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). Our core management team possesses more than 20 years of experience and technical knowledge in handling stainless steel materials and product design. With our production and development capabilities, we are capable to offer a comprehensive production solution to our customers by developing and producing the final products based on our customers' two-dimensional, conceptual drawings for eventual mass production.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF OUR GROUP

Our results of operations and our financial condition have been, and we believe will continue to be, affected by a number of factors including those set out as follow:

Global economic conditions

The business of our Group greatly depends on the performance of our end customers, which are internationally renowned brands with significant presence in the luxury market. The demand for the products of our end customers is largely related to the global economic and market conditions, in particular the emerging markets such as China which demonstrate strong market demand for luxury goods. For the year ended 31 December 2010, the turnover and the profit of our Group have increased by about 55.1% and 74.4% respectively as compared with that for the year ended 31 December 2009 mainly due to the strong recovery in the economy of the emerging markets after the financial crisis. Any fluctuation in the global economy, in particular the economy of emerging markets with strong demand for luxury goods, may affect the turnover and hence the profit of our Group.

Further details of which are set out in the paragraph headed "Our industry is subject to economic and market conditions. There has been significant deterioration and volatility in the global financial markets recently. As a result, our business operations may be adversely affected" in the section headed "Risk factors" of this prospectus.

Product pricing

We adopt a cost-plus model to develop our quotations for our customers. Our calculation of the estimated cost of productions used in developing our quotations is based on the bills of materials of our products which have taken into account the costs of production materials used, labours costs incurred and the sharing of manufacturing overheads incurred for production. During the Track Record Period, we have been able to pass the increased production materials costs and labour costs to our customers through increasing the price of our products. If we are unable to pass on the cost increment to our customers in a timely manner, our results could be materially and adversely affected.

A majority portion of our products were quoted and priced in US$ and HK$ while a significant portion of our costs incurred was denominated in RMB during the Track Record Period. As we do not adopt any currency hedging practice for the currency mismatch, any further appreciation of RMB against US$ and HK$ would increase the effective cost to our Group and hence would also affect our results.

Further details of which are set out in the paragraphs headed "Higher labour and production materials costs would reduce our margins and profitability" and "We are subject to foreign exchange exposure and currency conversion risks" in the section headed "Risk factors" of this prospectus.

Production capacity

Our product production capacity affects our turnover, in particular our turnover growth in the near future. If any of our production facilities experience significant downtime, our production facilities may not be able to produce sufficient products to meet the orders of our customers, and resulting in a negative impact on our turnover. We are in the process of expanding our production capacity to cope with the increasing demand for our products. We have allocated about 65% and 25% of our net proceeds of the Share Offer for funding the capital expenditures required for the acquisition of equipment and machinery for the Dongfengcun Factory and Huzhen Factory and to finance the development of the Huzhen Factory which will increase our production capacity to meet the demand of our customers and our expanding products portfolio respectively. Any prolonged or significant disruption to our expansion plan may adversely affect our business, financial condition and results of operations.

Further details of which are set out in the paragraphs headed "Our future operating results may depend on the results of our expansion plan and our ability to improve efficiency and production at the existing manufacturing facilities" and "We concentrate our production operations at our Dalang Factory and Dongfengcun Factory and any disruption of operations at these facilities may adversely affect our operations" in the section headed "Risk factors" of this prospectus.

Production materials

Cost of production materials represented the largest component of our cost of goods sold, and a material portion of which represented the cost of stainless steel we used in our production. Stainless steel we used was supplied to us in the form of bars, plates and wires, and component parts. Nevertheless the pricing of stainless steel in different forms shared the same price fluctuation trend. The price of stainless steel had been, in general, on an increasing trend during the Track Record Period. As we have not entered into any long term supply agreement with our suppliers for stainless steel materials and components, any material increase in or fluctuation of the market price of stainless steel, regardless of whether it is caused by an increase in market demand for stainless steel or a decrease in supply of stainless steel, may materially affect our results.

Further details of which are set out in the paragraph headed "Fluctuation in the prices and supply of stainless steel materials and components may adversely affect our profit margins and results of operation" in the section headed "Risk factors" of this prospectus.

Labour

Labour cost represents the second largest component of our cost of goods sold. The minimum wage level imposed by the Labour Contract Law of the PRC (the "**Labour Law**") had put a significant pressure on our cost of goods sold. Since the establishment of the Labour Law in 2008, the applicable minimum wage level for us had been increased from RMB770 at the beginning of the year 2008 to RMB1,100 as at the Latest Practicable Date. Any further increment in the minimum wage level applicable to our Group will have a negative impact on our results.

In addition, the rapidly growing economy in the PRC has increased the career choices of the general public in the PRC, making it more difficult for us to retain exiting workers and recruit new labour. To retain our existing workers and attract new labour to our factory, we have increased our staff benefits provided. Average salary of the workers had also been increased from about HK$1,995 per month to about HK$2,489 per month in the last two years. We may not be able to retain our existing staff or attract new labour should we fail to match with the workers' salary and benefits provided by other companies or factories nearby.

Further details of which are set out in the paragraph headed "Our labour costs may increase for reasons such as the implementation of the Labour Contract Law of the PRC or a labour shortage in the places we operate" in the section headed "Risk factors" of this prospectus.

Market competitions and regulatory controls

We face keen competition in our business as an original equipment manufacturer specialising in manufacturing stainless steel products for our customers based on their design and specifications. We have made substantial investment in production equipment as well as the manufacturing techniques and processes in the handling of stainless steel materials to maintain our competitiveness in the industry in terms of costs, time and product quality. Our results would be materially and adversely affected should we fail to maintain our competitiveness against our competitors.

In addition, we are subject to a variety of guidelines imposed either by the governments of the jurisdictions at which we carry on our business operations, or that of the jurisdictions to which our products are exported, or by our customers relating to safety, health and labour conditions. The failure by us and/or third-party manufacturers to whom we outsource manufacturing to comply, or the allegation of such non-compliance, with any present or future customer guidelines could result in loss of customer contracts or a cessation of operations and damage to our reputation.

Further details of which are set out in the paragraphs headed "We operate in a highly competitive industry", "Our manufacturing techniques and machinery and technical know-how may become obsolete" and "Our manufacturing operations are subject to various safety, health and labour guidelines imposed either by government or by customers which may increase our costs or restrict our operations" in the section headed "Risk factors".

CRITICAL ACCOUNTING POLICIES

Our Group's financial information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of the financial information in conformity with HKFRSs requires our Group's management to adopt accounting policies and make estimates and assumptions that affect amounts reported to our Group's financial information. In applying these accounting policies, our Group's management makes subjective judgements that frequently require estimates about matters that are inherently uncertain. Accordingly, actual results could differ from those estimates. Basically the estimates and assumptions involve judgements based on the latest available information, reliable information, experience and other factors that are considered to be relevant. The estimates and assumptions adopted by our Group are reliable and there have been no change in the estimates and assumptions over the Track Record Period. There is no evidence indicating that the estimates and assumptions will be changed in the foreseeable future.

The following paragraphs discuss the critical accounting policies applied in preparing our Group's financial information:

Basis of presentation

Pursuant to the Reorganisation, the Company has been the holding company of the companies now comprising the Group in March 2011.

The combined statements of comprehensive income and the combined statements of cash flows which include the results and cash flows of the companies now comprising the Group have been prepared by applying the principles of merger accounting which is consistent with the principle as stated in Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA, as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or establishment, where this is a shorter period. The combined statements of financial position of the Group as at each of 31 December 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

Although Winox Manufacturing was not formally included in the Group, it has been included in our financial information for the year ended 31 December 2008 (up to the cease of the business of Winox Manufacturing) as the Directors consider that the historical financial information of the Group should include entire activities of Winox Manufacturing for the year ended 31 December 2008 that have been a part of the history of the Group's business in manufacturing and sale of watch bracelets, costume jewellery and accessories for the Track Record Period.

Accordingly, the result related to the operations of the watch bracelets, costume jewellery and accessories business of Winox Manufacturing for the year ended 31 December 2008 is combined in the financial information of the Group. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the year ended 31 December 2008 include the results of Winox Manufacturing and the companies now comprising the Group. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the years ended 31 December 2009 and 2010 only include the results of the companies now comprising the Group.

Basis of combination

The financial information of our Group incorporates our financial information and the financial information of the entities controlled by us. Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of our Group.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of our Company.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Changes in our Group's ownership interest in a subsidiary that do not result in our Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of our Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of our Company.

Business combination under common control

The financial information of our Group incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress is stated at cost less identified impairment losses which includes all construction costs and other direct costs attributable to such projects, and borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until completion of construction and the relevant assets are available for use. Costs of completed construction works are transferred to the appropriate category of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, amount due to a director, bank borrowings and obligations under a finance lease are subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company and the group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of a reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income or expense items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the combined financial information of our Group included in the accountants' report and notes thereto set out in Appendix I to this prospectus. The combined financial information had been prepared in accordance with HKFRSs.

Key financial ratios

Set out below is the summary of the key financial ratios of our Group during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
Gross profit margin[1]	37.6%	38.8%	42.8%
Net profit margin[2]	18.9%	20.3%	22.8%
Return on equity[3]	96.3%	88.8%	88.3%
Inventories turnover days[4]	49.8	83.2	52.9
Debtors' turnover days[5]	55.2	52.0	59.8
Creditors' turnover days[6]	59.1	36.0	31.5

	As at 31 December		
	2008	**2009**	**2010**
Current ratio[7]	0.89	0.99	1.01
Gearing[8]	0.17	0.34	0.42

Notes:

1. Gross profit margin is calculated as the gross profit divided by the turnover of the respective years.

2. Net profit margin is calculated as the net profit divided by the turnover of the respective years.

3. Return on equity is calculated as the profit attributable to the owners of the Company divided by the average equity attributable to the owners of the Company of the respective years.

4. Inventories turnover days are calculated as the average inventories balance divided by the costs of goods sold of the respective years and multiplied by 365 days.

5. Debtors' turnover days are calculated as the average trade receivables balance divided by the turnover of the respective years and multiplied by 365 days.

