diversifying our product portfolio, we will be in a better position to adjust our business development strategies to cater for, and to capture business opportunities arising from, any change in market demand or preference of different products.

Expansion of production capacity

Our Directors believe that stainless steel is becoming more common as a base material for accessories such as leather belt buckles and mobile phone cases. According to the Synovate Report, it is expected that the global demand for usage of stainless steel in costume jewellery, accessories and mobile phone cases will increase at a faster pace than that in watch bracelets in the near future. We consider that this trend represents an opportunity for us to capture market demand and business growth, broaden our product portfolio and diversify our income source.

We consider that our Group's existing production capacity may not be sufficient to cater for our Group's expansion needs as a result of business growth and planned expansion of our Group's products portfolio as part of our business strategies. To ensure that our Group is in a position to capture market demand and business growth as outlined in the section headed "Industry overview — Growth and application of stainless steel in the global luxury products market" and "Industry overview — Application of stainless steel in mobile phone cases", as well as "Business – Business strategies" of this prospectus, we consider it necessary to expand the Group's production capacity.

Accordingly, in June 2011, we commenced the operation of our Dongfengcun Factory at Dongfengcun, Boluo County, Huizhou, Guangdong Province of the PRC with an aggregate site area of about 6,666 sq.m. and four buildings, comprising one factory buildings, two ancillary buildings and one electricity room, with an aggregate gross floor area of about 3,730 sq.m. As at the Latest Practicable Date, our Dongfengcun Factory housed a workforce of about 90 employees for the production of stainless steel mobile phone cases. Please refer to the paragraph headed "Manufacturing facilities and machinery" in this section for the basis of the calculations of our production capacity. Our Dongfengcun Factory has been leased by us for temporary production use.

As at 30 April 2011, the total costs incurred in relation to acquisition of equipment and machinery for the Dongfengcun Factory amounted to about RMB8.9 million (equivalent to about HK$10.5 million). It is currently expected that total capital expenditure for acquisition of equipment and machinery for the Dongfengcun Factory would amount to about HK$137 million, which we currently intend to finance mostly by the net proceeds from the Share Offer. As detailed in the section headed "Future plans and use of proceeds from the Share Offer" of this prospectus, we currently intend to use 65% of the net proceeds, or about HK$169.7 million based on the assumption that the Over-allotment Option is not exercised and an Offer Price of HK$2.37 per Share, to acquire equipment and machinery for the Dongfengcun Factory and the Huzhen Factory. Should there be a shortfall between the actual amount incurred and the net proceeds allocated for such acquisition, we will finance the shortfall by our Group's internal resources, funds generated from our business operations from time to time and/or bank borrowings.

We intend to establish a new production plant at Huzhen, Huizhou for the manufacturing of stainless steel costume jewellery, accessories and mobile phone cases, to be completed by stages. We currently plan to complete our initial stage of construction of production facilities for the production of initially stainless steel costume jewellery, accessories and mobile phone case by end of 2012, with planned production facilities of gross floor areas of about 4,500 sq. m. Based on one of the top costume jewellery and accessory products produced by us in their respective product category during the year ended 31 December 2010 and our estimation of the processes and time involved in the production of mobile phone cases, and assuming that our production lines would be operating for 19 hours per day (for mobile phone cases production) or 8.5 hours per day (for costume jewellery and accessories production) and 26 days per month for that single product only, the planned production capacity of Huzhen Factory would be about 2.4 million necklace or 5.0 million bag accessories and 0.5 million mobile phone cases. Upon completion of the initial stage of the Huzhen Factory, we will conduct further feasibility study on the further expansion scale, capital expenditure, financing arrangements and the completion schedule, with present target to complete of the establishment of the entire Huzhen Factory with gross floor areas of about 67,000 sq. m. together with the other dormitory and other ancillary facilities by end of 2015.

It is our plan to relocate the operation of the Dongfengcun Factory and disperse part of our manufacturing operation for costume jewellery and accessories at the Dalang Factory to the Huzhen Factory after completion of the initial stage of construction of the Huzhen Factory. No relocation costs is currently expected to incur in respect of the dispersion of part of our manufacturing operation for costume jewellery and accessories at the Dalang Factory to the Huzhen Factory as the dispersion will be effected by assigning new production orders to the Huzhen Factory and no physical relocation of machinery, materials and/or staff from the Dalang Factory to the Huzhen Factory will be involved. We currently expect that the cost for the above relocation of the Dongfengcun Factory would amount to less than RMB1 million.

As at the Latest Practicable Date, we have not acquired or entered into agreement to acquire the ownership of any land in Huzhen, Huizhou. The size and exact plot(s) of the land which the Group intends to acquire for the establishment of the Huzhen Factory have not been determined. Nevertheless, we have obtained the operating rights (土地承包經營權) in respect of five parcels of land in the Huzhen Site, which are village-collectively-owned land for husbandry uses with an aggregate site area of about 697,666.67 sq.m. in January 2010 from two Independent Third Parties with a view to enhancing our chances of acquiring and obtaining the land use rights over all or part of that land in the future for the purpose of constructing the Huzhen Factory thereon. Please refer to the paragraph headed "Properties – Leased properties and the operating rights of land" below for details of the arrangement. As confirmed by the Boluo Huzhen People's Government (a competent authority to coordinate with the relevant bureau for the grant of the requisite construction land quota to the Group, as advised by our Company's legal advisers as to PRC laws) in November 2010, it had agreed to use its endeavours to coordinate with the relevant land bureau for the grant to us of the requisite construction land quota (建設用地指標) for the acquisition of land in Huzhen for an area of initially 300 mu (equivalent to about 200,000 sq. m.) by end of 2011, and for an area of 700 mu (equivalent to about 466,667 sq. m.) by end of 2013. The Boluo Huzhen People's Government has also confirmed to us in March 2011 that it will use its best endeavours to procure that an area of 300 mu (equivalent to about 200,000 sq.m.) at the Huzhen Site will be made available for development purpose after compliance with the applicable approval (for land expropriation and conversion of usage) and auction procedures. As advised by our PRC legal advisers, Boluo Huzhen People's Government has the function of drawing up the overall plan of land utilisation and determining the scale of the construction land in Huzhen region, which are one of the reference factors for the newly-increased construction land plan quota in the land utilisation annual plan by the relevant land bureau of Boluo County. Boluo Huzhen People's Government also has the rights to coordinate with the relevant land bureau of Boluo County for the grant of requisite land quota to the Group, but is not able to make final decisions to the land quota affairs. However, there is no assurance that we will be able to acquire all or any part of that land or any other suitable land in Huzhen for the construction of the Huzhen Factory and, as advised by our PRC legal advisers, we will need to overcome all the potential legal obstacles and complete certain legal procedures to acquire the land use rights of the land for the intended use. Please refer to the section headed "Risk factors – Risks relating to our Group – We face various legal obstacles and procedures with respect to our future plans for our Huzhen Factory" in this prospectus.

As at 30 April 2011, the total costs incurred in relation to the planned Huzhen Factory amounted to about RMB17.7 million (equivalent to about HK$20.8 million), comprising (i) our costs for obtaining the operating rights of land (土地承包經營權) for the Huzhen Site of about RMB15.9 million (equivalent to about HK$18.7 million) comprising of RMB14.0 million out of the RMB16.3 million land operation rights consideration and about RMB1.9 million of other related prepayment and duties which had been paid and (ii) construction costs amounting to about RMB1.8 million (equivalent to about HK$2.1 million). It is currently expected that the initial phase of the Huzhen Factory will involve total capital expenditure of about HK$180 million involving the following: (1) machinery costs of about HK$83 million; (2) land costs of about HK$48 million; and (3) construction costs of about HK$49 million. We currently expect to further review our expansion plan upon completion of the initial stage of the Huzhen Factory and determine the scale of further expansions and the capital expenditure involved.

The costs for establishment of the Huzhen Factory are currently expected to be financed by the net proceeds to be received by us from the Share Offer, our Group's internal resources, funds generated from our business operations from time to time and/or bank borrowings. We currently intend to fund our costs for the initial phase of the development of the Huzhen Factory mostly by the net proceeds from the Share Offer. As detailed in the section headed "Future plans and use of proceeds from the Share Offer" of this prospectus, we currently intend to use 65% of the net proceeds, or about HK$169.7 million based on the assumption that the Over-allotment Option is not exercised and an Offer Price of HK$2.37 per Share, to acquire equipment and machinery for the Dongfengcun Factory and the Huzhen Factory, and use 25% of the net proceeds, or about HK$65.3 million based on the assumption that the Over-allotment Option is not exercised and an Offer Price of HK$2.37 per Share, to finance the development of the Huzhen Factory. Should there be a shortfall between the actual amount incurred and the net proceeds allocated for such acquisition and/or factory development, we will finance the shortfall by our Group's internal resources, funds generated from our business operation from time to time and/or bank borrowings.

Subject to and after the permitted land use of the Huzhen Site being converted from agricultural land uses to industrial land uses by the local land administration authorities or the provincial government authorities, we currently intend to submit the relevant land auction proposal to the local government authorities, and expect that the land auction would be conducted by the end of 2011 or early 2012, and thereby we may obtain the certificate for the use of state-owned land (國有土地使用證) of the Huzhen Site after going through public auction processes.

In the event that our Group is unable to overcome the legal obstacles and complete the legal procedures for acquiring the land use rights of the Huzhen Site for the intended use, our Group currently intends to (i) locate alternative suitable site in Huzhen, Boluo

County, Huizhou, Guangdong Province, the PRC for the establishment of the Huzhen Factory; (ii) continue to lease the Dongfengcun Factory for the production of stainless steel mobile phone cases; and/or (iii) lease suitable factory building(s) in Dongguan or Huizhou, Guangdong Province, the PRC for the production of costume jewellery, accessories and mobile phone cases.

In addition, we also seek to expand our production capacity at our existing manufacturing facility at Dongguan by (1) investing in manufacturing machinery such as CNC machines, (2) enhancing production efficiency and techniques through staff training and greater utilisation of automation techniques in production processes and (3) recruiting additional production staff.

We believe that by expanding our production capacity, we will be able to capture demand for key products in the market, maintain growth momentum for our business, be more flexible in meeting production targets and delivery schedule of our customers and diversify our income source.

Following our plan to expand our production capacity, our Directors currently expect that our Group will maintain our pricing, credit and customers policies as outlined below:

(A) Pricing policy – We adopt the same cost plus basis when we develop the quotations for our customers. A largely similar margin is added to the estimated cost of productions of our products, based on the bills of materials of each of our products regardless of the product category.

(B) Credit policy – In general, we require our customers to settle our invoices within 30 to 90 days after delivery. We currently expect to maintain our credit policy following our expansion plans as outlined above.

(C) Customers policy – Brand owners, their agents and manufacturers of internationally renowned brands of stainless steel products, having significant business turnover and good credit record, and with a focus on product quality are our target customers.

Our Directors currently expect that we will continue to adopt our pricing, credit and customers policies notwithstanding our planned expansion into production of our stainless steel mobile phone cases. Hence, in the first year of production and apart from the expected increase in our revenue and profit attributable to such expansion, we do not expect that such expansion will materially affect our profitability in terms of overall gross profit margins of our products, working capital structure and business risk profiles, or lead to any material changes to our business management in respect of its sales and marketing, supply chain management, product quality control or human resources management.

Stringent quality control to maintain product quality

Our customers include intermediary agents of brand owners of internationally renowned brands of watch, costume jewellery and luxury products, brand owners of such brands who are our direct customers and a manufacturer of mobile phones who place emphasis on product quality. In accordance with our business model to focus on the high-end market and customers who are internationally renowned brands with focus on product quality, we maintain and perform quality control procedures for components and production materials and for sub-contracted out work such as the PVD coating and the electroplating on component parts. Our customers, including intermediary agents who act on behalf of the relevant brand owners, visit our production facilities from time to time and perform on-site quality control inspection at different stages in the manufacturing process of their ordered products. We also have independent quality control procedures for inspection and monitoring and attempt to identify defects at early stages of production. Our quality management system has been ISO9001: 2008 certified in recognition of our established standards and guidelines in our business processes. As a result, during the Track Record Period, we had maintained a relatively low product return rate. Please refer to the paragraph headed "Quality control and assurance" below for further details of our quality control measures. We believe that our stringent quality control measures and close working relationship with customers is a key contributing factor to maintaining our product quality and our long relationship with our customers.

We intend to continue to optimise our quality control system and perform stringent quality control measures in all aspects of our production flow to ensure that our products will continue to meet our customers' requirements. We also believe that maintaining our product quality will help sustain our market reputation. We also take the view that by maintaining product quality, we can further reduce the return rate of our products and reduce the costs of our after sales warranty services for products, which in turn reduces our overall costs of production and increases our profit margin.

Focus on staff welfare and labour relations

We strive to adhere strictly to statutory employment standards and those requested by our customers, such as wages and working hours, and maintain appropriate internal standards and workplace practices. We believe that by maintaining appropriate working conditions in our operations and providing reasonable staff welfare for our employees, we can achieve higher production efficiency, better maintain product quality, and fulfill the contractual requirements of our customers as regards labour conditions in our manufacturing operations.