6. Creditors' turnover days are calculated as the average trade payables balance divided by the cost of goods sold of the respective years and multiplied by 365 days.

7. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective dates.

8. Gearing is calculated as total interest-bearing bank borrowings divided by total assets as at the respective dates.

Our gross profit margin and net profit margin had been on an increasing trend during the Track Record Period. Such increase in profit margins was mainly attributable to our cost saving measures adopted during the financial crisis in 2009. In addition, being able to pass on the increased labour costs and cost of production materials to our customers had also enabled us to maintain our profit margins. Further details of which are set out in the paragraphs headed "Gross profit" and "Net profit" below.

Despite of the continuous growth in our profit and profit margins, our return on equity during the Track Record Period had been on a decreasing trend. Such trend was mainly due to the gradual accumulations of equity in our Company from the profit generated from our operations. Nevertheless we had maintained our return on equity during the Track Record Period at a level of about 96.3%, 88.8% and 88.3% for each of the three years ended 31 December 2010 respectively.

Our inventories turnover days had hiked at about 83.2 days in 2009 with a comparable inventories turnover days of about 49.8 days and 52.9 days for the years ended 31 December 2008 and 2010 respectively. The increase in inventories turnover days in 2009 was mainly resulted from the delay or slow down of delivery of our products ordered by our customers during the financial crisis in 2009. Further details of which are set out in the paragraph headed "Inventories" below.

Our debtors' turnover days remained relatively stable during the Track Record Period, while our creditors' turnover days had decreased from about 59.1 days in 2008 to about 36.0 days in 2009 and about 31.5 days which was resulted from the acceleration in settling our trade payables balances by us during 2009. Further details of which are set out in the paragraphs headed "Trade and other receivables" and "Trade and other payables" below.

During the Track Record Period, our current ratio remained stable. Although our current ratio as at 31 December 2008 and 2009 were below 1.00, as our business grew our current ratio had also been steadily improving and had exceed 1.00 as at 31 December 2010. Further details of which are set out in the paragraph headed "Net current assets/(liabilities)" below.

Our gearing as at 31 December 2008, 2009 and 2010 were about 0.17, 0.34 and 0.42 respectively. Our gearing was on an increasing trend during the Track Record Period as we had increased the usage of interest-bearing bank borrowings to reduce our credit balances with, and hence reliance on, our related parties and Directors. We had also increased our bank borrowing as a result of increased investments in production facilities, purchase of inventories and working capital financing. Further details of our indebtedness are set out in the paragraph headed "Indebtedness" below.

Combined income statements

Set out below is a summary of the audited combined results of our Group for each of the three years ended 31 December 2010.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Turnover	324,598	256,928	398,606
Cost of goods sold	(202,692)	(157,356)	(227,936)
Gross profit	121,906	99,572	170,670
Other income	1,118	1,275	4,055
Other losses	(8,464)	(1,756)	(1,254)
Selling and distribution costs	(17,995)	(12,588)	(20,075)
Administrative expenses	(23,346)	(25,058)	(35,010)
Listing expenses	–	–	(5,240)
Finance costs	(551)	(2,981)	(4,900)
Profit before taxation	72,668	58,464	108,246
Taxation	(11,169)	(6,296)	(17,267)
Profit for the year	61,499	52,168	90,979
Profit for the year attributable to:			
Owners of our Company	59,553	52,168	90,979
Non-controlling interests	1,946	–	–
	61,499	52,168	90,979

Turnover

The following table sets forth the breakdown of our turnover by product categories and the respective number of products sold for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Turnover			
Sales of			
– watch bracelets	242,457	180,855	308,008
– costume jewellery	76,763	67,480	69,500
– accessories	5,378	8,593	21,098
	324,598	256,928	398,606
	'000 pcs	**'000 pcs**	**'000 pcs**
Quantity sold as			
– watch bracelets	1,033	631	1,180
– costume jewellery	1,375	1,154	1,175
– accessories	192	291	453
	2,600	2,076	2,808

The following table sets forth the breakdown of our turnover by geographical location and the respective number of products sold for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Turnover			
Sales to			
– Switzerland	255,013	216,017	284,568
– Hong Kong	56,595	30,701	69,832
– Other European and Asian countries	12,990	10,210	44,206
	324,598	256,928	398,606

	'000 pcs	'000 pcs	'000 pcs
Quantity sold to			
– Switzerland	1,729	1,470	1,657
– Hong Kong	625	309	351
– Other European and Asian countries	246	297	800
	2,600	2,076	2,808

During the Track Record Period, watch bracelets remained our key product line and contributed about 74.7%, 70.4% and 77.3% of our total turnover and about 39.7%, 30.4% and 42.0% of our total quantity of products sold during each of the three years ended 31 December 2010, respectively. In general as the market price of a luxury watch is much higher than that of the costume jewellery and accessories, demand for luxury watches is more sensitive to the economic downturn during the financial crisis in 2009 compared costume jewellery and accessories, resulting in a decline in turnover contribution by watch bracelets during the year ended 31 December 2009. The turnover contribution by watch bracelets had recovered in the year ended 31 December 2010 back to the level before the financial crisis as in the year ended 31 December 2008 when market demand for luxury watches recovered with the economic recovery after the financial crisis in 2010. Switzerland and Hong Kong are the two major markets of our products. Decline in turnover generated from both Switzerland and Hong Kong was observed in 2009 due to the worldwide impact of the global financial crisis. As the global economy recovered in late 2009, turnover from both Switzerland and Hong Kong in 2010 had recovered and exceeded that of 2008.

A similar trend was observed in our sales volume of different product categories during the Track Record Period. During the global financial crisis in 2009, our quantity sold as watch bracelets and costume jewellery had exhibited a decline of about 38.9% and 16.1% respectively, while quantity sold as accessories had exhibited an increase of about 51.6% in 2009. A more severe decline in quantity sold as watch bracelets was observed in 2009 because of the higher sensitivity to the economic downturn of luxury watches when compared to the change in numbers of quantity sold as costume jewellery and accessories due to the higher market price of the luxury watches than that of the costume jewellery and accessories in general. Even though we started to manufacture accessories in 2007 only and the sales volume contributed by accessories remained the least when compared to that of watch bracelets and costume jewellery in 2008, as we continued to develop our reputation in the industry from our high standard of quality, we managed to attract new accessories customers and sales orders during the financial crisis. Together with the small base sales volume in the year 2008 for accessories, quantity sold as accessories in 2009 had managed to record a year-on-year increment of about 51.6%. After the financial crisis ended, the sales volume of our products had also recovered together with our turnover during the year ended 31 December 2010.

Fluctuation of the average selling prices of our products

The following table shows the average selling price and the fluctuations of the average selling prices of our products during the Track Record Period:

	Year ended 31 December		
	2008	2009	2010
	HK$	HK$	HK$
Average selling price of			
– watch bracelets	234.7	286.7	261.0
– costume jewellery	55.8	58.5	59.1
– accessories	28.0	29.5	46.5

	Percentage increase/(decrease)	
	2009	2010
Watch bracelets	22.2%	(8.9)%
Costume jewellery	4.8%	1.0%
Accessories	5.4%	57.6%

The fluctuation in average selling price of our products mainly depends on the fluctuation in the selling price of, and the market demand for, the end products of the respective brand owners, which in turn is affected by the global economy environment, or the economy environment of the region the respective brand owners targeting at. Even during the global financial crisis we had managed to maintain our product pricing strategy of adopting a cost-plus basis with a margin comparable to that before the global financial crisis when we were developing our product pricing in 2009. As most of the end customers of our products are internationally renowned brand owners with strong presence in the global luxury products market, the pricing of their products are not sensitive to the global economic environment fluctuations and had provided a strong supporting for the selling price of our products even in an adverse economic environment. Fluctuations in the average selling price of our products were mainly affected by the product mix of different products with different pricing, even in the same product category.

The average selling price of our watch bracelets for the three years ended 31 December 2010 were about HK$234.7, HK$286.7 and HK$261.0 per watch bracelet, respectively. It was observed that demand for watch bracelets priced above our average selling price were more stable than those priced below our average selling price. Our Directors believe that as the impact of the financial crisis on the disposable income of the middle class was much severe than that of the high-income class, demand for the top-tier luxury watches was less affected by the financial crisis compared with that of the middle-tier luxury watches. Since the demand for the top-tier luxury watches was less affected, the demand for the higher-price watch bracelets for the top-tier luxury watches was also less affected by the financial crisis, and a higher proportion of such higher-price watch bracelets was being sold relative to the total watch bracelets we sold in 2009 and driving up the average selling price of our watch bracelets in 2009. With the market recovered in 2010, demand for the middle-tier luxury watches recovered, causing a decline in the proportion of the higher-price watch bracelets sold relative to the total number of watch bracelets we sold, and hence the average selling price of our watch bracelets in 2010.

During the Track Record Period, the average selling price of our costume jewellery had remained stable with a percentage change of less than 5% per year. Comparatively, as we started to manufacture accessories in 2007, both the volume and the price of accessories we made in 2008 was much lower than that of the costume jewellery and resulting in a much lower average selling price for the accessories. Average selling price of our accessories remained at a low level during the financial crisis in 2009. As the market recovered from the financial crisis, demand for accessories increased, together with the customers' confidence on our product quality, we had received orders for higher price accessories from our customers and hence driving the average selling price of our accessories up in 2010, closing the price difference between the average selling price of accessories and that of the costume jewellery.

Cost of goods sold

Our cost of goods sold includes costs of production materials, labour and manufacturing overhead. Labour costs include wages and overtime work compensation paid to production workers as well as staff benefits such as meal allowances and social insurance expenses paid for them. Manufacturing overhead includes subcontracting charges and depreciation and utilities expenses incurred during our production process.

The following table sets forth the breakdown of our cost of goods sold for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Direct material costs	77,651	73,952	94,693
Direct labour costs	58,833	54,667	80,221
Manufacturing overhead	66,208	28,737	53,022
	202,692	157,356	227,936

As the production process of watch bracelets, costume jewellery and accessories are largely similar, together with the fact that no operating results and other discrete financial information is available for the assessment of performance of the respective products and locations other than revenue analysis, information of the cost of goods sold of our Group by product categories is not available.