We have been accredited with SA8000: 2008, which is an international standardised code of conduct on working conditions, in January 2008. We are among the about 349 companies in the PRC to be SA8000: 2008 certified as of 31 December 2010, which signifies our commitment to corporate social responsibility and our focus on staff development and welfare. We believe that our SA8000: 2008 accreditation status is positive to our corporate image and will facilitate our business development among internationally renowned brands as responsible employer.

Our management takes note that there is increasing difficulty in recruiting and retaining staff among labour-intensive enterprises in Guangdong Province of the PRC, in particular in Dongguan where our manufacturing facilities locate. We believe that the working environment and benefits offered to our Group's employees have contributed to building good staff relations and retention not withstanding the perceived labour shortage among local enterprises in Guangdong Province of the PRC. Our employees turnover rate was at an average of about 7.3% for the year ended 31 December 2010. We also believe that by maintaining good labour relations, we can reduce the risks of potential labour dispute and consequent disruption to production, and we will be in a better position to retain and seek talents in the market to sustain our business development.

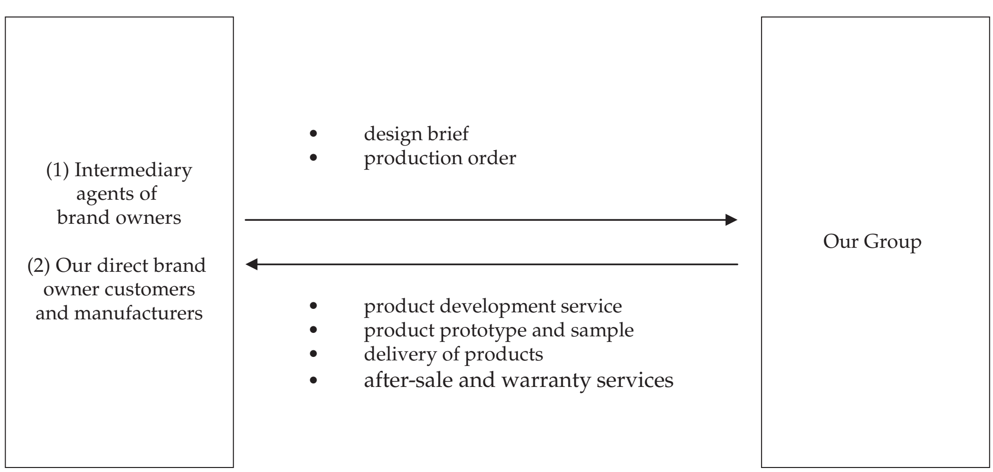
BUSINESS MODEL

We are principally engaged in the development and manufacture of stainless steel products on OEM basis. We manufacture stainless steel watch bracelets, costume jewellery, and accessories for internationally renowned brands with headquarters mainly based in Europe (such as Switzerland and Italy). With our production and development capabilities, we are capable to offer a comprehensive product development and manufacturing solution to our customers by developing and producing the final products based on our customers' two-dimensional, conceptual drawings for eventual mass production.

Our customers mainly include intermediary agents of brand owners of internationally renamed brands of watch, costume jewellery and luxury products and brand owners of such brands who are our direct customers. We are engaged by our customers through production orders to manufacture watch bracelet, costume jewellery, accessories products for internationally renowned brands based on the design and requirements of our customers, such as in respect of material, technical standard, labour conditions and product safety. Production orders are issued by either the authorised intermediary agents of brand owners or by brand owners directly to us in respect of the production of a specific or series of models of product. We are authorised and licensed to use the trademarks, logos, designs and other intellectual properties of the brand owners for the production of our products.

In June 2011, we commenced trial production of stainless steel mobile phone cases for one manufacturer of mobile phones, who directly engaged us through production orders based on a master agreement. We plan to commence commercial production of stainless steel mobile phone cases at Dongfengcun Factory in the third quarter of 2011.

The diagram below illustrates our relationship with (1) intermediary agents of brand owners and (2) our direct brand owner customers and manufacturers.



OUR PRODUCTS

We manufacture stainless steel watch bracelets, costume jewellery and accessories such as leather belt buckles, earrings, rings, pendants and cufflinks for our customers based on their design and specifications. We also commenced the trial production of stainless steel mobile phone cases in June 2011, and expect to start commercial production thereof in the third quarter of 2011. Other than stainless steel, we also utilise ceramics, resin, crystals and other materials in our products depending on the product design and specifications of our customers.

During the Track Record Period, our watch bracelets, costume jewellery and accessories represented about 74.7%, 23.6% and 1.7% of our total turnover for the year ended 31 December 2008, about 70.4%, 26.3% and 3.3% of our total turnover for the year ended 31 December 2009, and about 77.3%, 17.4% and 5.3% of our total turnover for the year ended 31 December 2010, respectively. The table below sets forth the turnover and percentage of turnover attributed by each category of our products for each of the years ended 31 December 2008, 2009 and 2010.

	For the year ended 31 December					
	2008		2009		2010	
	Turnover	Percentage of total turnover	Turnover	Percentage of total turnover	Turnover	Percentage of total turnover
	HK$ million		HK$ million		HK$ million	
Watch bracelet	242.4	74.7%	180.8	70.4%	308.0	77.3%
Costume jewellery . .	76.8	23.6%	67.5	26.3%	69.5	17.4%
Accessories	5.4	1.7%	8.6	3.3%	21.1	5.3%
Total	324.6	100.0%	256.9	100.0%	398.6	100.0%

Watch Bracelets

Watch bracelet is our principal product. We established our business by acquiring assets and equipments for the manufacturing of watch bracelets from an Independent Third Party manufacturer in 1999. We have been manufacturing watch bracelets for intermediary agents of brand owners of internationally renowned brands with headquarters mainly based in Europe for over 10 years. The manufacture and sale of stainless steel watch bracelets contributed more than 70% of our total turnover during the Track Record Period.

Our watch bracelet products are principally made of stainless steel and are supplied to internationally renowned brands. Based on the figures available from the Synovate Report, we have a market share of the global stainless steel watch bracelet market for brands of watches with an average retail price of HK$10,000 or above of about 9.6% in 2010, with reference to the estimated global output value of stainless steel watch bracelets of these brands as compared with our sales of stainless steel watch bracelets manufactured during the year 2010. Depending on the design and specifications of our customers, materials such as gold, crystal stones and ceramics may be plated, inlayed or assembled by us onto our watch bracelets. Based on the Synovate Report, there is a growing trend of using stainless steel as the material for watch bracelet among the luxury wrist watch brands on market.

Our turnover generated from sales of watch bracelets in 2008, 2009 and 2010 was about HK$242.4 million, HK$180.8 million and HK$308.0 million respectively, representing a CAGR of about 12.7% from 2008 to 2010.

Costume jewellery

We manufacture costume jewellery for our customers since 2004. Our costume jewellery products are manufactured for and supplied to intermediary agents of brand owners of internationally renowned brands with headquarters mainly based in Europe and brand owners of such brands who are our direct customers. Our costume jewellery products include earrings, rings, pendants, necklace, bracelet and cufflinks. Stainless steel is the principal base material for our costume jewellery, but other materials such as leather, crystal stones, plastics, resin and gold may be assembled to the products depending on the design and specifications of our customers.

Our turnover generated from sales of costume jewellery in 2008, 2009 and 2010 was about HK$76.8 million, HK$67.5 million and HK$69.5 million respectively, which was relatively stable during the Track Record Period. Nevertheless, according to the Synovate Report, there is growing market trend of using stainless steel as the material for costume jewellery in the market. Our Directors believe that such trend is attributable to the qualities of stainless steel as a durable and flexible material with relatively low risk to human health even after prolonged contact with human skin and that stainless steel material tends to be more environmental friendly for manufacturing purposes based on established European standards on the use of chemicals, such as REACH and RoHS, as compared with other materials such as copper. As a result, we take the view that there is vast potential for stainless steel as a substitute to materials such as copper and alloys for use in costume jewellery.

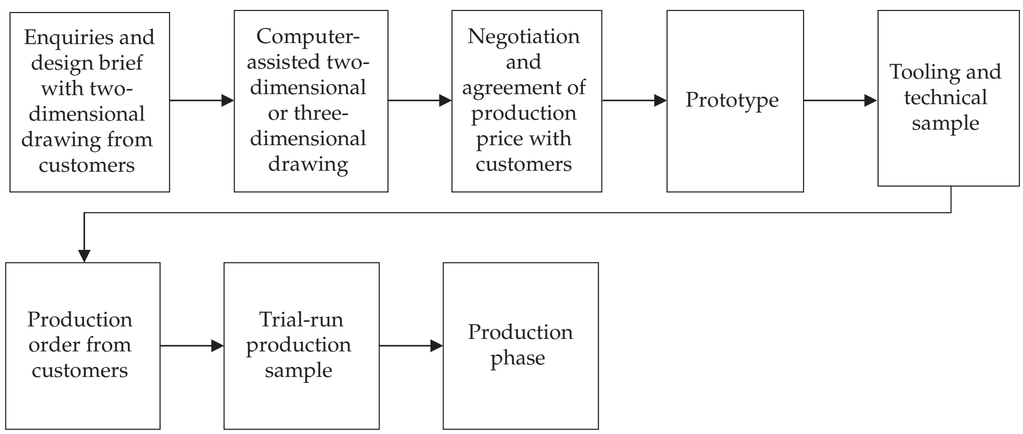
Accessories

We manufacture accessories for our customers since 2007. Our accessories are manufactured for and supplied to intermediary agents of brand owners of internationally renowned brands with headquarters mainly based in Europe and brand owners of such brands who are our direct customers. Our accessories include leather belt buckles and bag accessories. Stainless steel is the principal base material for our accessories products, and depending on our customers' product design and specifications, leather, crystal stones, resin, carbon fibre and gold may also be assembled to the product.

Our turnover generated from sales of accessories in 2008, 2009 and 2010 was about HK$5.4 million, HK$8.6 million and HK$21.1 million respectively, representing a CAGR of about 98.1% from 2008 to 2010.

DESIGN AND DEVELOPMENT

With our production and development capabilities, we are capable to offer a comprehensive product development and manufacturing solution to our customers by developing and producing the final products based on our customers' two-dimensional, conceptual drawings for eventual mass production. We are responsible for designing the structure of the products based on our customers' conceptual, two dimensional drawings and the specification our customers provided us from the technical, engineering aspects taking into account the properties of Grade 316L stainless steel for the purposes of creating sketches, prototypes, samples and the eventual mass production model for our customers based on their initial design. The chart below sets forth a prototypical design and development cycle for a new model of our products.



Designs for our products are typically initiated and provided to us by our customers in two-dimensional drawing. Before a design is put into production, we design and develop a two-dimensional or three-dimensional sketch taking into account the details of the products such as structure and size based on the initial two-dimensional drawing provided by our customers using computer-aided design techniques. During our design process, we communicate closely with our customers to ensure that our two-dimensional or three-dimensional sketch is properly reflecting the idea behind the conceptual design of our customers after taking the structure, specification and production feasibilities into consideration. Based on our two-dimensional or three-dimensional sketch, we then estimate our production costs and enter into price negotiation with customers.

In the development process, the most important step is the creation of the working moulds and tools for production use and prototype (which is a preliminary sample or model built to demonstrate the intended design and visual appearance of the product) and technical sample (which is the final production design model fabricated by using the designed final production materials, using the requisite moulds and tooling and adopting the designed production processes that comply with the production requirements of the customer) of the product, which demands great skills based on extensive experience. Our working moulds and tools, which are used in the stamping and drilling processes, are unique for each product design. Our engineering and product development teams create our working moulds and tools for the specific product based on the two-dimensional or three-dimensional sketch and the production processes required for manufacturing the product.

After exchanging ideas and working closely with our customer, our engineering and product development teams then select the correct materials for the products and specify the technical manufacturing processes and devise a product development plan to ensure that the product conforms with the design and standard of our customer and to maintain consistent product quality.

We subsequently prepare prototype and technical samples of the product for our customers. Based on our customer's feedback, we then prepare further samples to our customer for our customer's approval, and then proceed to trial-run production and then the production phase if production orders are placed with us by our customer.

The time required to complete the whole development process for our products generally varies according to the complexity of the product. The table below illustrates the respective typical product life and development time for our watch bracelet, costume jewellery and accessories products.

	Watch bracelet	Costume jewellery	Accessories
Product life	Over 5 years	Over 4 years	Over 3 years
Development time .	6-12 months	4-7 months	4-6 months

Note: Product life and development time for a specific model of product varies according to actual market conditions, our customer's requirements, and technical issues involved in the design and manufacturing of the product.

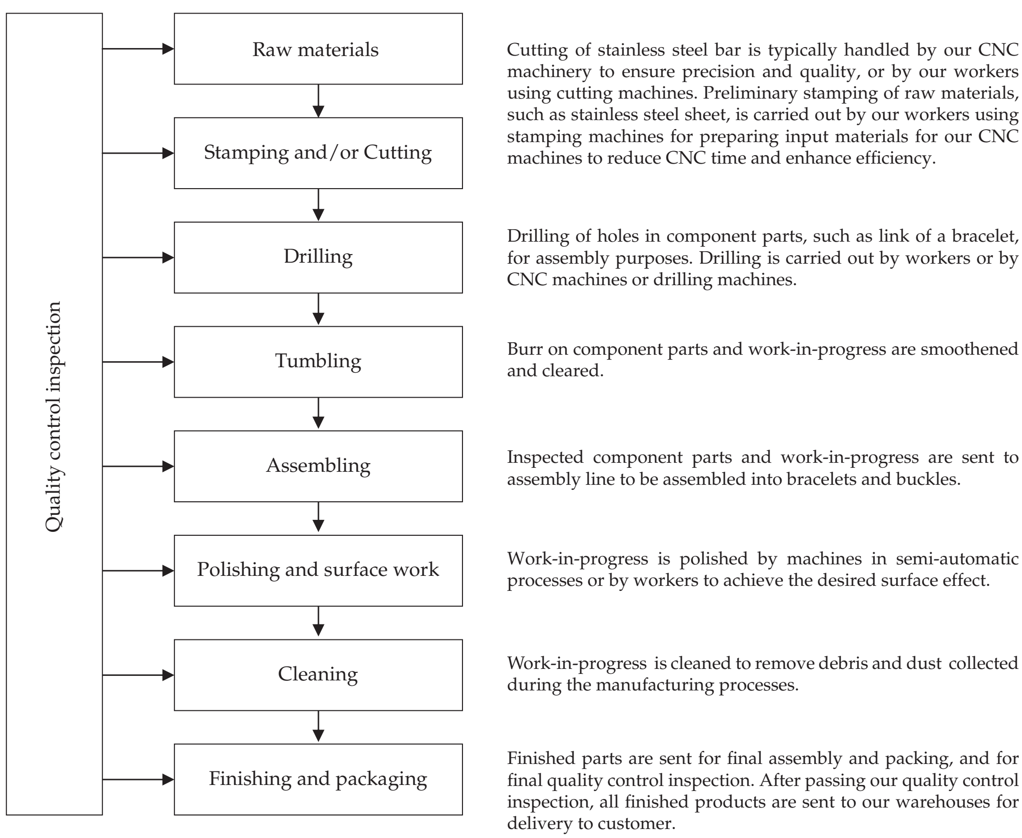
We generally bear all the costs relating to product design and development. Customers may be required to reimburse our costs such as tooling costs and sampling fees when they choose not to place production order with us after entering the production development stage or when additional tools or equipment are required for the manufacturing processes.

We do not typically file a patent for any design or moulds we produce. The three-dimensional drawings of products, based on our customers' two-dimensional drawings, and the logos, trademarks and other intellectual property rights that we utilise in our design and development processes and the moulds that we produce for our manufacturing purposes, are properties of our customers and we are bound by our confidentiality undertaking to our customers in relation to the use of such information or properties. In turn, we request our employees to enter into confidentiality agreements with us whereby they are required to keep all information, sketches, prototypes, know-how, techniques and processes developed by us or supplied by our customers in strict confidence. We have also adopted various documentary and information access and control procedures, including keeping computer access log of sensitive materials, safekeeping of all versions of these physical drawings in a secured dataroom and electronic versions thereof at secured computer servers, and restricted access thereof by designated members of our engineering and product development teams. During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance for breach of confidentiality and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group in relation to any alleged breach of confidentiality.

MANUFACTURING PROCESSES

Our watch bracelet, costume jewellery and accessories products are principally made of stainless steel. For details on the procurement and quality control on our production materials, please refer to the paragraph headed "Production materials and suppliers" below. While different products involve different designs, component parts, technical standard and production processes, the manufacturing processes involved in the production of our products typically involve the following major steps: (1) cutting and/or stamping; (2) drilling; (3) tumbling; (4) assembling; (5) polishing and surface work; (6) cleaning; and (7) finishing and packaging. Quality inspection is carried out at each of the major steps to ensure quality of our finished product.

The following flow chart is an illustration of the manufacturing processes typically involved in manufacturing our products including the major stages mentioned above:



Note: The chart above illustrates the major steps for a typical production flow only, and different models of products may involve different materials, components, specifications and designs which involve different manufacturing processes. Some models of product may involve out-sourced manufacturing processes.

Some of our manufacturing processes are out-sourced to our sub-contractors with our customers' consent, such as electroplating. Our Group has also engaged sub-contractors for polishing and drilling holes in component parts before assembling during the Track Record Period. Our Group has set up our own production line for acid etching production processes, which are used to engrave trademark logos or generic marks on the Group's products. To satisfy production needs and to meet production schedule, our Group had outsourced some of the acid etching processes for engraving generic markings, such as "Stainless Steel" at the back of watch bracelets, to our sub-contractors during the Track Record Period. To better preserve the confidential identity of our Group's customers, our Group only conducts acid etching production processes for the engraving of trademarks and logos in-house. Our Group has also minimised the outsourcing of our acid etching production processes for engraving of generic markings so as to save costs and exercise better quality control.

During the Track Record Period, we had engaged a total of 52, 16 and 19 sub-contractors for each of the years ended 31 December 2008, 2009 and 2010, respectively. We engage our sub-contractors on an order basis and have not entered into any master agreement with our sub-contractors. The sub-contracting fees are negotiated when orders are placed by our Group with our sub-contractors with reference to the costs of production and the price of the finished products. During each of the years ended 31 December 2008, 2009 and 2010, our Group incurred sub-contracting costs of about HK$31.9 million, HK$4.3 million and HK$14.1 million, respectively. The significant reduction in sub-contracting costs incurred in the year ended 31 December 2009 was mainly due to the increase in in-house production process as part of our cost saving measures during the financial crisis. In the year ended 31 December 2010, despite that the increase in our production capacity during the year had enabled us to increase the use of in-house production process and reduced the use of subcontractors, the significant increase in our sales had also driven up our sub-contracting costs during the year. For further details of our cost of goods sold incurred during the Track Record Period, please refer to the section headed "Financial information – Management discussion and analysis – Cost of goods sold" below.

Our Directors consider that our polishing techniques for stainless steel materials are one of our key competitive edge over our competitors in the world, and we are capable of handling different kinds of polishing process for our customers to maximize production flexibility and product quality. Since 2006, we have been utilising our own semi-automatic polishing techniques in our production processes by coupling purchased machines with our own technical knowhow. As at 31 December 2010, we had 26 sets of machinery for our semi-automatic polishing processes. We take the view that by adopting semi-automatic polishing processes, we can better ensure the consistency of product quality and exercise better cost control by reducing our labour input.

For further details of our quality control and inspection during our manufacturing processes, please refer to paragraph headed "Quality control and assurance" below.

MANUFACTURING FACILITIES AND MACHINERY

We manufacture stainless steel watch bracelet, costume jewellery and accessories at our Dalang Factory and, starting from June 2011, trial production of stainless steel mobile phone cases. We also expect to commence commercial production of stainless steel mobile phone cases at our Dongfengcun Factory in the third quarter of 2011.

Our Dalang Factory is located in Dongguan, Guangdong Province of the PRC, with an aggregate site area of about 59,009 sq.m. and 15 buildings erected thereon, comprising factory buildings, warehouse, staff quarters, training centre and other ancillary buildings with an aggregate gross floor area of about 46,380 sq.m. Further details about our interests in land and buildings of the Dalang Factory are set out in Appendix IV to this prospectus.

As most of our production processes at the Dalang Factory are semi-automated or involve the use of machinery, to avoid disruption to our Group's production due to shortage of electricity, we have installed our own power generators at the Dalang Factory. We had not experienced any significant disruption of operation arising from any shortage of electricity during the Track Record Period.

As at 31 December 2010, we employed more than 3,000 employees at our Dalang Factory. Further details about our employees are set out in the paragraph headed "Employees" below.

Leveraged from our experience in manufacturing and processing stainless steel products, we have the capability of managing our production processes for stainless steel products. To achieve economies of scale, we centralise those production procedures which are common for production of different products. We are able to manually adjust our production lines so that we can accommodate the production of different products, and we can adjust the number of production lines for any particular products to cater for, and to capture business opportunities arising from, any change in market demand or preference of any particular products.

Due to the diversity of products, the lack of a common production bottle neck for production of different products and that our production lines can be modified to accommodate the production of different products, our Directors consider it difficult to estimate our production capacity for all different products produced by us during the Track Record Period. Based on one of the top products produced by us in each product category during the year ended 31 December 2010 and that our production lines had been operating for 19 hours per day (for watch bracelets production) or 8.5 hours per day (for costume jewellery and accessories production) and 26 days per month throughout the three years ended 31 December 2010 for that single product only, as at 31 December 2008, 2009 and 2010, the annual production capacity of our Dalang Factory is set out as follows:

	For the year ended 31 December		
	2008	**2009**	**2010**
	(million units)	**(million units)**	**(million units)**
Watch bracelet	2.2	2.2	2.4
Necklace	7.7	7.7	9.8
Bag accessories	15.8	15.9	20.3

As polishing and stamping and/or cutting are the two key processes in our production flow, we have assessed the utilisation rate of the principal machines used in polishing and stamping and/or cutting processes, namely the polishing machines and

CNC machines, to determine the utilisation rate of our Dalang Factory. Based on (1) the number of polishing machines and CNC machines at the Dalang Factory during the Track Record Period, (2) the maximum operating hours for all the polishing machines and CNC machines in Dalang Factory during the relevant year, and (3) the actual working hours of our polishing workers and the actual operation time of our CNC machines during the relevant year, we observed that the utilisation rate of our polishing machines is higher than that of our CNC machines, and hence our Directors consider that the utilisation rate of our polishing machines in Dalang Factory can represent the utilisation rate of our Dalang Factory. Based on the above we estimate that the utilisation rate of our Dalang Factory for the year ended 31 December 2008, 2009 and 2010 were about 89.8%, 67.4% and 88.9%, respectively. The decrease in utilisation rates for the year ended 31 December 2009 was as a result of a drop in the Group's turnover during that year, which was due to the decreased sales volume in that year primarily resulting from the worldwide decline in the demand for luxury goods as affected by the global financial crisis. There was an increase in utilisation rates for the year ended 31 December 2010 compared to the year ended 31 December 2009 because the Group's turnover for 2010 had increased by about 55.1% year-on-year, primarily as a result of an increase in sales volume due to the increasing market demand following the global economic recovery after the global financial crisis in 2008 and 2009.

To further diversify our product range, we leased the Dongfengcun Factory from Ming Fung Kitchen in May 2011, comprising four buildings with an aggregate gross floor area of about 3,730 sq. m. on a site area of about 6,666 sq. m. for a term of two years with an option to renew on the same terms. We currently expect to commence the commercial production of our stainless steel mobile phone cases at the Dongfengcun Factory in the third quarter of 2011. As at the Latest Practicable Date, the Dongfengcun Factory housed a workforce of about 90 employees, with a planned annual production capacity of about 948,000 mobile phone cases. Our Dongfengcun Factory has been leased by us since May 2011 for temporary production use pending completion of our planned development of the Huzhen Factory, further details of which are set out in the paragraph headed "Business strategies – Expansion of production capacity" above. It is our plan to relocate the operation of the Dongfengcun Factory and the operation of stainless steel leather belt buckles productions at Dalang Factory to the Huzhen Factory to be established by us at Huizhou.

In order to enhance production capacity and efficiency and our manufacturing techniques, we made substantial investment in production equipment, in particular in CNC machines, during the Track Record Period. For each of the years ended 31 December 2008, 2009 and 2010, our capital expenditure amounted to about HK$5.9 million, HK$5.2 million and HK$22.7 million respectively. Our CNC machines, which are utilised in production processes such as cutting and drilling of stainless steel materials, are mainly imported from Switzerland and Japan. We also had 26 sets of machines for our semi-automatic polishing processes as at 31 December 2010. We plan to further increase our investment in production machinery to enhance our production capacity and manufacturing techniques.

We have insurance coverage for our plant and machinery, details of which are set out in the paragraph headed "Insurance" below.

PRODUCTION MATERIALS AND SUPPLY CHAIN MANAGEMENT

Production materials and components required for our products include (1) stainless steel materials such as bars and plates, (2) component parts such as screws, pins and buckles, (3) non-metallic materials such as ceramics, leather, plastic, resin and crystals; (4) consumables such as chemicals, polishing paste, abrasive wheels, packaging materials and tools; and (5) precious materials such as gold and crystal.

For each of the years ended 31 December 2008, 2009 and 2010, the cost of production materials represented about 38.3%, 47.0% and 41.5% of our total cost of goods sold, respectively.

During the Track Record Period, except for the purchases we made from Winox S.A. in 2008 and 2009 which were settled in Swiss Franc, most of our purchases of production materials were settled with US$, RMB and HK$. The credit periods given by our suppliers generally ranged from 30 days to 90 days during the Track Record Period.

Stainless steel

Stainless steel is the principal material used in our production. The stainless steel materials and components used in our products are sourced from local distributors of overseas steel mills such as those located in Japan and other suppliers in Europe, which our Directors consider to be of consistent and reliable quality. Our stainless steel materials are supplied to us in the form of bars, plates and wires, and component parts such as screws, pins and buckles. The stainless steel used by us are the extra-low carbon version of Grade 316 stainless steel (i.e. Grade 316L stainless steel). Grade 316 stainless steel is a type of stainless steel containing molybdenum, which increases general corrosion resistance and provide increased strength at high temperature. In particular, the Grade 316L version minimises precipitation of harmful carbide caused by high temperatures due to welding.