Our cost of goods sold fluctuates primarily as a result of the change in sales and production volume during the Track Record Period. Costs of production materials and labour costs constituted the two major components of total cost of goods sold and in aggregate they accounted for about 67.3%, 81.7% and 76.7% of the total costs of goods sold for the three years ended 31 December 2010 respectively. A significant increase in percentage of cost of goods sold accountable by the cost of production materials and labour costs in 2009 to about 81.7% of the total cost of goods sold from about 67.3% in 2008 was mainly due to the reduction in subcontracting charges incurred for polishing and drilling of holes in component parts before assembling as a result of the increase in in-house production process as part of our cost saving measures during the financial crisis. During the Track Record Period, subcontracting charges incurred by us had reduced from about HK$31.9 million for the year ended 31 December 2008, or about 15.7% of the total cost of goods sold of 2008, to about HK$4.3 million for the year ended 31 December 2009, or about 2.7% of the total cost of goods sold of 2009, and about HK$14.1 million for the year ended 31 December 2010, or about 6.2% of the total cost of goods sold of 2010, which had increased as a result of the substantial increase in sales during the year 2010 compared to that of 2009. Nevertheless, the increase in our production capacity during the year had enabled us to increase the use of in-house production process as a continuation of our cost saving measures adopted during the financial crisis. As a result we had reduced the use of subcontractors and had significantly reduced the subcontracting charges incurred as a percentage of total cost of goods sold in 2010 when compared to that of 2008.

Fluctuation of the average purchase prices of our production materials

Costs of production materials represents the largest component of the total cost of goods sold of our Group, accounted for about 38.3%, 47.0% and 41.5% of the total costs of goods sold of our Group for each of the three years ended 31 December 2010, respectively. The following table shows the average purchase price per metric ton and the fluctuations of the average purchase prices of stainless steel plates, one of our main production materials used in our production, during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Stainless steel plates per metric ton	60.7	37.2	43.6

	Percentage (decrease)/increase	
	2009	**2010**
Stainless steel plates	(38.7)%	17.2%

Similar price fluctuation in other stainless steel production materials we used in our production was observed during the Track Record Period. The fluctuation in our average purchase prices of stainless steel mainly depends on the fluctuation in the market prices of Grade 316L stainless steel which is affected by the demand for stainless steel used in the manufacturing of industrial machinery, transportation, metal goods and building and construction materials. Despite a significant decrease in average purchase prices of stainless steel was observed during the year 2009, percentage of costs of productions materials to the total cost of goods sold during the year ended 31 December 2009 had increased to about 47.0% from about 38.3% in the year ended 31 December 2008. Such increment was mainly attributable to the change in product mix of our sales during the year. Additionally, as the subcontracting charges incurred during the year had decreased substantially, a much higher percentage of cost of production materials to the total cost of goods sold was observed for the year ended 31 December 2009.

We do not engage in any hedging transactions to protect us against price fluctuations as our Directors consider that the fluctuations in the costs of our production materials are generally in line with fluctuations in the selling prices of our products. In recent years, we experienced price fluctuations in our production materials due to the above-mentioned factors. Nevertheless, we were able to offset the impact of price increase in production materials by correspondingly increasing the selling price of our products to the extent that our gross margin had not been negatively affected by such increase in costs of production materials.

Fluctuation of the average labour costs

Labour costs constitutes the second largest component of the total cost of goods sold after the cost of production materials, and accounted for about 29.0%, 34.7% and 35.2% of our total costs of goods sold for each of the three years ended 31 December 2010, respectively. The fluctuation in the labour costs incurred as cost of goods sold was mainly in line with the fluctuation in the sales of our products during the Track Record Period. The following table shows the average labour costs and the fluctuations of the average labour costs during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
Total direct labour costs (HK$'000)	58,833	54,667	80,221
Average number of workers directly involved in the manufacturing process during the year	2,457	1,940	2,686
Average direct labour costs per worker per month (HK$)	1,995	2,348	2,489

	Percentage increase	
	2009	**2010**
Average direct labour cost per worker per month	17.7%	6.0%

The fluctuation in our average labour costs mainly depends on the minimum wage level as required by the Labour Law of the PRC. Nevertheless, our average direct labour cost per worker per month for each of the three years ended 31 December 2010 were higher than the applicable minimum wage level on us for the respective corresponding year, resulting from the higher base salary we paid our workers comparing with the applicable minimum wage level, and the overtime payment earned by our workers. Our Directors consider that the fluctuation of our average labour costs as shown above during the Track Record Period is generally in line with the price fluctuation of our average selling price of our products.

Gross profit

Our gross profit for each of the three years ended 31 December 2010 were about HK$121.9 million, HK$99.6 million and HK$170.7 million, respectively. Our gross margin was about 37.6%, 38.8% and 42.8% for each of the three years ended 31 December 2010, respectively. Our gross profit had declined with sales in the year 2009 when compared with 2008 as a result of the global financial crisis. Following the recovery in the post-financial crisis, the gross profit of our Group for the year ended 31 December 2010 had demonstrated a strong growth in pace with the strong economic recovery in the emerging market.

Despite that sales volume had declined during the year 2009, we had successfully managed to pass on our increased labour costs and cost of production materials to our customers, we had therefore successfully maintained the gross profit margin of our Group at about 38.8%, which is comparable to the 37.6% gross profit margin of the year 2008. The increase in in-house production process had enabled us to reduce the use of subcontractors and resulted in a significant decrease in subcontracting charges incurred by us during the year 2010. Despite that there was an increase of about 22.8% in turnover in 2010 when compared to that of 2008, a decrease of about 55.8% in subcontracting charges from about HK$31.9 million in 2008 to about HK$14.1 million was observed. Together with the strong recovery in the global demand for luxury goods after the financial crisis, the continuing improvement in our production efficiency and economies of scale which enabled us to reduce our production costs, our gross profit margin of the year 2010 had increased from about 38.8% in 2009 to about 42.8% in 2010.

We adopt the same cost-plus basis when we develop the quotations for our customers. A largely similar margin is added to the cost of productions of our products estimated based on the bills of materials of each of our products regardless of the category of the products, i.e. watch bracelets, costume jewellery and accessories. As there is no operating results and other discrete financial information available for the assessment of performance of the respective product categories and locations other than revenue analysis, information of the gross profit and gross profit margin of our Group by product categories is not available.

Net profit

Our net profit for each of the three years ended 31 December 2010 were about HK$61.5 million, HK$52.2 million and HK$91.0 million, respectively. Our net profit margin was about 18.9%, 20.3% and 22.8% for each of the three years ended 31 December 2010, respectively. The fluctuation of our net profit is about the same as that of our gross profit during the Track Record Period. Our net profit margin also demonstrated similar movement as that of the gross profit margin during the Track Record Period. Save for the about HK$1.9 million net profit attributable to the non-controlling interests of our Company recorded in the year 2008, or about 3.2% of the total net profit of our Group for the year 2008, net profit amounting to about HK$202.7 million in aggregate recorded during the Track Record Period was attributable to the owners of our Company.

For the year ended 31 December 2008

Turnover for the year ended 31 December 2008 amounted to about HK$324.6 million, of which the sales of watch bracelets, costume jewellery and accessories amounted to about HK$242.4 million, 76.8 million and HK$5.4 million, respectively, representing about 74.7%, 23.6% and 1.7% of the total turnover of the year, respectively. Average selling price of our watch bracelets, costume jewellery and accessories was about HK$234.7 per piece of watch bracelet, about HK$55.8 per piece of costume jewellery and about HK$28.0 per piece of accessory respectively. Switzerland was our top sales region during the year 2008, accounting for about 78.6% of our total turnover for 2008. During the year ended 31 December 2008, our sales to Switzerland amounted to about HK$255.0 million. The remaining part of our sales was made to Hong Kong and other European and Asian countries.

Costs of goods sold of the year mainly comprises of direct labour costs and production material costs, representing about 29.0% and 38.3% of the total costs of goods sold of the year respectively. Gross profit was about HK$121.9 million for the year ended 31 December 2008, representing a gross profit margin of about 37.6%.

Other income of the year mainly represented scrap materials sales income of about HK$0.9 million arose from the sales of stainless steel scrap resulting from the cutting process during our production. Our Group also received certain amount of claims from our suppliers as other income during the year. Other losses of our Group mainly represented foreign exchange loss of about HK$2.5 million incurred during the year and certain aged trade receivables of Winox Manufacturing recorded from the year 2000 to 2007 with an aggregated amount of about HK$2.9 million being written off upon the cessation of business of Winox Manufacturing. A loss on disposal of property, plant and equipment amounting to about HK$3.1 million had also been charged as an other loss during the year.

Selling and distribution costs for the year ended 31 December 2008 was amounted to about HK$18.0 million, which was mainly attributable to commission cost of about HK$12.9 million, staff salaries of about HK$2.1 million and transportation cost of about HK$1.8 million, representing about 71.4%, 11.6% and 10.1% of the total selling and distribution costs for the year respectively.

Administrative expenses, which was mainly comprised of staff salaries and allowance of about HK$10.3 million and depreciation and amortization charges of about HK$4.1 million, was amounted to about HK$23.3 million for the year ended 31 December 2008.

Our finance costs incurred during the year ended 31 December 2008 was amounted to about HK$0.6 million for the year on the interest-bearing banking facilities. Our gearing ratio (being total interest-bearing bank borrowings divided by total assets) as at 31 December 2008 was equaled to about 0.17.

For the year ended 31 December 2009

Turnover decreased by about 20.8% from about HK$324.6 million for the year ended 31 December 2008 to about HK$256.9 million for the year ended 31 December 2009 due to the decreased sales volume in the year 2009 primarily resulting from the worldwide decline in demand for luxury goods affected by the global financial crisis beginning from the fourth quarter of 2008 when the global market conditions were thereby adversely affected. The average selling price of stainless steel had also exhibited a decline during the year. However the reduced production volume during the year had resulted in an increase in manufacturing overhead shared by each individual piece of product produced. An increase in average labour cost had also drove up our production cost for the year.

For our watch bracelets produced during the year, the increased proportion of higher-price watch bracelets sold in the year as mentioned in the paragraph headed "Fluctuation of the average selling price of our products" above had in general increased the cost of production incurred per piece of watch bracelet as such higher-price watch bracelets require us to use stainless steel of higher quality and more manpower to manufacture. As such, the cost saving from the decrease in average stainless steel price during the year had been offset by the increased use of higher quality stainless steel, the price of which is higher than the average stainless steel price for watch bracelets. Since our selling price is developed using a cost-plus basis, our average selling price of our products during the year ended 31 December 2009 had increased in the manner as described below despite the occurrence of financial crisis.

Because of the higher degree of increase in cost per piece of watch bracelet due to the use of higher quality, and hence higher price, stainless steel when compared to that of costume jewellery and accessories during the year and a largely similar margin is added to the cost of production for all products we manufactured, a higher degree of increase in average selling price of our watch bracelets was observed against the costume jewellery and accessories, and the average selling price of our watch bracelets, costume jewellery and accessories had increased by about 22.2%, 4.8% and 5.4% respectively from about HK$234.7 per piece of watch bracelet, HK$55.8 per piece of costume jewellery and HK$28.0 per piece of accessories in the year ended 31 December 2008 to about HK$286.7 per piece of watch bracelet, HK$58.5 per piece of costume jewellery and HK$29.5 per piece of accessory in the year ended 31 December 2009, which had eased the pressure on our turnover we faced from the decline in sales volume during the year 2009. Even though our sales to Switzerland had decreased in 2009 by about 15.3% from about HK$255.0 million in 2008 to about HK$216.0 million in 2009 primarily due to the decline in global market demand for luxury goods in the financial crisis, Switzerland remained our top sales region, accounting for about 84.1% of our total turnover for 2009, as compared to about 78.6% of our total turnover for 2008.

Gross profit of the year had decreased by about 18.3% from about HK$121.9 million for the year ended 2008 to about HK$99.6 million for the year ended 31 December 2009. Even though our gross profit amount had declined during the global financial crisis, as we were able to pass on the increased average labour costs and cost of production materials to our customers, we had successfully managed to maintain our overall gross profit margin at about 38.8% for the year (2008: about 37.6%).

Other income of our Group recorded during the year 2009 was at a comparable level as that of 2008. Without the one-off loss on disposal of property, plant and equipment and the bad debt expenses recorded as in 2008, our other losses for the year had improved from a losses of about HK$8.5 million in 2008 to a losses of about HK$1.8 million in 2009.

Selling and distribution costs had decreased by about 30.0% from about HK$18.0 million for the year ended 31 December 2008 to about HK$12.6 million for the year ended 31 December 2009. The percentage decrease in selling and distribution costs incurred during the year exceed the percentage decrease in sales during the year which was primarily due the significant decrease in commission cost by about 32.6% from about HK$12.9 million for the year ended 31 December 2008 to about HK$8.7 million for the year ended 31 December 2009 as a result of the declined sales to the intermediary agents which required us to pay commissions during the year.

Administrative expenses had increased by about 7.7% from about HK$23.3 million for the year ended 31 December 2008 to about HK$25.1 million for the year ended 31 December 2009. Despite of the economic downturn, we had continued our expansion plan and raised the salary of our staff to enhance their sense of belonging during the financial crisis. As a result, our staff salaries and allowance had increased by about 17.5% from about HK$10.3 million for the year ended 31 December 2008 to about HK$12.1 million for the year ended 31 December 2009, and causing an overall increase in the administrative expenses of the Group in 2009.

To reduce our reliance on financing provided by our related parties and Director, we had reduced our credit balances with our related parties and Director and increased the use of interest-bearing bank borrowings. As a result, our finance costs for the year had increased by about 441.0% from about HK$0.6 million for the year ended 31 December 2008 to about HK$3.0 million for the year ended 31 December 2009. Due to the increased use of interest-bearing banking facilities, our gearing ratio (being total interest-bearing bank borrowings divided by total assets) as at 31 December 2009 had increased to about 0.34 from about 0.17 as at 31 December 2008.

For the year ended 31 December 2010

Turnover had increased by about 55.1% from about HK$256.9 million for the year ended 31 December 2009 to about HK$398.6 million for the ended 31 December 2010, primarily as a result of an increase in sales volume due to the increasing market demand following the global economy recovery after the global financial crisis in 2008 and 2009, in particular the booming demand for luxury products in emerging markets. The increase in sales volume in 2010 was contributed by an increase in sales volume of about 87.0% in watch bracelets, 1.8% in costume jewellery and 55.7% in accessories. Even though recovery in demand for luxury goods was observed following the recovery in global economy after the financial crisis and hence the demand for our products from our customers, the average selling price of our watch bracelets had observed a slight decline of about 9.0% as explained in the paragraph headed “Fluctuation of the average selling price of our products” above, which had slightly offset the strong recovery of sales in terms of sales volume during the year 2010. The average selling price of costume jewellery of about HK$59.1 per piece of costume jewellery had remained stable during the year 2010 when compared to that of 2009 of about HK$58.5 per piece of costume jewellery. Strong growth in both sales volume and average selling price per piece of accessory product of about 55.7% and 57.6% respectively had also been contributing to the overall sales growth observed for the year ended 31 December 2010. Due to our business growth and the increase in sales of costume jewellery and accessories in our product mix during the year 2010, our reliance on Switzerland customers had declined. Nevertheless Switzerland remained the top sales region for our products, contributing about 71.4% of our total turnover for 2010, as compared to about 84.1% of the total turnover for 2009. Turnover generated from Switzerland increased by about 31.7% from about HK$216.0 million for 2009 to about HK$284.6 million for 2010, which was in line with the recovery in watches industry of Switzerland as indicated by the strong recovery in watches export by Switzerland in 2010.

Gross profit of the year had increased by about 71.4% from about HK$99.6 million for the year ended 2009 to about HK$170.7 million for the year ended 31 December 2010. Our overall gross profit margin had also increased from about 38.8% in 2009 to about 42.8% in 2010 as a result of the continuing improvement in our production efficiency and economies of scale. The continuous expansion of our scale of production and market share have also made it possible for us to maintain a certain level of bargaining power in negotiating the purchase prices of our production materials with our suppliers. However such cost saving achieved from economies of scale in the production and the increase in bargaining power with our suppliers had been partially offset by the increase in direct labor costs from about HK$54.7 million for the year ended 31 December 2009 to about HK$80.2 million for the year ended 2010 due to the increase in the number of workers required for our expanded operations, and to a lesser extent, an increase in the average salary and benefits of our workers. On the other hand, the negative impact on our gross profit resulting from the increase in the price of stainless steel, the principal production material used by us, had been relieved by successfully passing the increased costs to our customers through price increment. Other auxiliaries cost of goods sold such as utilities costs, machinery depreciation and the repair and maintenances incurred during the year 2010 had also increased when compared to that in 2009 as a result of the expanded operations in response to the increasing market demand for the products of the respective brand owners, and hence our products.

Other income of our Group had increased from about HK$1.3 million for the year ended 31 December 2009 to about HK$4.1 million for the year ended 2010, primarily as a result of the substantial increase in income from the sale of scrap materials during the year. Other losses of the year remained at a comparable level to that for the previous year before.

Selling and distribution costs comprised mainly commission cost which had increased by about 75.9% to about HK$15.3 million for the year ended 31 December 2010 (2009: about HK$8.7 million) primarily as a result of the increased sales to the intermediary agents which required us to pay commissions by about 53.7% during the year 2010, which is in line with the increase in turnover of our Group from about HK$256.9 million for the year ended 31 December 2009 to about HK$398.6 million for the year ended 31 December 2010.

Administrative expenses for the year ended 31 December 2010 had increased by about 39.7% to about HK$35.0 million for the year ended 31 December 2010 (2009: about HK$25.1 million) primarily as a result of the significant increase in auditors' remuneration to about HK$1.8 million (2009: about HK$0.1 million), and salaries and allowance of administrative and management staff to about HK$15.9 million (2009:

about HK$12.1 million) in the year ended 31 December 2010 as a result of the increase in the number of administrative employees who were recruited for our expanded operations and in connection with the Share Offer and the increasing administrative works as a listed company upon the completion of the Listing. The commencement of professional work directly in relation to the Listing in late 2010 had also resulted in an amount of about HK$5.2 million listing expenses charged against our results for the year ended 31 December 2010.

Due to the increased investments in production facilities, purchase of inventories and working capital financing, we had increased our borrowings in the year 2010 and resulting in an about 64.4% increment in the finance costs incurred during the year 2010 to about HK$4.9 million (2009: about HK$3.0 million). As a result, our gearing ratio (being total interest-bearing bank borrowings divided by total assets) as at 31 December 2010 had increased to about 0.42 from about 0.34 as at 31 December 2009.

Major balance sheet items

Inventories

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Raw materials	16,720	8,584	9,563
Work in progress	18,413	13,544	30,647
Finished goods	11,187	3,305	423
	46,320	25,433	40,633

As at 31 December 2008, 2009 and 2010, our Group recorded an inventory balance of about HK$46.3 million, HK$25.4 million and HK$40.6 million respectively, representing raw materials for productions such as stainless steel rods and stainless steel plates, work in progress and finished goods pending for shipment to our customers. No provision for inventories had been made by our Group during the Track Record Period. The raw materials and finished goods inventories of the respective year during the Track Record Period, which represented about 60.2%, 46.7% and 24.6% of the total inventories balance for each of the three years ended 31 December 2010 respectively, had been on a decreasing trend due to our Group's new inventory management and production policy aimed at enhancing and streamlining our production planning process so as to reduce the needs to maintain a high level of spare raw materials and finished goods. The work in progress balance had increased substantially as at 31 December 2010 when compared to that at 31 December 2008 and 2009 due to the increased sales order received during late 2010, and a higher quantity level of products were being manufactured as at the year end date 31 December 2010. As at 30 April 2011, about 65.6%, 94.1% and 100.0% of the raw materials, work in progress and finished goods respectively as at 31 December 2010 had been subsequently utilized for production or sold, where applicable.