During each of the years ended 31 December 2008, 2009 and 2010, our stainless steel material costs amounted to about HK$68.0 million, HK$61.2 million and HK$79.0 million, respectively. The percentage of our stainless steel material costs to our total costs of goods sold during the Track Record Period was about 33.5%, 38.9% and 34.7% for each of the years ended 31 December 2008, 2009 and 2010, respectively. For illustration purposes only, had our stainless steel materials costs increased or decreased by 5% (being the rate used by our Group to assess the possible impact of the change in price of stainless steel internally) and all other factors remained unchange during the Track Record Period, our cost of goods sold would have increased or decreased by about 1.7%, 1.9% and 1.7% for each of the three years ended 31 December 2008, 2009 and 2010, respectively, which would reduce or increase our profit by about HK$3.4 million, HK$3.1 million and HK$4.0 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively.

The global stainless steel price for Grade 316 stainless steel had been fluctuated in the past years. According to the Synovate Report, the average price per ton of Grade 316 stainless steel increased from about US$4,757 in 2005 to its peak of about US$7,735 in 2007, then dropped to its trough of about US$3,758 in 2009, and rebounded to about US$4,948 in

2010. However, the effect of the fluctuation of stainless steel prices during the Track Record Period to our Group's results was insignificant as we were able to pass on the price increases of stainless steel materials and components to our customers by making reference to the latest price of stainless steel when developing our quotation for our customers and placing orders for the necessary stainless steel materials as soon as the sales order is confirmed. We may also re-negotiate our price to account for increase in our costs such as raw material costs, which enables us to minimize our exposure to stainless steel price fluctuation, after we fix our initial sales order price.

Other materials

Other materials used in our manufacturing processes include non-metallic materials such as component parts; ceramics, leather, plastic, resin; and consumables such as chemicals, polishing paste, abrasive wheels, packaging materials and tools. Such other materials are usually sourced from our suppliers in the PRC. The suppliers for certain materials, like crystal stones, are specified by our customers.

Precious materials such as gold and crystal may also be utilised in our products, which are either provided by our customers or purchased by us from suppliers, depending on the product design.

Supply chain management

Our Group's procurement department is responsible for the purchase of production materials and component parts not manufactured by us. As at 31 December 2010, our procurement department consisted of about 17 employees for the purchase of production materials.

We maintain established guidelines and our own grading system in respect of our suppliers. We evaluate our suppliers based principally on several criteria, namely on schedule delivery, product quality, pricing, sales services, production capability and whether their management system accords with recognised industry standard such as ISO9001. Where necessary, our procurement team visits our suppliers or potential suppliers for evaluation. We typically compare the price quotation of at least three suppliers for a particular material, and we have several suppliers identified and pre-approved by us for the supply for our principal production materials to avoid any over-reliance on any single supplier. Our customers may also specify any particular suppliers for the supply of any particular production materials for production of their products.

Generally, we have long term business relationship with our suppliers, and our suppliers are required to enter into an undertaking in favour of us to ensure that our suppliers understand and agree to comply with our requirements as to product quality and safety and confidentiality. Our five largest suppliers during the Track Record Period included (1) manufacturers of stainless steel watch buckles, steel bars, wires and/or watch component parts, (2) authorised dealers of steel manufacturers and (3) Winox S.A., an intermediary agent for owners of five internationally renowned brands of luxury watches. We have on average more than six years of relationship with our top five suppliers for the year ended 31 December 2010. However, we have not entered into any long term supply agreement with our suppliers for our production materials. Despite this, we have not experienced any difficulties in sourcing supplies of production material during the Track Record Period.

Our Group has adopted an inventory control system ("Inventory Control System") to monitor stock level. The Inventory Control System assists in calculating the last date of purchase and quantities of obsolete stock so as to monitor slow moving inventory. A batch run of the system will be conducted twice a year in accordance with our Group's inventory policy. Our Group's production department will review those slow moving and obsolete stock and initiate an action plan to reduce excessive stock. Depending on the usability of our stock, our Group's finance department may be required to write off all or part of the carrying value of our stock.

We also maintain a safety stock of stainless steel materials, spare parts for our machinery and tools and other consumables to ensure that our production schedule will not be delayed or disrupted due to shortage of production materials or supplies. During the Track Record Period, we had not experienced any material shortage or disruption in the supply of production materials.

Our major suppliers include production materials suppliers as well as component parts suppliers. Set out below is an analysis of our purchase from our top suppliers during the Track Record Period:

	For the year ended 31 December					
	2008		2009		2010	
	Purchase	Percentage of purchase	Purchase	Percentage of purchase	Purchase	Percentage of purchase
	HK$'million		HK$'million		HK$'million	
Largest supplier	22.1	28.5%	6.7	9.1%	22.2	23.4%
Second to fifth largest suppliers, in aggregate	22.2	28.5%	13.6	18.4%	16.4	17.4%
Other suppliers	33.4	43.0%	53.7	72.5%	56.1	59.2%
	77.7	100.0%	74.0	100.0%	94.7	100.0%

Winox S.A., which was our largest customer during the Track Record Period, had also been one of our top five suppliers during each of the years ended 31 December 2008 and 2009, supplying component parts such as screws and pins to us for production of the products ordered by it. During the years ended 31 December 2008 and 2009, Winox S.A. was our largest and second largest supplier respectively and we had made purchase amounting to about HK$22.1 million and HK$5.9 million from Winox S.A. for each of the years ended 31 December 2008 and 2009 respectively, representing about 28.5% and 8.0% of our total direct material purchased for the respective year. In order to streamline the ordering process and simplify the cost structure of the products ordered by Winox S.A., Winox S.A. has subsequently revised the sales terms with us and the component parts required for production of products ordered by Winox S.A. have been supplied by it to us without charges with a corresponding downward adjustment in the prices of the products ordered by Winox S.A.. Winox S.A. ceased to be one of our top five suppliers in the year ended 31 December 2010. Our Directors expected that this practice will continue in the future. As our selling price to Winox S.A. was adjusted at a comparable percentage change as that in the corresponding cost of production, such arrangement had not resulted in any material impact on our gross profit and gross profit margin.

None of our Directors, their respective associates or, so far as our Directors are aware, Shareholders who own 5% or more of the issued share capital of our Company immediately following completion of the Share Offer has any interest in any of our five largest suppliers for the Track Record Period.

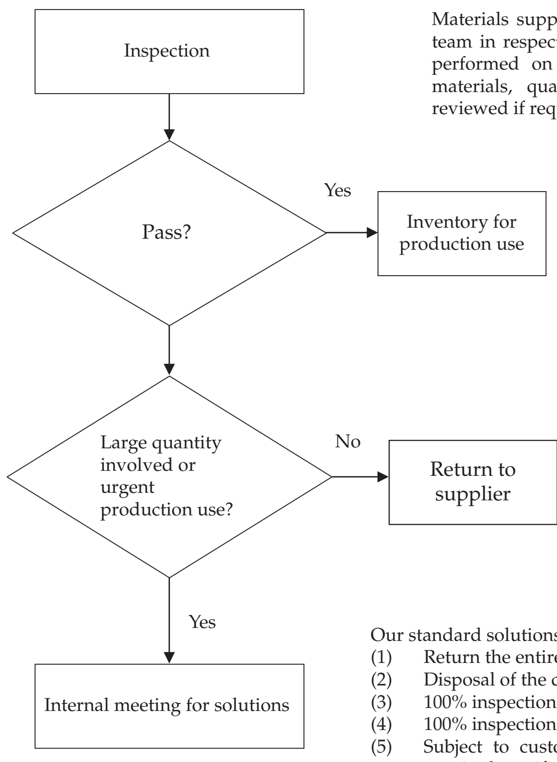
QUALITY CONTROL AND ASSURANCE

We focus on the quality of our products and perform various quality inspection and testing procedures, including random sample testing at different stages in the manufacturing process. Quality control procedures are performed by both our employees and those of our customers. We also perform quality control procedures for components and production materials procured and for sub-contracted-out work such as PVD coating and electroplating on component parts. Such procedures include inspecting samples and obtaining the relevant quality assurance certificates from our suppliers. We also have a testing laboratory in our Dalang Factory with various testing equipment, including x-ray measuring instrument for coating thickness measurement & materials analysis and stationary metal analyzer, to test the quality of stainless steel materials sourced.

In addition to these quality control procedures, customers generally inspect and monitor the production process through their on-site quality inspection team or alternatively, through the on-site representatives of their sourcing agents. While such representatives from customers assist us in inspecting and monitoring our manufacturing processes through interactive communication with us, we have independent quality control procedures for inspection and monitoring and attempt to identify defects at early stages of production.

The diagrams below set forth our quality control procedures in respect of production materials or component parts, work-in-progress and finished products respectively.

(A) Quality control procedures in respect of production materials or component parts



Materials supplied to us will be inspected by our procurement team in respect of quality and quantity. Sample testing may be performed on batch basis. In respect of stainless steel raw materials, quality assurance report from suppliers will be reviewed if required.

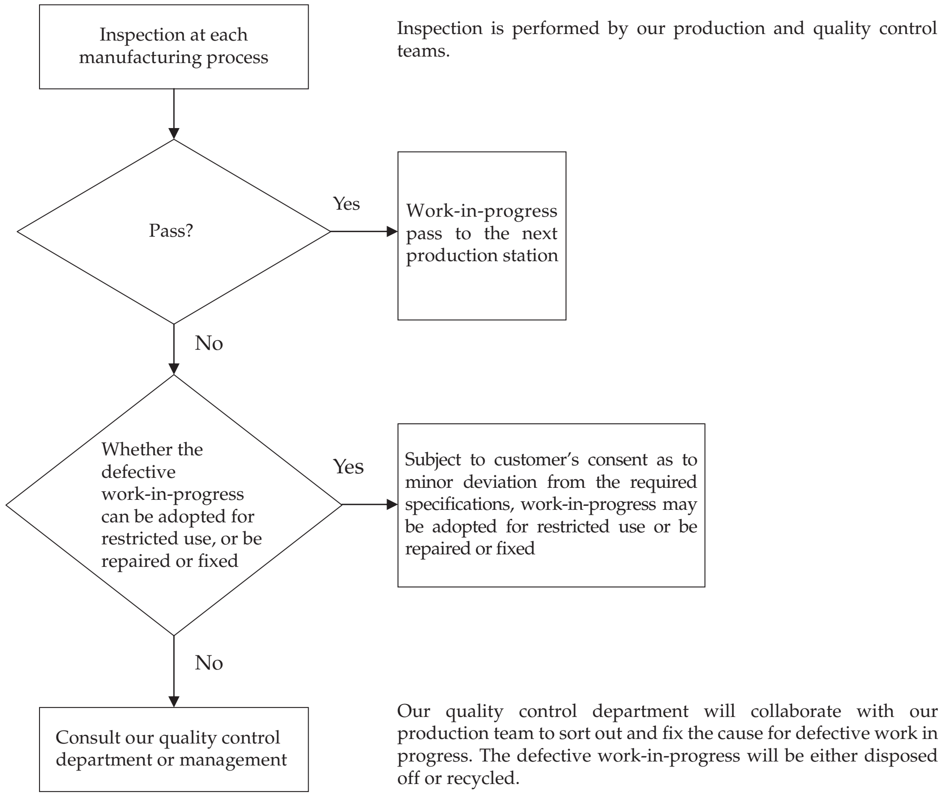
Materials will be colour-labelled to distinguish between accepted and rejected or defective materials.

Rejected or defective materials will be appropriately labelled and stored for return to supplier.

Our standard solutions include:

(1) Return the entire lot or batch of defective materials to supplier.
(2) Disposal of the defective material as impairement loss.
(3) 100% inspection and return defective materials to supplier.
(4) 100% inspection and re-processing by us for further use.
(5) Subject to customer's consent as to minor deviation from the required specifications, such materials may be limited for restricted uses.

(B) Quality control procedures for our work-in-progress



We are certified by the International Organisation for Standardisation and are ISO9001:2000 and ISO9001:2008 compliant with regard to our quality management system. Both of our ISO9001:2000 and ISO9001:2008 certifications are valid until 24 July 2011. We currently intend to renew our ISO9001:2000 and ISO9001:2008 certifications upon receipt of the renewal notice prior to their expiry in accordance with the renewal procedures of the relevant accreditation body. During the Track Record Period and up to the Latest Practicable Date, we had not received any significant complaints about quality of our products from customers or as to our non-compliance with the requirements imposed by them in connection with social, health and safety issues that would materially and adversely affect our business or relationship with such customers.

Our Group's quality control function is overseen by Mr. Wong Wing Yin, the Head of Operations of Winox Enterprise and Winox WFOE, with the assistance of Mr. So Lai Keung, the Head of Marketing of Winox Enterprise and Winox WFOE, and other staffs who have completed relevant quality control courses. Please refer to the section headed "Directors, senior management and staff – Senior management" of this prospectus for Mr. Wong Wing Yin and Mr. So Lai Keung's respective qualifications and industry experience.

We generally offer our customers, including our top five customers during the Track Record Period, one year of warranty for our products. We provide product warranty services to our customers, such as replacement, repairing and/or re-processing of defective products free of charge only when the defect was caused by us during the manufacturing process. The costs relating to product quality warranty have been accounted for as cost of goods sold during the Track Record Period.

Where the products are returned to us due to damage or mis-handling caused by our customers, we normally charge our customers our costs on reimbursement basis for refurbishing such returned products. We also provide after-sales services to our customers at their request such as manufacturing discontinued models in small batches.

Product quality is one of the key concerns of our customers who are internationally renowned brands as product quality and brand reputation affects the sales of their products. During the Track Record Period, our sales return (in terms of turnover) for watch bracelets amounted to about HK$732,000, HK$543,000 and HK$700,000 for each of the years ended 31 December 2008, 2009 and 2010 respectively, representing about 0.30%, 0.30% and 0.23% of our total turnover for the sale of watch bracelets for each of the years ended 31 December 2008, 2009 and 2010, respectively. Our sales return (in terms of turnover) for costume jewellery and accessories amounted to about HK$305,000, HK$317,000 and HK$526,000, representing about 0.37%, 0.42% and 0.58% of our total turnover for the sale of costume jewellery and accessories for each of the years ended 31 December 2008, 2009 and 2010, respectively. During the Track Record Period, we have maintained a relatively low product return rate (in terms of volume), with an average product return rate in respect of our stainless steel watch bracelet products of about 0.1%, 0.3% and 0.2% , and that for our stainless steel costume jewellery and accessories of about 0.4%, 0.3% and 0.4%, for each of the years ended 31 December 2008, 2009 and 2010 respectively, which our Directors consider as our key competitive advantage over our competitors and significant contributing factor to maintaining our profit margin and long relationship with our customers. During the Track Record Period, our Group had not experienced any material losses due to product quality.

SALES AND MARKETING

Our customers mainly include intermediary agents of brand owner of internationally renowned brands of watch, costume jewellery and luxury products, such as Winox S.A., UVW Limited and Maillor S.A., brand owners of such brands who are our direct customers and the manufacturers of mobile phones.

We have entered into agreements with two of the intermediary agents of brand owners of watch, costume jewellery and luxury products pursuant to which each of them is engaged to promote sales of our Group's products in Europe and in particular in the Switzerland market. In consideration of their services to us as aforesaid, we will pay them commission representing certain percentage of all our sales by indent orders through such agent, and/or a fixed amount of trademark fees per watch bracelet sold, and/or quantity rebate accrued on a per bracelet basis upon achievement of certain threshold sales volume, all of which were determined after arm's length negotiation with the relevant intermediary agents. Pursuant to our agreements with the intermediary agents, the commission and trademark fees are payable by our Group quarterly, while the quantity rebates for the relevant year are payable by our Group within 90 days after the year end. These agreements do not have a specific term of operation and do not contain any provision for termination of these agreements by any party thereof. We also paid quantity rebates to one of our top five customers during the Track Record Period on a yearly basis after confirmation of the annual order amount as incentive to procure sales with us. During the Track Record Period, the commission, trademark fees and quantity rebates paid by us amounted to about HK$12.0 million, HK$10.6 million and HK$0.9 million respectively for the year ended 31 December 2008; about HK$8.7 million, HK$6.3 million and HK$0.7 million respectively for the year ended 31 December 2009; and about HK$14.1 million, HK$9.7 million and HK$1.7 million respectively for the year ended 31 December 2010.

Save for the above, we do not engage advertising agency or sales intermediaries to promote our business or products. We maintain our own corporate website for showcasing our business, production facilities and accreditations.

Our sales process is closely linked to the product development process in collaboration with the intermediary agents who act on behalf of the brand owners or the brand owners directly. After going through the product development process as more particularly described in "Design and development" above, initial orders or production orders may be placed with us by our customers. Our sales and marketing team regularly visit our customers to obtain information on market trend and their product development plans, while some of our customers also visit us from time to time to inspect our production lines and production processes at their different manufacturing stages. We believe that our close relationship with our customers is key to maintaining and strengthening our customer base.

Our largest customer during the Track Record Period was Winox S.A., an intermediary agent for five internationally renowned brands of luxury watches. While in the event that Winox S.A. terminates their business relationship with our Group, we may approach the relevant brand owners to secure orders from such brand owners directly (i) in light of our long business association with such brand owners who we believe are acquainted with our operations and (ii) we are not restricted from directly approaching the relevant brand owners, we have no present intention to do so, and our Directors believe that the chance of Winox S.A. terminating their business relationship with our Group is very remote in light of their long business relationship with our Group. Please refer to the section headed "Risk factors – Risks relating to our Group – We are dependent on our major customers" for further details of the risks involved for our reliance on Winox S.A. and our other major customers.

Geographic segments

In each of the years ended 31 December 2008, 2009 and 2010, a significant portion of our turnover was derived from sales to customers located in Switzerland representing about 78.6%, 84.1% and 71.4% of our total turnover of the respective year. The following table sets forth, for the periods indicated, the percentage breakdown of our turnover from external customers categorised by geographical locations of our customers.

	For the year ended 31 December					
	2008		2009		2010	
	Turnover	Percentage of turnover	Turnover	Percentage of turnover	Turnover	Percentage of turnover
	HK$'000		HK$'000		HK$'000	
Switzerland	255,013	78.6 %	216,017	84.1 %	284,568	71.4 %
Hong Kong	56,595	17.4 %	30,701	11.9 %	69,832	17.5%
Other European and Asian countries	12,990	4.0 %	10,210	4.0%	44,206	11.1 %
Total	324,598	100.0%	256,928	100.0%	398,606	100.0%

Customers

For the years ended 31 December 2008, 2009 and 2010, our Group's total turnover amounted to about HK$324.6 million, HK$256.9 million, HK$398.6 million respectively, representing a CAGR of about 10.8% from 2008 to 2010.

During the Track Record Period, our customers comprise mainly intermediary agents of brand owners of watch, costume jewellery and other luxury products of internationally renowned brands or the brand owners of such brands who are our direct customers. We have long business relationship with such intermediary agents and our brand owner customers, some of which we have been collaborating with for over 10 years. Set out below is an analysis of our sales by type of customers during the Track Record Period:

	For the year ended 31 December		
	2008	2009	2010
	Percentage of turnover	Percentage of turnover	Percentage of turnover
Intermediary agents	84.7%	77.3%	75.7%
Brand owners	15.3%	22.7%	24.3%
Total	100%	100%	100%

Since June 2011, with commencement of our trial production of stainless steel mobile phone cases, our customer base has further expanded to include manufacturer of mobile phones. As at the Latest Practicable Date, we had entered into a master agreement with one mobile phone manufacturer for the manufacture of stainless steel mobile phone cases. However, we have only received sales order for trial production and we had not yet generated any turnover from our stainless steel mobile phone cases business up to the Latest Practicable Date.

Development of new customers

In developing business relationships with new customers, we typically undergo the following processes which would normally take about six to twelve months: (1) our sales team gather market information about business environment and market trends for primary screening of prospective customers. Brand owners of internationally renowned brands of stainless steel products, having significant business turnover and good credit record, and with a focus on product quality are our targets; (2) our sales team then gather further details of these target customers, such as their product types, grading of brands, retail prices, market shares and direction of development, for our internal discussion purpose and to select suitable customers for approaching by our sales team; (3) our sales team then proactively approach these selected target customers, including through contacting them through the internet, visiting their offices and attending industry trade fair, to explore potential business opportunities; (4) these new customers may then request us to provide fee quotations and samples for their consideration; (5) we typically engage third party credit agencies to assess the credit worthiness and credit record of such new customers; and (6) subject to satisfactory completion of credit assessment under (5) and after the customers have approved our quotations and samples and placed formal orders with us, we then commence production for these customers.

For each of the years ended 31 December 2008, 2009 and 2010, our Group has established new business relationships with 8, 17 and 15 new customers, respectively. These new customers are brand owners, manufacturers, wholesalers and retailers of watches, handbags, metal products and other accessories, and are principally located in Europe and Asia. Our Group is currently approaching four prospective customers with an aim to open up business relationships with them. Amongst the four prospective customers, three of them are brand owners of watches, costume jewellery and luxury products; the remaining one is a mobile phone manufacturer. As at the Latest Practicable Date, we have entered into a master agreement with one mobile phone manufacturer. Set out below is an analysis of our sales to our new customers during the Track Record Period:

For the year ended 31 December	Turnover	Percentage of turnover
2008	HK$4.0 million	1.2%
2009	HK$10.3 million	4.0%
2010	HK$12.2 million	3.1%

Our major customers during the Track Record Period

For each of the years ended 31 December 2008, 2009 and 2010, sales of our Group to our five largest customers accounted for about 95.7%, 91.7% and 86.6% of our Group's total turnover respectively. For the same period, sales of our Group to our largest customer, Winox S.A., and its affiliate, Maillor S.A., are set forth in the table below:

	For the year ended 31 December					
	2008		2009		2010	
	Turnover	Percentage of turnover	Turnover	Percentage of turnover	Turnover	Percentage of turnover
	HK$'million		HK$'million		HK$'million	
Winox S.A.	193.3	59.6%	148.9	58.0%	218.7	54.9%
Maillor S.A.	–	–	4.0	1.6%	16.3	4.1%
	193.3	59.6%	152.9	59.6%	235.0	59.0%
Other customers	131.3	40.4%	104.0	40.4%	163.6	41.0%
Total	324.6	100.0%	256.9	100.0%	398.6	100.0%

Winox S.A., a company incorporated in Switzerland and an Independent Third Party, had been our top customer during the Track Record Period. It is an intermediary agent for owners of five internationally renowned brands of luxury watches based in the Switzerland and has been purchasing stainless steel watch bracelets for their luxury watches from our Group since 1999. It had also been one of our largest suppliers during the Track Record Period. Please refer to the paragraph headed "Production materials and supply chain management – Supply chain management" above for details. Maillor S.A., an affiliate of Winox S.A., has been purchasing stainless steel watch bracelets for luxury watches from our Group as the intermediary agent of five internationally renowned brands of luxury watches based in the Switzerland since 2009. UVW Limited, an intermediary agent for owners of seven internationally renowned brands of luxury watches and accessories based in the Switzerland, had been sourcing our watch bracelets for its customer since 1999.

Other than Winox S.A., Maillor S.A. and UVW Limited which are intermediary agents for owners of internationally renowned brands, our major customers during the Track Record Period included brand owners of internationally renowned brands of watches, costume jewellery and/or accessories. The table below sets forth the brief information of our top five customers during the Track Record Period:

Our top five customers	Percentage of turnover	Principal products sourced by the customer	Number of brands for which our Group is authorised to produce products	Base country of the brands
For the year ended 31 December 2010				
1. Winox S.A. (intermediary agent) . . .	54.9%	Watch bracelets	Five	Switzerland
2. UVW Limited (intermediary agent) .	12.7%	Watch bracelets	Seven	Switzerland
3. Customer A (brand owner)	10.4%	Costume jewellery	Two	Switzerland
4. Customer B (brand owner)	4.5%	Watch bracelets	One	Switzerland
5. Maillor S.A. (intermediary agent) . . .	4.1%	Watch bracelets	Five	Switzerland
For the year ended 31 December 2009				
1. Winox S.A. (intermediary agent) . . .	58.0%	Watch bracelets	Five	Switzerland
2. Customer A (brand owner)	14.5%	Costume jewellery	Two	Switzerland
3. UVW Limited (intermediary agent) .	9.7%	Watch bracelets	Seven	Switzerland
4. Customer C (brand owner)	7.2%	Costume jewellery	Five	Italy
5. Customer D (brand owner)	2.3%	Accessories	One	Italy
For the year ended 31 December 2008				
1. Winox S.A. (intermediary agent) . . .	59.6%	Watch bracelets	Five	Switzerland
2. UVW Limited (intermediary agent) .	16.0%	Watch bracelets	Seven	Switzerland
3. Customer A (brand owner)	11.4%	Costume jewellery	Two	Switzerland
4. Customer C (brand owner)	7.0%	Costume jewellery	Five	Italy
5. Customer E (brand owner)	1.7%	Costume jewellery	One	Italy

None of the Directors, their respective associates or, so far as our Directors are aware, Shareholders who own 5% or more of the issued share capital of our Company immediately following completion of the Share Offer had any interest in any of the five largest customers during the Track Record Period.

Production orders and payment

We develop and manufacture products for our customers, including our top five customers during the Track Record Period, based on their individual production orders and have not entered into any long-term supply agreements or any agreement for committed sales volume with them. The production orders generally specify the model, quantity, unit price and delivery time of the products. In addition to product specifications, our customers impose chemicals and safety requirements with which we strictly comply.

At the mass production stage, we typically deliver our products within two to three months after we receive the production order. Customer payments are primarily settled by telegraphic transfer. Our revenue are mainly denominated in HK$ and US$. In general, we require our customers to settle our invoices within 30 to 90 days after delivery.

During the Track Record Period, save for the bad debt expense recorded in 2008 for a sum of about HK$2.9 million, being the amount of trade receivables recorded by Winox Manufacturing from 2000 to 2007 which our Directors consider them non-recoverable when Winox Manufacturing ceased its business in December 2008, our Group did not provide for any bad debts or doubtful debts. Please refer to the section headed "Financial information – Receivables" in this prospectus for further details.

Pricing

We fix the price of our products after negotiation with our customers, subject to re-negotiations with our customers from time to time, and extraordinary factors such as sudden surge in production material costs, which may lead to re-negotiation for price increase. The pricing of our product is negotiated (1) between our Group and intermediary agents who act on behalf of brand owners, or (2) between our Group and the brand owners. The price of a particular model of product is generally fixed on a cost plus basis and is dependent on factors such as the complexity of the product and the labour and technology involved in the design or production processes.