The following table sets out our average inventories turnover days during the Track Record Period:

	Year ended 31 December		
	2008	2009	2010
Average inventories turnover days *(Note)*	49.8	83.2	52.9

Note: Average inventories turnover days for each of the three years ended 31 December 2010 were calculated as the average inventories balance of the beginning and ending of the year divided by the costs of goods sold of the respective years and multiplied by 365 days.

The increase in inventories turnover days from about 49.8 days in 2008 to about 83.2 days in 2009 was mainly in response to the request of our customers to delay or slow down the delivery of our products they ordered during the financial crisis in 2009. With the financial crisis ended and sales of the end products of our customers recovered in 2010, they had requested us to resume the delivery of our products in accordance with the normal delivery schedules, hence our inventories turnover days for the year ended 31 December 2010 had returned to a comparable level as in 2008.

Trade and other receivables

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Trade receivables	32,230	41,046	89,667
Prepayments and deposits	334	340	3,324
Prepaid lease payments charged within one year	151	151	156
Other tax recoverables	452	–	2,846
Others	330	243	1,615
	1,267	734	7,941
	33,497	41,780	97,608

As at 31 December 2008, 2009 and 2010, our Group recorded trade receivables balances of about HK$32.2 million, HK$41.0 million and HK$89.7 million respectively. Except for the bad debt expense recorded in 2008 for a sum of about HK$2.9 million, being the amount of trade receivable recorded by Winox Manufacturing from 2000 to 2007 which our Directors consider to be non-recoverable when Winox Manufacturing ceased its business in December 2008, we had not provided for any other allowances for doubtful debts in the three years ended 31 December 2010. The increase in our trade receivables balances from 31 December 2008 to 31 December 2009 was primarily due to the deferred settlements and extra credit demanded by our customers as a result of the global financial crisis. The increase in our trade receivables from 31 December 2009 to 31 December 2010 was primarily due to the higher sales we made in late 2010. In view of the increased orders received in early 2010 and the development time of 6 to 12 months required for watch bracelets, our major product category, we began to ship the increased order to our customers in the second half of 2010, resulting in a higher level of sales recorded in late 2010, and hence a higher level of the trade receivables balance as at the year ended 31 December 2010.

The following table sets out the aging analysis of our trade receivables as at 31 December 2008, 2009 and 2010, respectively, based on the relevant invoices dates:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 to 30 days	14,182	23,456	46,182
31 to 60 days	6,993	6,577	42,866
61 to 90 days	9,014	5,094	446
Over 90 days	2,041	5,919	173
	32,230	41,046	89,667

Amount past due but not impaired

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Within 60 days	12,259	9,673	41,666
61 to 90 days	–	4,248	–
Over 90 days	525	1,672	173
	12,784	15,593	41,839
Percentage to total trade receivables balance	39.7%	38.0%	46.7%

The credit period granted by us to our customers is considered on a case-by-case basis ranging from 30 days to 90 days. However we do not normally grant credit to new customers, short-term customers and customers who are relatively small in terms of sales volume to us. Sales to such customers are normally expected to be settled on an advance basis or on delivery.

About 39.7%, 38.0% and 46.7% of our trade receivables had past due as at 31 December 2008, 2009 and 2010, respectively. Even though a major portion of our trade receivables had been past due as at the respective year end date, since our customers are mostly intermediary agents of brand owners of internationally renowned brands and brand owners of such brands who are our direct customers, we had not experienced any material collectability problem during the Track Record Period. Most of such trade receivables balances had also been subsequently settled by our customers within three months subsequent to the respective year end date. As at 31 December 2010, about HK$173,000 trade receivables balance was past due with age over 90 days. Such balance had been subsequently settled by our customer in full in January 2011. As at the Latest Practicable Date, our Directors are not aware of any indicators that impairment for any of our trade receivables balances is needed.

As at 31 December 2008, 2009 and 2010, trade receivables with age ranging from 0 day to 90 days had accounted for about 93.7%, 85.6% and 99.8% of the total trade receivable balances as at the respective year end date, respectively. Since the global financial crisis broke out in late 2008, our customers had made full use of the credit period we granted them, which had driven up the trade receivables balance as at 31 December 2009 despite of the decline in turnover during the year, and making the trade receivables balance as at 31 December 2009 having the highest percentage of trade receivables with age over 90 days among the three years ended 31 December 2010. With the gradual economic recovery from the global financial crisis, the business of our customers had also recovered, and our customers had also accelerated their repayment to us since then. As a result, the percentage of trade receivables with age over 90 days gradually decreased during the year ended 31 December 2010. The higher amount of sales we made in late 2010 had contributed to the significant increase in trade receivables balance with age ranging from 0 day to 60 days as at 31 December 2010.

The global financial crisis had not affected the collectability of our trade receivables. Despite that the percentage of our trade receivables with age above 90 days were the highest as at 31 December 2009 among the three year end dates at 31 December 2008, 2009 and 2010, the percentage of receivables past due but not impaired to the total trade receivables balance as at 31 December 2009 remained comparable with, and was even lower than, that as at 31 December 2008. On the other hand the percentage of receivables past due but not impaired to the total trade receivables balance as at 31 December 2010 was the highest among the three year end dates at 31 December 2008, 2009 and 2010 merely because the percentage of trade receivables from customers with credit period longer than 30 days was the least among the three years ended 31 December 2010 following the increase in sales to customers with 30 days credit period during the year. Nevertheless, since our customers are mostly intermediary agents of brand owners of internationally renowned brands and brand owners of such brands who are our direct customers, the Directors considered that even though we do not hold any collateral over these receivables, the default risk faced by us was relatively minimal and we were not normally required to provide any allowances for the aged receivables. Of the about HK$89.7 million trade receivables as of 31 December 2010, about HK$89.3 million were subsequently settled by our customers during the four months ended 30 April 2011.

The following table sets out our average debtors' turnover days during the Track Record Period:

	Year ended 31 December		
	2008	2009	2010
Average debtors' turnover days *(Note)*	55.2	52.0	59.8

Note: Average debtors' turnover days for each of the three years ended 31 December 2010 were calculated as the average trade receivables balance of the beginning and ending of the year divided by the turnover of the respective years and multiplied by 365 days.

The debtors' turnover days of our Group remained relatively stable during the Track Record Period, ranging from about 52.0 days to 59.8 days, which were well within the credit period granted to our customers. Our Directors believe that the higher debtors' turnover days of our Group recorded for the year ended 31 December 2010 was the result of the high trade receivables balance recorded as at 31 December 2010 and was not a signal of deteriorating credit worthiness of our customers as our customers were mostly intermediary agents of brand owners of internationally renowned brands and brand owners of such brands who were our direct customers and over 99.6% of the trade receivables balance as at 31 December 2010 had been subsequently settled as at 30 April 2011.

As at 31 December 2008, 2009 and 2010, our Group recorded prepayment, deposits and other receivables balances of about HK$1.3 million, HK$0.7 million and HK$7.9 million respectively. Our prepayment, deposits and other receivables remained relatively stable during the two years ended 31 December 2008 and 2009. The increase in prepayment, deposits and other receivables during the year ended 31 December 2010 was mainly due to the increase in deposit paid for the extra office spaces we rented during the year to facilitate our expanding operations, and value-added tax recoverable for the value-added tax we paid for our production materials purchased in the PRC as all of our sales were export sales during the Track Record Period which is eligible for a value-added tax refund.

Amounts due from related parties as at 31 December 2008, 2009 and 2010 were about HK$5.7 million, HK$26.7 million and HK$0.5 million respectively which represent advances made to related companies during the respective year. The advances made were unsecured, interest-free and repayable on demand. The outstanding balance as at 31 December 2010 had been subsequently settled by the debtors in 2011.

Trade and other payables

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Trade payables	18,802	12,261	27,116
Payroll and welfare payable	8,451	11,654	16,807
Receipts in advances	1,780	3	4
Commission and other payables to intermediary agents	4,430	8,742	8,338
Payables for acquisition of property, plant and equipment	–	1,355	2,651
Other tax payables	–	462	–
Others	330	848	1,203
	14,991	23,064	29,003
	33,793	35,325	56,119

As at 31 December 2008, 2009 and 2010, our Group recorded trade payables balances of about HK$18.8 million, HK$12.3 million and HK$27.1 million, respectively. As a result of the decrease in purchasing activities in response to the declining sales during the global financial crisis, our trade payables balance had decreased during the year 2009. Following the global economic recovery in 2010, our purchasing activities had recovered in line with our sales and had even exceeded the previous levels during the Track Record Period, demonstrating an about 121.2% increase from the trade payables balances of 2009.

The following table sets out the aging analysis of our trade payables as at 31 December 2008, 2009 and 2010, based on the relevant invoice dates:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 to 30 days	4,643	4,911	9,177
31 to 60 days	4,295	4,090	10,112
61 to 90 days	3,595	1,560	4,133
Over 90 days	6,269	1,700	3,694
	18,802	12,261	27,116

Our Group normally receive credit terms of 30 to 60 days from our suppliers. During the global financial crisis, after taking into consideration the tightened credit in the market and the impact of such on our suppliers, together with our strong cash flow from operations, we had accelerated the settlement of the trade payable balances to avoid long outstanding payable balances so as to maintain a good relationship with our suppliers. As a result, trade payable balances with age ranging from 0 to 90 days had demonstrated an increasing trend during the Track Record Period, which accounted for about 66.7%, 86.1% and 86.4% of our total trade payable balances as at 31 December 2008, 2009 and 2010, respectively. We had settled about 90.3% of our trade payables balance as at 31 December 2010 up to 30 April 2011.

The following table sets out our average creditors' turnover days during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
Average creditors' turnover days *(Note)*	59.1	36.0	31.5

Note: Average creditors' turnover days for each of the three years ended 31 December 2010 were calculated as the average trade payables balance of the beginning and ending of the year divided by the cost of goods sold of the respective years and multiplied by 365 days.