We may negotiate with our customers for price increase in the event of significant rise in our costs, such as our production material costs, labour costs and minimum wage raise in the PRC, and exchange loss due to appreciation in RMB which is the major currency we used to settle our costs of productions, including production material costs and labour costs. During the Track Record Period, we had not experienced any difficulty in shifting such cost increase to our customers by way of price increase.

INVENTORY CONTROL

Our Group's production materials and inventories are stored in the warehouses in our Dalang Factory and Hong Kong warehouse. As at 31 December 2010, our Group had assigned about 27 staff to inventory management.

As at 31 December 2010, the inventory level of our Group, including production materials, work-in-progress, finished goods, moulds and consumable tools amounted to about HK$40.6 million. The average inventories turnover days of our Group for each of the years ended 31 December 2008, 2009 and 2010 was about 49.8 days, 83.2 days and 52.9 days, respectively.

We are committed to reducing excess inventory of production materials and finished goods, and meanwhile continue to meet the supply and delivery requirements of our customers. We typically place order for production materials after the receipt of firm purchase orders from our customers for which such production materials are to be utilised. We also occasionally place orders for some generic production materials, such as stainless steel plates, in anticipation of estimated price hike and increase in supply lead time. We maintain production materials management system and production policy aiming at enhancing and streamlining the production process to reduce needs to maintain high level of spare production materials.

We regularly monitor our inventory, including inventory levels and age. We maintain close working relationship with our customers, and prepare our production plans and maintain our inventories with reference to order forecasts and development plans provided by our customers.

We have established policies with regard to warehouse management, such as labeling system to categorise materials and items and safety controls.

During the years ended 31 December 2008, 2009 and 2010, no specific provision for inventories was made.

RESEARCH AND DEVELOPMENT AND DESIGN

We have our own research and development capabilities. As at 31 December 2010, our Group has assigned 80 staff for research and development and design. We consider our manufacturing techniques and expertise in stainless steel materials vital to the continued success of our business, especially our polishing techniques in the manufacturing and processing of our stainless steel products.

Our research and development function is overseen by one of our senior management, namely Mr. Lam Man Wai, the Head of Research and Development of Winox Enterprise and Winox WFOE. Please refer to the section headed "Directors, senior management and staff – Senior management" of this prospectus for his qualifications and industry experience.

Our research and development team is also responsible for improving on our customers' conceptual, two dimensional drawings from the technical, engineering aspects taking into account the properties of Grade 316L stainless steel for the purposes of creating three-dimensional sketches, prototypes and samples for our customers based on their initial design. The three-dimensional drawings of products, based on our customers' two-dimensional drawings, and the logos, trademarks and other intellectual property rights that we utilise in our design and development processes are properties of our customers and we are bound by our confidentiality undertaking to our customers in relation to the use of such information or properties. Please refer to the paragraph headed "Design and development" above for further details.

Since our research and development team is also responsible for product engineering design and development and that our research efforts on manufacturing techniques and processes are applied towards production of our products, our cost of research and development during the Track Record Period had been included as part of our cost of goods sold. For each of the years ended 31 December 2008, 2009 and 2010, our staff costs for our staff for research, development and design amounted to about HK$375,000, HK$734,000 and HK$1,131,000, respectively.

To further enhance our production efficiency and technical standard, in 2004, we began to research and develop our own semi-automatic polishing techniques for stainless steel materials, which was put into production use in 2006 for our polishing processes.

COMPETITION

We face keen competition in our business. The stainless steel watch bracelet, costume jewellery and accessories manufacturing industry is highly competitive. We believe that our competitors are primarily other manufacturers specialising in manufacturing stainless steel products based in the PRC and other Asian countries with low labour costs, who have the manufacturing capability and expertise to cater for the demands of internationally renowned brands or customers for luxury products with emphasis on product quality. We compete principally on product quality, pricing, reputation, product design and development skills, manufacturing techniques, production capacity and delivery and customer service, with varying emphasis on these factors depending on the market, the customer and the product. Our business is capital intensive and we need substantial investments in sufficient number of advanced and sophisticated production equipment, such as CNC machines, in order to meet the requirements of our customers, particularly for customers of mobile phone cases, for precision, cost-efficient and large volume production. Taking into account the stringent manufacturers selection procedures and quality assurance measures adopted by brand owners of watch, costume jewellery and luxury products, in particularly owners of internationally renowned brands, and their respective intermediary agents, and the substantial capital investments required to stay competitive in the industry, we believe that these brand owners and their intermediary agents tend to establish and maintain long term relationship with reliable manufacturers to ensure continuous supply of products with consistent product quality. Nevertheless, should we fail to successfully compete in one or more of the foregoing areas in the future, we may not be able to maintain our relationship with customers of these calibres or otherwise stay competitive in the industry, and our results of operation could be materially and adversely affected as a result.

We believe that we excel in the area of manufacturing techniques, in particular our polishing techniques for stainless steel materials, and in product quality and delivery and low product return rate. We believe that our long and close relationship with our customers is difficult to be replicated by our competitors. In addition, we also believe that we are among a limited number of manufacturers that have our own product development and research and development capabilities, and the manufacturing capability and expertise to cater for the demands of internationally renowned brands or customers for luxury products with emphasis on product quality.

While we believe that we are well-positioned to capture market opportunities, there can be no assurance that we will be competitive in these areas in the future. Please refer to the section headed "Risk factors – Risks relating to our Group" in this prospectus. Please also refer to the section headed "Industry overview – Competitive landscape in the stainless steel luxury products and mobile phone cases manufacturing industry" in this prospectus for further analysis on the competitive landscape of the industry in which we are operating.

ENVIRONMENTAL PROTECTION

We recognise the importance of environmental protection and have adopted stringent measures for environmental protection in order to ensure the compliance by us of the prevailing environmental protection laws and regulations.

Our operations in the PRC are subject to the national environmental protection laws and regulations and rules promulgated by the local governments in the jurisdictions where our production facilities are located in the PRC. These laws and regulations include the Environmental Protection Law of the PRC, the Water Pollution Law of the PRC, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Atmospheric Pollution Prevention Law of the PRC and the Administrative Rules on the Environmental Protection of Construction Projects, the Law of the PRC on Appraising Environmental Impacts, and the Administrative Rules on the Environmental Protection of Construction Projects and the Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects. Please refer to the section headed "Regulatory overview" for further details of these laws and regulations.

During the Track Record Period, our annual cost of compliance with applicable environmental rules and regulations amounted to about RMB114,000, RMB153,000 and RMB373,000 (inclusive of the fine in the sum of RMB80,000 as mentioned below) for each of the years ended 31 December 2008, 2009 and 2010, respectively. We currently expect that our annual costs of compliance for the year ending 31 December 2011 would amount to about RMB0.3 million.

The principal wastes produced and emitted by us during our production process comprise principally waste water, chemical wastes and solid waste. We have adopted the following environmental protection measures:

– We have engaged a chemical waste disposal company in the PRC, which has the requisite Dangerous Waste Operating Licence (危險廢物經營許可證) to collect, store and process chemical wastes produced by us during our production process;

– we have engaged recycle company to sell and recycle stainless steel residues and waste produced by us during our production process;

– we have waste water treatment facilities to filter solid wastes and residues from waste water emitted from our production facilities; and

– we have engaged an external agency which is approved by the local environmental protection authorities in the PRC to install the waste treatment facilities to ensure our compliance with the applicable PRC laws and regulations regarding environmental protection.

Pursuant to an industrial waste disposal agreement entered into between Winox WFOE and a competent entity with Dangerous Waste Operating Licence in October 2010, we have entrusted the competent entity to recycle and dispose of the chemical wastes produced during our production processes for an annual fee of RMB28,000. Winox WFOE shall fill in a chemical wastes transfer report form, and the entrusted entity shall submit the report form to the relevant environmental protection administrative authority for approval. Winox WFOE shall classify the chemical wastes, package them properly and attach proper labels to such packaged wastes before turning them over to the entrusted entity for transportation and disposal.

Pursuant to two environmental protection project contracting agreements entered into between Winox WFOE and an environmental protection service provider in the PRC in September 2008 (as supplemented by a supplemental agreement entered into by the same parties in January 2010) and July 2010, the service provider, for a total consideration of about RMB1.3 million, undertook the design and construction of (1) environmental protection facilities that dealt with the polluting materials generated during our production processes which included gas and noise produced by power generators, waste water, polishing dust and acid etching wastes and (2) industrial waste water treatment facilities. The service provider was responsible for ensuring (i) that the pollutants and waste water discharged by Winox WFOE would comply with the standards required by the relevant environmental protection administrative authority, (ii) that the environmental protection facilities of Winox WFOE would be acceptable and approved by the relevant authority, (iii) that the industrial waste treatment facility would pass the monitoring inspection of the relevant authority and (iv) that Winox WFOE would obtain the relevant Pollutant Discharging License (排放污染物許可證) for the purpose of its operations.

During the Track Record Period, we were found unable to comply with certain environmental protection regulations for construction projects in the PRC, and were imposed of a fine for a sum of RMB80,000 by Dongguan Bureau For Environmental Protection (東莞市環境保護局). Please refer to the paragraph headed "Non-compliance and legal proceedings" below for further information of such non-compliance. Save as aforesaid, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fine or claim arising from non-compliance of environmental protection laws and regulations. As advised by our PRC legal advisers, save for the said non-compliance, our subsidiaries in the PRC has complied with all applicable environmental protection laws in the PRC and has not been subject to any fine or claim arising from any non-compliance of environmental protection laws in the PRC.

NON-COMPLIANCE AND LEGAL PROCEEDINGS

We set out below the non-compliances and irregularities relating to our operations during the Track Record Period:

1. *Failure to contribute fully the registered capital of Winox WFOE within the prescribed time* – Winox WFOE increased its registered capital by HK$5 million in August 2007, but Winox Enterprise did not pay its in-kind contribution (being equipment) of HK$350,000 within the statutory prescribed time limit. Winox Enterprise inadvertently missed the capital contribution deadline because the said equipment was no longer required by Winox WFOE.

   As advised by our PRC legal advisers, Winox Enterprise may be fined an amount equivalent to 5% to 15% of the said HK$350,000, the certificate of approval (批准證書) of Winox WFOE may be invalidated, and the business licence of Winox WFOE may be revoked.

   To rectify the situation, Winox WFOE altered such in-kind contribution to a HK$350,000 cash contribution and completed the requisite filing at the Dongguan Foreign Trade and Economic Cooperation Bureau (東莞市對外貿易經濟合作局) (a competent regulatory authority as advised by our PRC legal advisers) on 11 March 2011. Winox WFOE has subsequently completed the said cash capital contribution and the relevant capital verification in April 2011.

   Winox WFOE has applied to Dongguan Foreign Trade and Economic Cooperation Bureau for the capital increase and obtained such approval and the new certificate of approval. As advised by our PRC legal advisers, there is no material legal impediment for Winox WFOE to complete the registration procedures for the capital increase in the local industry and commerce administration authority and obtain the new business license.

2. *Non-compliance with environmental regulations by Winox WFOE* – At the material time, Winox WFOE had engaged a specialist company recommended by the

Dongguan Bureau for Environmental Protection (東莞市環境保護局) ("Dongguan EP Bureau") for the installation of environmental protection facilities for its electrolysis and acid etching processes. Relying on the assurance of the specialist company, Winox WFOE considered that such facilities should have complied with the standards prescribed by the Dongguan EP Bureau and expected that the relevant approval certificate could be obtained as a matter of time. However, the environmental assessment and the certification process was unexpectedly lengthy, and, pending inspection acceptance of the facilities and obtaining the relevant environmental assessment approval, Winox WFOE continued its operations. As a result thereof, in June 2010, the Dongguan EP Bureau issued an administrative penalties decision (行政處罰決定書) (the "Penalty Decision") to Winox WFOE, and requested Winox WFOE to cease production and engage an entity with Hazardous Waste Operation Permit Certificate (危險廢物經營許可證) to dispose of the hazardous waste and imposed a fine of RMB80,000.

Winox WFOE met with Dongguan EP Bureau on the next day upon receipt of the Penalty Decision. During the meeting, Winox WFOE was verbally assured by Dongguan EP Bureau that it could continue with its production activities notwithstanding the Penalty Decision since (i) the relevant facilities were designed and constructed by the specialist company recommended by the approving bureau itself; and (ii) the non-compliance did not relate to the laws regulating illegal discharge of waste water or materials, but was merely a procedural non-compliance in relation to the inspection acceptance and approval of the environmental assessment by the relevant authority, which could be rectified without the cessation of business operation. As our management anticipated that the non-compliance is merely a procedural non-compliance, Winox WFOE continued with its production activities.

As advised by our PRC legal advisers, as no written approval was given by the Dongguan EP Bureau, Winox WFOE did not comply with the Penalty Decision as it continued its production from 1 July 2010 to 23 August 2010, being the date of the environmental protection facilities of Winox WFOE passing the inspection acceptance. Pursuant to the applicable law and administrative measures, Winox WFOE may be subject to a fine ranging from RMB50,000 up to RMB500,000. As at the Latest Practicable Date, no demand note or penalty had been received by Winox WFOE in respect thereof.