The decrease in creditors' turnover days from about 59.1 days in 2008 to about 36.0 days in 2009 was primarily due to our acceleration in settling our trade payables balances with our suppliers during 2009. As a result of our accelerated settlement of our trade payables our creditors' turnover days had further decreased to 31.5 days in 2010 from about 36.0 days in 2009.

Other payables and accruals mainly include commission and other payables to our intermediary agents which required us to pay commissions, salaries and welfare payable and other payables arose from our operations. As at 31 December 2008, 2009 and 2010, our Group recorded other payables and accruals balances of about HK$15.0 million, HK$23.1 million and HK$29.0 million, respectively. As at 31 December 2009, about HK$8.1 million increase, or about 53.9% year on year growth, in the other payables and accruals balances was observed. Such increment was mainly contributed by the increase in commission and other payables of about HK$4.3 million in light of the gradual recovery in sales in late 2009 following the end of financial crisis and about HK$3.2 million increase in payroll and welfare payables at year end. At 31 December 2010, the other payables and accruals balances further increased by about 25.8% year on year as a result of the significant increase in payroll and welfare payable of about HK$5.2 million, or about 44.2%, at the year end. During the Track Record Period, significant increase in payroll and welfare payable was mainly representing the increase in provision for social security payment for our workers as a result of the increasing headcount in our Dalang Factory together with the increasing minimum wage level during the Track Record Period, which forms the base of calculating the social security provision required for each of the worker. As at 30 April 2011, we had settled about 95.2% and 100% of our payroll and welfare payables and payables to intermediary agents as at 31 December 2010, respectively. Should our payroll and welfare payables be also included in the calculation of our payables' turnover days, our trade and payroll payables' turnover days for the three years ended 31 December 2010 would be about 70.9 days, 59.3 days and 54.3 days, respectively, which also experienced a similar decreasing trend as our creditors' turnover days during the Track Record Period.

Net current assets/(liabilities)

The following table sets out details of our current assets and current liabilities as of the dates indicated:

	At 31 December			At 30 April
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
				(unaudited)
Current assets				
Inventories	46,320	25,433	40,633	62,720
Trade and other receivables	33,497	41,780	97,608	101,829
Amount due from a shareholder	–	241	–	–
Amounts due from related parties	5,673	26,701	538	346
Pledged bank deposits	499	124	–	–
Bank balances and cash	56,040	40,232	61,793	40,876
	142,029	134,511	200,572	205,771
Current liabilities				
Trade and other payables	33,793	35,325	56,119	69,270
Dividend payable	–	–	1,200	–
Taxation payable	5,212	6,508	1,125	3,985
Amounts due to related parties	29,164	80	–	–
Amount due to a director	55,624	24,976	–	–
Bank borrowings	36,437	69,052	139,474	130,226
Obligations under a finance lease	134	134	56	11
	160,364	136,075	197,974	203,492
Net current (liabilities)/assets	(18,335)	(1,564)	2,598	2,279

During the Track Record Period, our Group had net current liabilities of about HK$18.3 million and HK$1.6 million as at 31 December 2008 and 2009 respectively, and net current assets of about HK$2.6 million as at 31 December 2010. Based on the unaudited combined management accounts of our Group as at 30 April 2011, our Group had net current assets of about HK$2.3 million. Even though according to the repayment schedule of our bank borrowings about 24.0%, 26.3% and 50.0% of our bank borrowings as at 31 December 2008, 2009 and 2010 respectively were due for repayment after one year of the respective year end date, since such bank borrowings contain a repayment on demand clause, they were being classified as current liabilities of our Group instead of non-current liabilities under HKFRS, details of which are set out in note 26 to the financial information as set out in section E of Appendix I to this prospectus. Should the bank borrowings due for repayment after one year of the respective year end date be classified as non-current liabilities instead, our Group would have recorded a net current liabilities position of about HK$9.6 million as at 31 December 2008 instead of HK$18.3 million as currently presented in our combined statements of financial position, be able to turnaround into a net assets position of about HK$16.6 million as at 31 December 2009 instead of recording a net current liabilities position of about HK$1.6 million as currently presented in our combined statements of financial position, and recorded a net current assets position of about HK$72.3 million as at 31 December 2010 instead of about HK$2.6 million as currently presented in our combined statements of financial position. Nevertheless, as set out in the paragraph headed "Significant events subsequent to the Track Record Period" below, the financial institution providing us the said bank borrowings had revised and amended the repayment on demand clause in May 2011 which would then allow us to classify our bank borrowings due for repayment after one year of the year end date as non-current liabilities, and as a result significantly improve our net current assets value position in the future.

During the Track Record Period, our Group's current assets mainly comprised inventories, trade and other receivables, amounts due from a shareholder and related parties, pledged bank deposits and bank balances and cash, whereas our Group's current liabilities mainly comprised trade and other payables, amount due to related parties and a director, interest-bearing bank borrowings which were repayable within one year and tax payables. Based on the unaudited combined management accounts of our Group as at 30 April 2011, our Group had current assets of about HK$205.8 million which mainly comprised inventories, trade and other receivables and bank balance and cash, and current liabilities of about HK$203.5 million which mainly comprised trade and other payables and bank borrowings.

During the Track Record Period, our net current assets value position as at 31 December 2008, 2009 and 2010 had been improving gradually from a net current liabilities position of about HK$18.3 million as at 31 December 2008 to a net current assets position of about HK$2.6 million as at 31 December 2010. Our net current liabilities position as at 31 December 2008 and 2009 were mainly resulted from the utilization of bank borrowings and advances from related parties and a director for financing our expansion during the Track Record Period. As detailed in the paragraph headed "Indebtedness" below, such bank borrowings was resulted from the increase in utilization of our bank facilities to reduce our credit balances with, and hence reliance on, our related parties and directors and as a result of increased investments in production facilities, purchase of inventories and working capital financing during the Track Record Period. The Group had achieved a net current assets position as at 31 December 2010 as a result of the income stream generated from our business.

Amounts due from related parties

As at 31 December 2008, 2009 and 2010, our Group recorded amounts due from related parties of about HK$5.7 million, HK$26.7 million and HK$0.5 million, respectively, which mainly represented funds advanced to related parties. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand. As at the Latest Practicable Date, all of the amounts due from related parties had been fully settled.

Amounts due to a Director/related parties

As at 31 December 2008, 2009 and 2010, our Group recorded an amount due to a Director of about HK$55.6 million, HK$25.0 million and nil respectively, which was provided to us for financing our expansion during the Track Record Period. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand. As at the Latest Practicable Date, the amounts due to the Director have been fully settled.

As at 31 December 2008, 2009 and 2010, our Group recorded amounts due to related parties of about HK$29.2 million, HK$0.1 million and nil respectively, which mainly represented funds advanced from related parties for financing our business operation and expansion during the Track Record Period. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand. As at the Latest Practicable Date, the entire amounts due to the related parties have been fully settled.

Property, plant and equipment

As at 31 December 2008, 2009 and 2010, our Group's property, plant and equipment had net book values of about HK$62.3 million, HK$64.3 million and HK$94.6 million, respectively. As at 31 December 2010, the net book value of our buildings as well as plant and machinery amounted to about HK$41.2 million (2009: HK$31.0 million; 2008: HK$32.2 million) and HK$44.6 million (2009: HK$23.2 million; 2008: HK$23.3 million) respectively, which primarily represented our production facilities in the Dalang Factory. Our production facilities in our Dalang Factory accounted for about 92.3% (2009: 99.4%; 2008: 99.2%) of the total net book value of our Group's property, plant and equipment in aggregate. DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the property interests attributable to our Group as at 30 April 2011 at about RMB69.1 million (equivalent to about HK$81.3 million), inclusive of the market value of the eight buildings which did not have the building ownership certificates amounting to about RMB13.7 million (equivalent to about HK$16.1 million) (on the assumption that the building ownership certificates will be issued in due course). The text of its letter and a summary of valuation and valuation certificates are set out in Appendix IV to this prospectus.

Our Group's capital expenditures in the year 2008, 2009 and 2010 amounted to about HK$8.7 million, HK$10.1 million and HK$33.4 million, respectively, and were principally used in purchases of production machinery and equipment, and payments of the construction for the expansion of our production plant and facilities.

A reconciliation of the net book value of the relevant property interests as at 31 December 2010, to their fair value as at 30 April 2011 as stated in Appendix IV to this prospectus is as follows:

	HK$'000
Net book value of the properties as at 31 December 2010 as per Appendix I to the prospectus:	
Buildings	41,193
Land use rights	7,126
	48,319
Movements for the four months ended 30 April 2011:	
Acquisitions of lands and buildings (unaudited)	7,144
Depreciation on the buildings (unaudited)	(658)
Amortisation on prepaid land leases (unaudited)	(53)
Net book value of the properties as at 30 April 2011	54,752
Revaluation surplus	26,566
Valuation as at 30 April 2011 as per Appendix IV to this prospectus *(Note)*	81,318

Note: As set out in the valuation report of DTZ Debenham Tie Leung Limited ("DTZ") in Appendix IV to this prospectus, DTZ has assigned no commercial value to eight buildings in the Dalang Factory since they have not been issued with Certificate of Real Estate Ownership. As mentioned in the valuation report, on the assumption that the Certificate of Real Estate Ownership will be issued in due course, the market value in existing state of the said eight buildings as at 30 April 2011 would be RMB13,706,000. The valuation of property interests of HK$81,318,000 as at 30 April 2011 as shown above comprised the aggregate market value of the properties of RMB55,414,000 (equivalent to about HK$65,193,000) as at 30 April 2011 as appraised by DTZ set out in page IV-5 of this prospectus and the market value of the said eight buildings of RMB13,706,000 (equivalent to about HK$16,125,000) as at 30 April 2011 as appraised by DTZ set out in pages IV-7 and IV-8 of this prospectus.

Prepayment for acquisition of land use right

We had made a prepayment of about RMB15.9 million (equivalent to about HK$18.7 million) during the year ended 31 December 2010 for the land use right of five parcels of land in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC. Of the about RMB15.9 million (equivalent to about HK$18.7 million) prepayment made, RMB14.0 million (equivalent to about HK$16.5 million) was paid for the consideration of RMB16.3 million (equivalent to about HK$19.2 million), RMB1.0 million (equivalent to about HK$1.2 million) for other related prepayment with the remaining amount of about RMB0.9 million (equivalent to about HK$1.0 million) represented duties and expense incurred that are qualified for capitalisation as cost of land upon acquisition of the five parcels of land. The remaining consideration of about RMB2.3 million (equivalent to about HK$2.7 million) had been classified as a capital commitment of the Group as at 31 December 2010. Details of the abovementioned land parcels are set out in the paragraph "Leased properties and the operating rights of land" under the section headed "Business" in this prospectus.

Deposits paid for acquisition of property, plant and equipment

During the three years ended 31 December 2010, we had made deposits for the acquisition of property, plant and equipment of about HK$2.1 million, HK$0.5 million and HK$7.4 million respectively to cater for our expansion in production capacity.

We expect the capital expenditures for the year ending 31 December 2011 will be amounting to about HK$178 million, most of which will be used in the acquisition of machinery and equipments for our Dongfengcun Factory and the land use right of the Huzhen Factory. Such expenditures will be funded by the net proceeds from the Share Offer, our Group's internal resources, funds generated from our operations, and/or bank borrowings. We expect to fund our future capital expenditures, most of which are related to the construction of the Huzhen Factory and acquisition of machinery and equipment for the Huzhen Factory according to our expansion plan with our Group's internal resources, funds generated from our operations and/or our credit facilities from 2012 onwards. A discussion on our expansion plan is set out in the paragraph headed "Business strategies — Expansion of production capacity" under the section headed "Business" in this prospectus.

Deposit and prepayments for a life insurance policy

In September 2010, Winox Enterprise entered into a key-man life insurance policy (the "Policy") with an insurance company to insure Mr. Yiu with Winox Enterprise as the beneficiary and policy holder with a total insured sum of US$4.0 million (equivalent to about HK$31.2 million) for an expected life of 7 years. The Policy, together with another life insurance policy entered to insure Mr. Yiu for the benefit of our Group and a financial institution during the Track Record Period were made as required under the loan financing arrangement with the said financial institution. The deposit portion of the Policy will be carried at amortised cost through the 7-year expected life of the Policy, while the prepayment portion of the Policy will be amortised to profit or loss of our Group through the 7-year expected life of the Policy. No further insurance premium is required to be paid by our Group for maintaining the Policy.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and, accordingly, are exempted form the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are registered as BVI business companies under the BVI Business Companies Act and are exempted from payment of income tax of BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. PRC Enterprise Income Tax ("EIT") has been provided at the applicable rates in accordance with the income tax laws of the People's Republic of China.

On 16 March 2007, the new Law on EIT was passed by the National People's Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008. Notwithstanding the above, according to the approval granted by Dongguan State Administration and Taxation Office under the old EIT system in the PRC, Winox WFOE is entitled to the preferential tax treatments, including exemption and reduction from the standard income tax rate during the Track Record Period, could continue to enjoy such treatments until they expire. For the year ending 31 December 2011, Winox WFOE is subject to a reduced EIT tax rate of 12.5%.

LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our operations primarily by cash flows from operating activities and borrowings from banks. We require cash for:

- our working capital requirements, such as product manufacturing and development; and

- capital expenditures related to the development of new production facilities and the purchases of property, plant and equipment.

Generally, our Group maintained high level of cash for the daily transactions and operations. Our Group's cash and bank balances were about HK$56.0 million, HK$40.2 million and HK$61.8 million as at 31 December 2008, 2009 and 2010 respectively, representing about 27.6%, 25.6% and 27.1% of the total cost of goods sold of our Group during the respective year, meaning that the cash and bank balances of our Group could support our cost of goods sold of not less than 3 months (2010: 99.0 days; 2009: about 93.3 days; 2008: about 100.9 days) in each of the three years ended 31 December 2010, respectively.

The following table is a summary of our cash flow data for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Cash and cash equivalents at beginning of year	31,688	56,040	40,232
Net cash from operating activities	66,629	73,125	48,768
Net cash used in investing activities	(59,434)	(28,700)	(38,366)
Net cash from/(used in) financing activities	17,074	(60,233)	10,712
Net increase/(decrease) in cash and cash equivalents	24,269	(15,808)	21,114
Effect of exchange rate changes, net	83	–	447
Cash and cash equivalents at end of year	56,040	40,232	61,793

Cash flows from operating activities

Our operating cash inflow are principally derived from the receipt of payments for the sales of our watch bracelets, costume jewellery and accessories. Our cash outflow to operating activities is principally for the purchase of production materials and other operating costs such as staff costs and utilities.

Net cash inflow of about HK$66.6 million, HK$73.1 million and HK$48.8 million were generated from our Group's operations for each of the three years ended 31 December 2010, mainly attributable to the strong operating cash inflow generated from our business before movements in working capital. A relatively lower net cash flow from operating activities was generated in 2010 as the trade receivables balances at 31 December 2010 was higher than that at 31 December 2009 and 2008. Most of the trade receivables balances as at 31 December 2010 had been collected from our debtors as at 30 April 2011, which will be recorded as cash generated from operating activities for the year ending 31 December 2011.

Cash flows from investing activities

During the Track Record Period, our cash outflow to investing activities were principally used in purchasing and paying deposits for property, plant and equipment to cater our growing production needs. In 2010, we had also utilised about HK$18.7 million cash as prepayment for acquisition of land use right in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC. We had also made prepayment for a life insurance policy to insure Mr. Yiu with Winox Enterprise as the beneficiary. Aside from the purchase of and paying deposits for property, plant and equipment and paying the prepayment for the land use right in Huzhen, our Group had made advance to the ultimate holding company of Winox Manufacturing amounting to about HK$44.1 million during the year 2008, which had been subsequently deemed appropriated to the then owners of our Company as at 31 December 2008, and advance to various related parties amounting to about HK$5.7 million and HK$26.7 million in the year ended 31 December 2008 and 2009 respectively, and recovered about HK$26.7 million in the year ended 31 December 2010. Save from the repayment we received from our related parties in 2010, our Group did not generate a substantial amount of cash inflow from investing activities during the Track Record Period.

Cash flows from financing activities

During the Track Record Period our financing cash flow were principally generated from the utilization of our banking facilities and drawdown of bank borrowings, and used in the repayment of such bank borrowing and the interest accrued thereof, and the repayment of amounts due to a Director and related parties. In addition, in the two years ended 31 December 2010, dividends amounting to HK$34.8 million and about HK$28.1 million respectively were paid to the then shareholders of certain subsidiaries of the Company.

Financial resources

Prior to completion of the Share Offer, the operations of our Group were financed principally by the shareholders' equity, internally generated funds and bank borrowings. Upon completion of the Share Offer, our Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and/or bank borrowings.

Directors' opinion on sufficiency of working capital

Taking into account the financial resources available to our Group, including internally generated funds and the estimated net proceeds of the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the opinion that our Group has sufficient working capital for its requirements for at least 12 months from the date of this prospectus.

DIVIDENDS AND RESERVES

Except for certain subsidiaries of our Company declared interim dividends totalling of HK$34,800,000 in 2009, HK$29,320,000 in 2010 and HK$8,800,000 in 2011 to their then shareholders prior to our Reorganisation, no dividend has been declared by other companies comprising our Group during the Track Record Period or the Company since its incorporation.

Our historical dividend distributions in the past should not be indicative of our future dividend policy. In general, the amount of future dividends to be declared by our Company will depend on our Group's results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. The declaration, form, payment and the amount of dividends will be subject to the Board's discretion and the approval of our Shareholders from time to time. Our Directors consider that our Company's dividend policy mentioned above will not materially affect our Group's work capital position in the coming years.

As at 31 December 2010, our Company did not have any distributable reserves available for distribution to the Shareholders. However, with the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Law.

INDEBTEDNESS

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of the indebtedness section prior to the printing of this prospectus, our Group had outstanding indebtedness of about HK$130,237,000 comprising obligations under a finance lease of about HK$11,000 and bank borrowings of about HK$130,226,000, part of which part was secured by certain of our Group's assets, including the piece of land where our Dalang Factory is located, certain properties located in our Dalang Factory and a deposit for the Policy as at 30 April 2011. As at 30 April 2011, no member of our Group had any debenture in issue or outstanding.

The following table set forth a breakdown of our borrowings as of 31 December 2008, 2009 and 2010 and 30 April 2011:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Bank borrowings repayable				
– within one year	27,687	50,902	69,739	69,170
– between one to two years	5,000	3,750	24,785	39,571
– between two to five years	3,750	14,400	44,950	21,485
	36,437	69,052	139,474	130,226
Obligations under a finance lease repayable				
– within one year	157	157	65	11
– between one to two years	157	65	–	–
– between two to five years	65	–	–	–
	379	222	65	11
Amounts due to related parties	29,164	80	–	–
Amount due to a director .	55,624	24,976	–	–
	121,604	94,330	139,539	130,237

At 31 December 2008, 2009 and 2010 and 30 April 2011, our Group has available banking facilities amounting to HK$55,452,000, HK$91,552,000, HK$146,193,000 and HK$140,671,000 respectively.

The banking facilities available for the three years ended 31 December 2010 were guaranteed by an unlimited personal guarantee from a Director, Mr. Yiu. In addition, certain banking facilities available for the three years ended 31 December 2010 were secured by a piece of leasehold land located in PRC owned by 博羅明豐置業有限公司 (Boluo Ming Fung Zhiye Limited, for identification purpose only), a related company of our Group, during the Track Record Period till March 2010.

The banking facilities available to our Group as at 30 April 2011 were guaranteed by an unlimited personal guarantee from a Director, Mr. Yiu. The unlimited personal guarantee from Mr. Yiu will be released by the relevant financial institution upon the Listing becoming effective and a corporate guarantee being given by our Company in place of the relevant guarantee. As at 30 April 2011, our Group has unutilised overdraft facilities of about HK$2.0 million.