Winox WFOE submitted the environmental assessment report form for the relevant facilities to the Dongguan EP Bureau and has obtained the relevant environmental approval, and the environmental protection facilities of Winox WFOE have passed the inspection acceptance of such authority. In compliance with the requirements of the Dongguan EP Bureau, Winox WFOE has also engaged a competent entity specialise in handling the relevant hazardous waste as recommended by the Dongguan EP Bureau to dispose of the hazardous waste from its production process, and obtained the Pollutant Discharge Permit (排放污染物許可證) in relation to its operations. In the year 2010, RMB28,000 was paid to the competent entity for the handling of the relevant hazardous waste. The Dongguan EP Bureau (a competent authority as advised by our PRC legal advisers) has confirmed that Winox WFOE can continue with its production since 23 August 2010. As advised by our PRC legal advisers, save for the fine of RMB80,000 referred to in the Penalty Decision which had been paid in full and the potential fine ranging from RMB50,000 up to RMB500,000 referred to above, there are no other consequences on us for the non-compliance with environmental regulations.

3. *Non-compliance with export customs regulations by Winox WFOE* – In August 2010, fines for an aggregate sum of RMB33,200 were imposed on Winox WFOE by Customs Authority of Dongguan (東莞海關) for its failure to accurately state the volume of goods subject to export customs clearance due to clerical oversight, which led to its failure to pay taxes aggregating RMB32,200. Winox WFOE had subsequently paid such fines in full and thus it is not expected that any additional liability of our Group will arise from such non-compliance.

   Customs Authority of Dongguan issued a notice to Winox WFOE in January 2011, informing Winox WFOE that since it had been fined in excess of RMB10,000 due to its previous failures to make accurate customs declarations, if Winox WFOE could not pass the relevant examination within a six month rectification period, Winox WFOE would lose certain administrative preferential treatments and would be subject to more stringent import/export sampling procedures and hence longer customs clearance time. Winox WFOE would also need to pay customs duty deposits (currently at 50%) for the restricted imported materials under the processing trade. During the rectification period, the Customs Authority of Dongguan may instruct Winox WFOE to organise the relevant staff to study the relevant laws and regulations, and to take effective rectification measures. Winox WFOE shall submit a rectification report every three months throughout the rectification period and submit an overall rectification report at the end of the rectification period to the Customs Authority of Dongguan.

   Subsequent to the non-compliance as mentioned above, our Group has adopted additional measures including, among others, those set out in the paragraph headed "Internal control measures" below. During the examination period and up to the Latest Practicable Date, our Directors were not aware of any violation of customs rules and regulations by Winox WFOE or the occurrence of any issues which might cause Winox WFOE to lose the administrative preferential treatments. The rectification period will expire on 4 July 2011, which is before the Listing Date. While our Directors are not aware of any legal or other impediment for Winox WFOE to pass the examination, as advised by our PRC legal advisers, there are still risks that Winox WFOE may not pass the examination. Nevertheless, the Directors are of the view that even if we lose the said administrative preferential treatments, there would not be a material adverse effect on our financial position or business operation.

4. Though we had obtained the Certificate for the Use of State-owned Land for our Dalang Factory on 10 April 2003, eight buildings in the Dalang Factory

have not yet obtained and may not be able to obtain the relevant title certificates. The eight buildings account for an aggregate gross floor area of about 14,163.3 sq.m., representing about 30.5% of the total gross floor area of the fifteen buildings in our Dalang Factory. Among the eight building, three of them are factory buildings with a gross floor area of about 11,032.3 sq.m., representing about 23.8% of the total gross floor area of the fifteen buildings in our Dalang Factory, and are currently used for production purposes.

Winox WFOE engaged a building contractor for the construction of the relevant buildings and to complete the necessary governmental approval procedures, including obtaining the Planning Permit for Construction Works (建設工程規劃許可證) and the Permit for Commencement of Construction Works (建築工程施工許可證). However, the contractor failed to obtain the relevant permits and certificates.

We have subsequently applied for the necessary building ownership certificates for three of such buildings with an aggregate gross floor area of about 10,728.3 sq.m., representing about 23.1% of the total gross floor area of the said fifteen buildings. Two of these three buildings are factory buildings housing our production facilities, while the third building houses our guard rooms. Application of which was accepted by the Dalang Office for Completing Property Rights Formalities of Built Properties (大朗鎮已建房屋補辦房地產權手續工作辦公室) (a competent regulatory authority as advised by our PRC legal advisers) ("Dalang Office for CPRF of BP") on 15 February 2011. The Dalang Office for CPRF of BP has requested us to engage an approved building inspector to conduct a safety inspection (房屋安全監定) for one of these factory building in order to continue the application process for the title certificates for the said three buildings. Our Directors currently expect that the inspection will be completed by the end of June 2011, after which we can proceed with the procedure to obtain the building ownership certificates, which we currently expect will be obtained by the end of 2011. As advised by our PRC legal advisers, upon the safety status of the said three buildings being verified by the housing safety inspection institute to have met the relevant building safety requirements, and Winox WFOE submitting the Construction Land Use Permit (建設用地許可證), the Planning Permit for Construction Works (建設工程規劃許可證), the Permit for Commencement of Construction Works (建設工程施工許可證), the Final Completion Acceptance and Inspection for the Record (竣工驗收備案) and other documents required by relevant authorities, there will be no material legal impediments for Winox WFOE to obtain the title certificates of the said three buildings.

We are unable to obtain the necessary building ownership certificates for the other five buildings which have an aggregate gross floor area of about 3,435.00 sq. m., representing about 7.41% of the total gross floor area of the said fifteen buildings, and with an aggregate net book value of about RMB2.0 million (equivalent to about HK$2.4 million) as at 30 April 2011. Even though we have submitted our application for the building certificate for all the eight buildings, however, the Dalang Office for CPRF of BP considered that since only the planning permit and construction permit were missing for the aforementioned three buildings whereas the other five buildings who were built under hasty decision and hence lacking proper documentation on the construction plan, do not have sufficient planning and construction documents for their consideration to process the applications, the Dalang Office for CPRF of BP only accepted our application for the aforementioned three buildings but not the other five. One of those five buildings is used by our Group for our acid etching production processes. The remaining four buildings are mainly used for training and warehouse purposes. In view of the insignificant usage of four of such buildings and the easy relocation of the production process in the remaining one building should that be necessary (as outlined below), and the fact that we are unable to obtain the relevant building ownership certificates, we are planning to relocate the acid etching production process and other auxiliary functions to another factory building which has the necessary building ownership certificates by the end of 2011 and demolish the respective buildings afterwards.

Further updates on the obtaining of the aforementioned permits and certificates will be made in our forthcoming annual report. For our risks in relation to the above, please refer to the paragraph headed "Risks relating to our Group – Potential legal defect in certain properties in the PRC where our products are manufactured could adversely affect our ownership and use of such properties" in the "Risk Factors" section of this prospectus for further details.

We have been using such properties for a long time, and up to the Latest Practicable Date, our Group had not received any demand for demolition of such buildings. Our Directors consider that, in the event that the local government authorities require us to demolish all or any of the buildings at the Dalang Factory for which we had failed to obtain the necessary building ownership certificates before the Latest Practicable Date, the impact thereof on our Group's operation should not be material as (i) except for the three factory buildings, the other five buildings are not critical to our business operation; (ii) we may relocate the relevant production lines to the other buildings within the Dalang Factory, or to the Dongfengcun Factory; (iii) we can adjust the remaining production lines at the Dalang Factory and/or the Dongfengcun Factory to meet the production requirements; and (iv) we can also subcontract any ancillary and complementary production process to subcontractors, which we had had experience during the Track Record Period. As advised by our PRC legal advisers, there is no legal impediment for us to implement any of the actions as referred to in (ii) to (iv) above.

As the production facilities that have been set up in the relevant buildings in Dalang Factory with defective titles form part of the production processes, it is not possible to reach a reliable estimate on the impact on the revenue and profit contribution of our Group from such properties with defective titles during the Track Record Period. As at 30 April 2011, the net book value of the eight buildings with defective titles amounted to about RMB13.0 million.

Together with the cost of demolishing the eight buildings of about RMB0.8 million, relocation cost for our facilities of about RMB0.5 million and a fine of maximum amount of about RMB0.9 million which may impose on us, our maximum financial exposure in relation to the demolition of the eight buildings will amount to about RMB15.2 million. Despite that our Directors are of the view that the possibilities of being required to demolish the eight buildings is remote, should we are required to do so, after taking into account the impact of the maximum exposure on our financial position and business operation, our Directors are of the view that the demolition of the eight buildings would not have any material impact on our Group.

Each of Ming Fung Investment and Winholme Holdings has also agreed to indemnify us against all claims, demands, costs, expenses, fines, actions and liabilities suffered or incurred by us due to our failure to obtain the necessary building ownership certificates in respect of these buildings. Please refer to the section headed "Other information – Estate duty and other indemnities" in Appendix VI to this prospectus for further information about the indemnity.

As the rectifications for the respective non-compliances and irregularities mentioned above had been completed, or there is no material impact on the financial position or the operations of our Group, no provision for any liability relating to the abovementioned non-compliance and irregularities has been made in our financial statements during the Track Record Period.

Save as disclosed above, as advised by our PRC legal advisers, our subsidiaries in the PRC obtained all requisite certificates, permits and licences from the relevant regulatory authorities in the PRC in relation to their establishment and business operations, and complied with the relevant laws and regulations in relation to their operations in all material respects during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

INTERNAL CONTROL MEASURES

In light of the non-compliances and irregularities as set out in the paragraph headed "Non-compliance and legal proceedings" above, our Group has implemented, or as the case may be, will implement the following internal control and corporate governance measures to ensure that similar non-compliances and irregularities will not occur in future:

Issues	Measures to ensure compliance
Failure to contribute fully the registered capital of Winox WFOE within the prescribed time	(A) We have assigned the Head of Operations of Winox Enterprise and Winox WFOE to handle and monitor closely regulatory filings and compliance matters for our PRC subsidiaries under the supervision of our in-house lawyer who possess a university degree with legal training and relevant working experience
	(B) We will retain an external PRC legal advisers for handling or supervising the application procedures for contribution of additional registered capital and other regulatory filings and compliance matters for our PRC subsidiaries in the future
Non-compliance with environmental regulations by Winox WFOE	(A) We will engage reputable and quality external consultants to undertake the construction of environmental protection facilities and handle the regulatory compliance matters with the relevant local environmental protection authority in the PRC in the future. Our internal audit department will also closely monitor the situation to avoid the occurrence of procedural defects
	(B) Our general affairs department (總務部) who is responsible for managing, among others, our facilities and the working environment, under the supervision of our in-house lawyer with the support from the Head of Human Resources for advice from the operation aspect, will supervise the performance of the external consultants for environmental regulatory compliance matters. Where necessary, we will engage external PRC legal advisers to provide legal advice as to the handling of environmental regulatory compliance matters, who will report directly to the senior management of our Group

Issues	Measures to ensure compliance
Non-compliance with export customs regulations by Winox WFOE	(A) We have arranged our inventory handling and customs clearance staff to attend training and seminars organised by the Customs Authority of Dongguan to enhance their management skills and awareness of customs clearance matters
	(B) We have adopted a more stringent customs clearance procedures and filing system, such as cross-departmental accuracy verifications before making delivery, to reduce the margin for human error
	(C) Our in-house lawyer will closely monitor the changes in and updates on the relevant custom regulations to ensure our operations and procedures are comply with the latest applicable rules and regulations on customs related matters
Lack of building ownership certificates for certain buildings in Dalang Factory due to failure to obtain the relevant permits and licences when the buildings were constructed	(A) We will engage reputable and quality building contractors based on their quality and recommendation from the local authorities in handling future construction works and ensuring compliance with the relevant regulatory compliance matters
	(B) We will retain an external PRC legal advisers for supervision together with our in-house lawyer and, where necessary, provision of legal advice on the application of the relevant licences and permits in relation to future construction works

In November 2010, we have engaged an internal control adviser (the "Internal Control Adviser") to undertake an evaluation of the internal control procedures of our Group. During the internal control review, our Internal Control Adviser has reviewed the internal control environment of our Group and, among others, the aforementioned remedy actions and preventive measures implemented by the Group against the non-compliance and irregularities of the Group during the Track Record Period and is satisfied that such measures have addressed the internal control deficiencies in relations to the respective non-compliances and irregularities.

In addition, our Internal Control Adviser has identified certain deficiencies in, among others, the reporting process and operation process of, our internal control system during their review of it and has recommended remedial measures to enhance our internal control system. Upon receipt of the recommendations made by the Internal Control Adviser in late 2010, our Group had adopted the remedial measures recommended by the Internal Control Adviser by the end of the first quarter of 2011 and the Internal Control Adviser is satisfied that relevant remedial measures as recommended have been implemented by our Group. Nevertheless, none of the deficiencies in our Group's internal control system as identified by our Internal Control Adviser were considered to be material, which may have a severe negative impact on the reporting and operation of our Group, by them.

To ensure that the respective non-compliance and irregularities will not occur again, and to further enhance the internal controls and corporate governance of our Group as well as in preparation of the Listing, we intend to adopt or have adopted the following measures to further strengthen our internal control system:

(A) We have formed an internal control committee (the "**Internal Control Committee**") in June 2011, comprising of our managing Director, chief executive officer and head of internal audit. Our Internal Control Committee is responsible for the implementation of the remedial plans recommended by our audit committee of the Board (the "Audit Committee") based on the reports of our internal audit department, so as to ensure our compliance with the Listing Rules and the relevant laws and regulations in the PRC and Hong Kong.

(B) We will establish an internal audit department before the Listing, which will initially consist of the head of internal audit with one to two supporting staff. The head of internal audit will be a qualified accountant who possesses relevant auditing experience to monitor and oversee daily operation of internal control matters. The internal audit department will report to our Audit Committee directly on a quarterly basis to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations, and recommend remedial plans for any internal control deficiencies identified. Our Audit Committee will give instructions to our Internal Control Committee for the implementation of any remedial plans should there be any internal control deficiencies, and our Internal Control Committee will ensure that all the recommended remedial plans are implemented. The internal audit department will also closely monitor the capital investment made by our Group to ensure that all the newly added facilities will commence operation only after all relevant certificates and licenses are obtained.

(C) We have revised the corporate structure of Winox WFOE such that our in-house lawyer and the Head of Operations of Winox WFOE will oversee the customs clearance, operation of the environmental protection facilities as well as other material operations of Winox WFOE together so as to ensure compliance with the relevant PRC laws and regulations. Winox WFOE will conduct regular departmental meeting to review its operations and our in-house lawyer and the Head of Operations of Winox WFOE will report any irregularities identified to the head of internal audit of our Company.

(D) We have appointed (1) Mr. Chau Kam Wing Donald, who has over 20 years of experience in auditing, taxation and financial management, as our financial consultant since May 2010 and Mr. Chau has been appointed as Finance

Director of our Company on 11 March 2011 to oversee the financial reporting and internal control functions of the Group; and (2) Ms. Chan Miu Ting, who has over 18 years of experience in corporation law, Listing Rules compliance, corporate governance and other compliance matters, as our Company's internal legal counsel and company secretary in August 2010 for overseeing the corporate governance and legal compliance matters of our Group. Please refer to the section headed "Directors, senior management and staff" of this prospectus for the respective biography of Mr. Chau and Ms. Chan. Mr. Chau is supported by Ms. Ng Lai Chun, the senior finance manager of our Company and the Head of Accounts of Winox Enterprise and Winox WFOE whose biography is set out in the section headed "Directors, senior management and staff" of this prospectus, and the 31 staff responsible for the finance and accounting functions of our Group of whom the majority holds finance or accounting related qualifications. Ms. Chan is assisted by our retained external PRC legal counsel, a qualified PRC law firm, in handling PRC legal matters of our Group and an in-house PRC qualified lawyer, who has over 4 years of experience in PRC related legal matters and is responsible for handling and supervising all PRC regulatory filing and compliance issues.

(E) We will expand the scope of legal work of our retained external PRC legal counsel for legal advisory on compliance with the applicable PRC laws and regulations after Listing. We will implement various training programs, with the support of our retained external PRC legal counsel, to update our Directors, senior management and relevant employees on the relevant PRC laws and regulations.

(F) We will continue to engage the Internal Control Adviser as our internal control adviser after the Listing to conduct annual review on our Group's internal control procedures for at least one year after the Listing and, subject to the recommendation of the Audit Committee, extend its engagement for further terms. The review will focus on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of our internal control measures implemented, and the standards and effectiveness of our corporate governance, operations and management to ensure our compliance with the Listing Rules and the applicable laws and regulations in the PRC and Hong Kong. We will disclose any material irregularities identified during such review in our interim and annual reports.

(G) We have formed the Audit Committee in June 2011, which will establish formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts.

(H) In addition to the Audit Committee, we have also formed the remuneration committee and nomination committee in June 2011 to ensure compliance with the Listing Rules and relevant laws and regulations. Please refer to the section headed "Directors, senior management and staff – Board committees" of this prospectus for details.

(I) We have appointed Haitong Int'l Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advice to our Directors and management team regarding matters relating to the Listing Rules. Please refer to the section headed "Directors, senior management and staff – Compliance adviser" of this prospectus for details.

In light of the above measures, our Directors take the view, and our Sole Sponsor concurs, that we have adequate internal control procedure and policies in place to prevent further occurrence of non-compliance.

INSURANCE

We maintain insurance for our offices, motor vehicles, manufacturing facilities and inventories in the PRC and Hong Kong. We also maintain insurance against losses of cargo shipments in connection with our shipment of products to our customers, and personal injury and medical treatment insurances for our Hong Kong staff seconded to or stationed in the PRC. We have also maintained two life insurances of Mr. Yiu for the benefit of the Company and a financial institution as required under the loan financing arrangement with the said financial institution.

Social insurance is provided for our employees including insurance for retirement, unemployment, sickness, injury and maternity as required by the PRC social security regulations or local policies of Dongguan where our operations in the PRC are located. As at the Latest Practicable Date, we had not been subject to any insurance claims which were material to us. For Winox WFOE, the Dongguan Social Security Department Dalang Sub-Branch (東莞市社會保障局大朗分局) (a competent regulatory authority as advised by our Company's PRC legal advisers) had confirmed in March 2011 that Winox WFOE had complied with the relevant laws and regulations in respect of social insurance.

Our Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Cap.485 of the Laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of our Group in an independent administered fund. Our Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

EMPLOYEES

Our Group had over 3,000 full-time employees as at 31 December 2010. The following table shows a breakdown of its employees by division or function as at 31 December 2010:

Area of operation	Number of employees	Percentage of total
Management	11	0.4%
Production	2,714	88.1%
Sales and marketing	15	0.5%
Research and development and design	80	2.6%
Business operations *(Note)*	130	4.2%
Finance and accounting	31	1.0%
General administration	100	3.2%
Total	3,081	100.0%

Note: This includes purchasing, information technology, and quality control and assurance.

Our total staff costs for the three years ended 31 December 2008, 2009 and 2010 were about HK$76.4 million, HK$70.7 million and HK$94.0 million respectively, which accounted for about 23.5%, 27.5% and 23.6% of our total turnover in the corresponding periods.

Our Group recognises the importance of good relationship with its employees. Our Directors believe that the working environment and benefits offered to our Group's employees have contributed to building good staff relations and retention. We estimate that the average turnover rate of our employees was about 7.3% for the year ended 31 December 2010. We believe that our relatively low turnover rate is attributable to our commitment to staff welfare and good working environment. Our Group continues to provide training for its staff to enhance technical knowledge as well as knowledge of industry quality standards. Our Directors believe such initiatives have contributed to the increased employee productivity.

We seek to grow our management team internally through effective training and promotion programs. We contribute to our employee's social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations. We adhere strictly to statutory employment standards and those requested by our customers, such as wages and working hours, and maintain appropriate internal standards and workplace practices. We have been accredited with SA8000:2008, an international standardised code of conduct on working conditions, in January 2008. These certifications represent a key achievement in our commitment to corporate social responsibility and our focus on staff development and welfare.

Under the relevant PRC laws and regulations, our PRC subsidiaries are required to make contributions to several employee social and welfare schemes.

As at the Latest Practicable Date, our Group had not experienced any significant problems with our employees or disruption to our operation due to labour disputes, nor had our Group experienced any difficulties in the recruitment and retention of experienced staff.

OCCUPATIONAL SAFETY

To ensure that our production facilities comply with the applicable safety standards, we have established operational safety guidelines and manuals, such as fire safety manual and production safety manual, which set out the requisite requirements and procedures to be adhered to for the prevention of accident in our production facilities. All of our production facilities are required to be thoroughly tested before commencement of production. All operators of production facilities are required to be trained before they are allowed to operate the facilities. Training sessions are provided on the required safety and hygiene standards. As a result, we have maintained a low average injury rate among our staff at our production facilities. During the Track Record Period, we had not experienced any material or prolonged stoppages of production due to production facilities failure and we had not experienced any major accidents during our production process. We are not aware that any toxic substance produced during our manufacturing processes has caused personal injuries. As at the Latest Practicable Date, our production facilities complies with all applicable laws, regulations and standards in relation to safety. In March 2011, Dongguan City Administration of Work Safety Dalang Sub-Branch (東莞市安全生產監督管理局大朗分局) and Boluo County Administration of Work Safety (博羅縣安全生產監督管理局) (each being a competent regulatory authority as advised by our Company's PRC legal advisers) had confirmed that we had complied with the relevant laws and regulations in respect of work safety.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group was the registered owner of four trademarks in Hong Kong and three trademarks in the PRC. For further information on these intellectual property rights, please refer to "Appendix VI – Intellectual property rights" to this prospectus.

PROPERTIES

Set out below is a summary of our property interests in the PRC and Hong Kong. For further details, please refer to Appendix IV to this prospectus.

Owned properties

We own the land and buildings constituting our Dalang Factory. Details of our interests in and title defects of the Dalang Factory has been set out in the paragraphs headed "Manufacturing facilities and machinery" and "Non-compliance and legal proceedings" above and in the paragraph headed "Risks relating to our Group – Potential legal defect in certain properties in the PRC where our products are manufactured could adversely affect our ownership and use of such properties" in the "Risk factors" section of this prospectus.

We also owned six residential units situated at Ming Fung Dongjiang Garden Liaozai Village, Yuanzhou Town, Boluo County, Huizhou, Guangdong Province, the PRC with an aggregate gross floor area of about 1,016.9 sq.m. The residential units are used by us as senior management staff quarters.

Leased properties and the operating rights of land

Huizhou WFOE, as tenant, has entered into a lease agreement with Ming Fung Kitchen in May 2011 for the leasing of our Dongfengcun Factory located at Dongfengcun, Boluo County, Huizhou, Guangdong Province, the PRC with an aggregate site area of about 6,666 sq.m. comprising four buildings with a gross floor area of about 3,730 sq.m. for an initial term of two years with option to renew on the same terms, for carrying out our stainless steel mobile phone cases manufacturing operations at our Dongfengcun Factory, the details of which are set out in the paragraph headed "Manufacturing facilities and machinery" above. Our Dongfengcun Factory has been leased by us for temporary production use pending completion of our planned development of our own production facilities at Huzhen, Huizhou, further details of which are set out in the paragraph headed "Business strategies – Expansion of production capacity". Further details of the above transaction have been set out in the paragraph headed "Continuing connected transactions – 3. Exempt continuing connected transaction – PRC lease agreement" in the "Relationship with the Controlling Shareholders" section of this prospectus.

To enhance our chances of acquiring and obtaining the land use rights over the land in the future, Huizhou WFOE have obtained the operating rights of land (土地承包經營權) in respect of five parcels of land (the "Huzhen Site") in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC, which are village-collectively-owned land for husbandry uses with an aggregate site area of about 697,666.67 sq.m., in January 2010 for a consideration of RMB16.3 million (equivalent to about HK$19.2 million) from two Independent Third Parties of which RMB14.0 million (equivalent to about HK$16.5 million) had been paid during the year ended 31 December 2010. As advised by our PRC legal advisers, the said consideration of RMB16.3 million will be regarded as part of the payment by us for part of the consideration payable by us for the acquisition of the Huzhen Site. The Huzhen Site is currently vacant, and it is part of our future plans to establish our Huzhen Factory at the Huzhen Site, the details of which are set out in the paragraph headed "Business Strategies – Expansion of production capacity" above.

As confirmed by the Boluo Huzhen People's Government in November 2010, it had agreed to use its endeavours to coordinate with the relevant land bureau for the grant to us of the requisite construction land quota (建設用地指標) for the acquisition of land in Huzhen for an area of initially 300 mu (equivalent to about 200,000 sq. m.) by end of 2011, and for an area of 700 mu (equivalent to about 466,667 sq. m.) by end of 2013. The Boluo Huzhen People's Government has also confirmed to us in March 2011 that it will use its best endeavours to procure that an area of 300 mu (equivalent to about 200,000 sq.m.) at the Huzhen Site will be made available for development purpose after compliance with the applicable approval (for land expropriation and conversion of usage) and auction procedures. Under the applicable PRC laws, the procedures of auction for construction land use right could be summarised as follows: (i) the land resource administration bureau (the "assignor") shall issue an announcement in respect of public auction for a particular parcel of land; (ii) the bidding applicants who satisfy the requirements of the announcement can, at specified time and location, openly bid for the parcel of land; (iii) after determining the winning bidder by holding a competitive public auction, the assignor and the winning bidder shall then enter into a confirmation; (iv) the assignor and the winning bidder shall enter into a grant contract for the assignment of construction land use right at a time and venue set out in the confirmation; and (v) the winning bidder shall pay up the land grant premium, and the land resource administration bureau shall issue the land use right to the winning bidder. However, as advised by our PRC legal advisers, we have to overcome potential legal obstacles and complete certain legal procedures to achieve the intended use and acquisition of the Huzhen Site for the purposes of our Huzhen Factory expansion plans. Please refer to the paragraph headed "Risks relating to our Group – We face various legal obstacles and procedures with respect to our future plans for our Huzhen Factory" in the "Risk Factors" section of this prospectus for details.

Winox Enterprise, as tenant, has entered into a tenancy agreement with Mr. Yiu for the leasing of a property located at Rooms 2B, 2C and 3, 1st Floor, Sunray Industrial Centre, 610 Cha Kwo Ling Road, Yau Tong, Kowloon, Hong Kong for warehouse and ancillary office purposes for a term of two years. Further details of the above transaction have been set out in the paragraph headed "Continuing connected transactions – 2. Exempt continuing connected transaction – Hong Kong tenancy agreement" in the "Relationship with the Controlling Shareholders" section of this prospectus.