Our interest-bearing bank borrowing as at 31 December 2008, 2009 and 2010 and 30 April 2011 were about HK$36.4 million, HK$69.1 million, HK$139.5 million and HK$130.2 million respectively, of which about HK$36.4 million, HK$69.1 million, HK$139.5 million were classified as current liabilities in the audited combined statements of financial position of our Group for the three years ended 31 December 2010 and about HK$130.2 million was classified as current liabilities in the unaudited combined management accounts of our Group as at 30 April 2011. Despite that according to the terms of repayment of our bank loan agreements about HK$8.8 million, HK$18.2 million, HK$69.7 million and HK$61.1 million of bank borrowings were repayable between one to five years as at 31 December 2008, 2009 and 2010 and 30 April 2011 respectively, such borrowings are required to be classified as current liabilities under HKFRS.

Our interest-bearing bank borrowings were on an increasing trend during the Track Record Period as we had increased the usage of such to reduce our credit balances with, and hence reliance on, our related parties and directors. We had also increased our interest-bearing bank borrowing as a result of increased investments in production facilities, purchase of inventories and working capital financing during the Track Record Period. As at 31 December 2010, we were required to repay about HK$69.7 million bank borrowings within one year. We intended to repay a portion of the amount falls due by making use of the cash generated from our operations and renew the remaining portion of the borrowings when they fall due. Our Directors have confirmed that during the Track Record Period we have not experienced difficulties in meeting obligations and we have been able to repay or refinance our bank borrowings as and when they fell due.

As at the Latest Practical Date, our Group is subject to certain financial and other covenants under the abovementioned banking facilities, which include, among others, limitations to create further encumbrances over the Group's assets, maintenance of certain financial ratios, maintenance of Mr. Yiu and his family members' interest in the Company, restriction on the change in principal business of the Company, and restriction on the change of shareholding structure of the Group. Our Directors have confirmed that the Group had not breached any covenants under the bank borrowing agreements during the Track Record Period.

The balances due to related parties and a director were unsecured, interest-free and repayable on demand and had been fully settled as at 30 April 2011.

In 2008, Winox Enterprise issued an unlimited financial guarantee to a bank in respect of banking facilities granted to Winox Manufacturing. At 31 December 2008, Winox Manufacturing had outstanding bank borrowings of HK$4,146,000 which were guaranteed entirely by Winox Enterprise. Such financial guarantee was released during the year ended 31 December 2009.

Disclaimers

Save as otherwise disclosed above, and apart from the intra-group liabilities, our Group did not have, at the close of business on 30 April 2011, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities. Our Directors confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2011.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer.

As mentioned in the paragraph headed ''Indebtedness" above, certain banking facilities granted by a financial institution require Mr. Yiu and his family to hold not less than 50% of the Shares in issue at any time during the term of the facilities. An aggregate amount of about HK$75.4 million of the said banking facilities has been utilised by us as at 30 April 2011 and such outstanding balances shall be repaid by our Group by instalments for varying period of time, from 3 quarters to 80 months commencing from 24 February 2011. Such requirement as to the level of ownership in our Company imposed on the Controlling Shareholders under the financing arrangement result in the disclosure requirements under Rule 13.18 of the Listing Rules.

Save as disclosed above, our Directors confirmed that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules as at the Latest Practicable Date.

COMMITMENTS

We had the following capital commitments as of 31 December 2008, 2009 and 2010:

	At 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of			
– the acquisition of property, plant and equipment	9,903	2,770	6,517
– the acquisition of land use right	–	–	2,708
	9,903	2,770	9,225

Our capital commitments during the Track Record Period mainly comprised commitments of property, plant and equipment for construction of facilities in our Dalang Factory. In addition, as at 31 December 2010, about RMB2.3 million (equivalent to about HK$2.7 million) commitments in relations to the acquisition of land use right in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC for the Huzhen Factory which forms part of the consideration for the acquisition of such land use right was also made, details of which are set out in the paragraph headed "Prepayment for acquisition of land use right" above.

Our capital commitment on the acquisition of property, plant and equipment had dropped by about 72.0% during the year 2009 due to the uncertainty in the global market during the financial crisis and the increase in unutilized production capacity as a result thereof. After the financial crisis, the market demand for luxury goods had recovered and the utilization of our production facilities had been on an increasing trend, and hence our capital commitment on property, plant and equipment had recovered. Capital commitment of the Group as at 31 December 2010 was lower than that as at 31 December 2008 since the Group was preparing to expand its operation in 2011 by setting up the Dongfengcun Factory at 31 December 2010. Our capital commitments were funded by cash generated from our operating activities and utilization of banking facilities granted to us by our principal banker.

As of 31 December 2008, 2009 and 2010, we were committed to make the following future minimum lease payments under non-cancellable operating lease for rented premises used by us as production plants, office spaces and warehouses, which fall due as follows:

	At 31 December		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Minimum lease payments under non-cancellable lease arrangement			
– within one year	–	402	2,404
– in the second to fifth year, inclusive	–	–	5,211
– after five year	–	–	6,393
	–	402	14,008

Leases are negotiated and rentals are fixed originally for lease terms of 1 year to 50 years.

RISK MANAGEMENT

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the combined statements of financial position.

In order to minimize the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

The Directors consider that our Group has no significant concentration of credit risk. Trade receivables of the Group consist of a number of customers which are owners of internationally renowned brands with good repayment history with us.

Currency risk

Certain entities of our Group have foreign currency sales, which expose our Group to foreign currency risk. Some entities of our Group also have foreign currency purchases, which also expose our Group to foreign currency risk. Further details of which are set out in the paragraph headed "We are subject to foreign exchange exposure and currency risks" in the section headed "Risk factors".

In addition, we are mainly exposed to currency of US$, Swiss Franc ("CHF") and HK$, which are arising from the foreign currency denominated monetary assets and liabilities and for our Group's operating activities in Hong Kong and the PRC of certain entities of our Group. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial. If the functional currency of the relevant entity of our Group strengthen 3% against the relevant foreign currency, the profit after tax of the Group will increase by about HK$152,000, HK$139,000 and HK$1,000 for the three years ended 31 December 2010 respectively if CHF is the foreign currency, and decrease by nil, about HK$24,000 and HK$349,000 if HK$ is the foreign currency. If the functional currency of the relevant entity of our Group weakened 3% against the relevant foreign currency, there would be an equal and opposite impact on the profit after tax of the Group.

Liquidity risk management

Our management have built an appropriate liquidity risk management framework for the management of our Group's short and medium-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

Interest rate risk management

Our Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. Our Group currently does not have an interest rate hedging policy. However, our management will consider hedging significant interest rate risk should the need arise.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to owners of our Company as if the Share Offer had taken place on 31 December 2010. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group had the Share Offer been completed as of 31 December 2010 or any future dates.

	Audited combined net tangible assets of the Group attributable to owners of our Company as of 31 December 2010	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets per Share
	HK$'000	HK$'000	HK$'000	HK$
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$1.87 per Share . . .	135,960	205,690	341,650	0.68
Based on an Offer Price of HK$2.86 per Share . . .	135,960	325,727	461,687	0.92

Notes:

(1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2010 is extracted from the accountants' report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK$1.87 and HK$2.86 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Share which may be issued upon the exercise of Over-allotment Option or options that may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under the section headed "Further information about our Company and its subsidiaries — Written resolutions of the shareholders of our Company" in Appendix VI to this prospectus.

(4) Our property interests were valued by DTZ Debenham Tie Leung Limited ("DTZ") and the valuation in respect of which was set out in Appendix IV to this prospectus. As set out in the valuation report of DTZ in Appendix IV to this prospectus, DTZ has assigned no commercial value to eight buildings in the Dalang Factory since they have not been issued with Certificate of Real Estate Ownership. As mentioned in the valuation report, on the assumption that the Certificate of Real Estate Ownership will be issued in due course, the market value in existing state of the said eight buildings as at 30 April 2011 would be RMB13,706,000. On the above basis, pursuant to the valuation performed by DTZ, our property interest as at 30 April 2011 (inclusive of the said eight buildings) amounted to about HK$81,318,000. Comparing the valuation amount as at 30 April 2011 to the unaudited net carrying value of our property interests as at 30 April 2011 of HK$54,752,000, there was a surplus of about HK$26,566,000. If such revaluation surplus was incorporated in our Group's financial statements for the year ending 31 December 2011, additional annual amortisation and depreciation of HK$762,000 would be charged. The revaluation surplus will not be incorporated in the Group's financial statements for the year ending 31 December 2011.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered subsequent to 31 December 2010.

SIGNIFICANT EVENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

The following events took place subsequent to 31 December 2010:

(i) In January 2011, Glorify Land declared and paid an interim dividend of HK$8,800,000 to its then shareholders.

(ii) In March 2011, due to the change in business intention, our Group entered into an equity interest transfer agreement to dispose of Yingxinfeng WFOE, which was established in PRC on 9 December 2010 for a total consideration of HK$10 to a company controlled by Mr. Yiu, a Director of the Company. As at 31 December 2010 and the date of disposal, Yingxinfeng WFOE had not commenced business and no capital fund was injected by our Group.

(iii) In preparing for the Listing, the companies now comprising our Group underwent the Reorganisation to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of our Group on 11 March 2011.

(iv) The terms of certain bank borrowings of our Group which contain a repayment on demand clause of HK$43,793,000 included under current liabilities as at 31 December 2010 are revised and amended to repayment on demand at any time after 31 March 2013 at discretion of the bank with effect from May 2011.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 31 December 2010, being the date to which our latest audited combined financial statements were made up.

PROFIT FORECAST

Barring unforeseen circumstance, and based on the basis and assumptions set out in Appendix III to this prospectus, our Directors forecast that the consolidated profit attributable to owners of our Company for the year ending 31 December 2011 will be not less than HK$110 million.

On a pro forma basis, and on the assumption that the Share Offer had been completed as of 1 January 2011, and a total of 500,000,000 Shares were issued and outstanding (without taking into account any Shares that may be issued upon the exercise of the Over-Allotment Option and any option to be granted under the Share Option Scheme) during the entire year ending 31 December 2011, the unaudited forecast basic earnings per Share on a pro forma basis will be not less than HK$0.22.