



Ernest Borel Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1856



Global Offering

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



BOC INTERNATIONAL

IMPORTANT

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



ERNEST BOREL HOLDINGS LIMITED

依波路控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	66,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	6,600,000 Shares (subject to adjustment)
Number of International Offer Shares	:	59,400,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$3.46 per Offer Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	1856

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about 4 July 2014 and, in any event, unless otherwise announced, not later than 8 July 2014. The Offer Price will be no more than HK\$3.46 and is currently expected to be no less than HK\$2.54 unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.46 for each Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$3.46.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that which is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.ernestborel.ch not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before 8 July 2014, the Global Offering will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to outside the United States in accordance with Regulation S.

30 June 2014

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic application instructions under HK eIPO White Form service through the designated website <u>www.hkeipo.hk</u> ⁽²⁾	11:30 a.m. on 4 July 2014
Application lists open ⁽³⁾	11:45 a.m. on 4 July 2014
Latest time to lodge WHITE and YELLOW Application Forms ⁽⁴⁾	12:00 noon on 4 July 2014
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on 4 July 2014
Application lists close	12:00 noon on 4 July 2014
Expected Price Determination Date ⁽⁵⁾	4 July 2014
Announcement of	
<ul style="list-style-type: none">• the Offer Price;• the level of applications in the Hong Kong Public Offering;• the level of indications of interest in the International Offering; and• the basis of allotment of the Hong Kong Offer Shares, <p>to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at <u>www.hkexnews.hk</u> and our Company at <u>www.ernestborel.ch</u> on or before</p>	10 July 2014
Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Publication of results" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus) from	10 July 2014
Results of allocations in the Hong Kong Public Offering will be available at <u>www.tricor.com.hk/ipo/result</u> , with a "search by ID" function.	10 July 2014
Dispatch of HK eIPO White Form e-Auto refund payment instructions/refund cheque(s) on or before ⁽⁶⁾	10 July 2014
Dispatch of share certificates on or before ⁽⁶⁾	10 July 2014
Dealings in Shares on the Stock Exchange expected to commence on	11 July 2014

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on 4 July 2014, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
- (4) If you apply by giving electronic application instructions to HKSCC, you should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around 4 July 2014 and, in any event, not later than 8 July 2014. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us by 8 July 2014, the Global Offering will not proceed.
- (6) We will issue refund cheque to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will dispatch share certificates and refund cheque(s) by ordinary post to you at your own risk to the address you specified in your Application Form. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have provided all information required in your Application Form, you may collect refund cheque(s) and/or share certificates from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 July 2014 or any other place and date we announce in the newspapers as the place and date of dispatch of share certificates/e-Auto Refund payment instructions/refund cheque(s). If you are an individual applicant, you may not authorise any other person to collect on your behalf. If you are a corporate applicant, you must attend by your authorised representative with your letter of authorisation stamped with your corporate chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund cheque(s) by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Share certificates are expected to be issued on 10 July 2014 but will only become valid certificates of title if the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be 11 July 2014.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed “Structure of the Global Offering” in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

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

OVERVIEW

We are one of the oldest Swiss premium watch makers, established since 1856 in Switzerland and with 158 years of heritage. We design, manufacture, market and sell, Swiss-made mechanical and quartz premium watches for men and women under our own brand, Ernest Borel (依波路), with a focus on watches for couples. Leveraging our long history and reputation for Swiss-made premium watches, we have become one of the best-selling brands of Swiss-made premium watches in the premium watch market in the PRC. According to the Frost & Sullivan Report, Ernest Borel (依波路) ranked fourth in the premium watch market in the PRC in terms of total retail sales value and total retail sales volume in 2013, and ranked second in the premium couple watch market in the PRC in terms of total retail sales value and total retail sales volume in 2013.

We distribute our watches to our end-customers in POS owned and/or operated by our watch retailers and authorised distributors globally. We have an extensive distribution network with a strong focus on the PRC market and the Hong Kong, Macau and Southeast Asia market. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and four authorised distributors in Hong Kong, Macau and Southeast Asia and over 15 POS through more than 10 watch retailers and three authorised distributors in Other Markets. Our Other Markets primarily include Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands, Spain and Switzerland.

Our portfolio of watches comprises over 30 different collections of mechanical and quartz watches with over 250 models, mainly targeting upper-middle-income end-customers, particularly in the PRC. The average selling prices of our watches for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3,381, HK\$3,917 and HK\$4,327, respectively. We have achieved overall growth in revenue and gross profit during the Track Record Period. Our revenue amounted to approximately HK\$489.1 million, HK\$550.9 million and HK\$604.0 million for the years ended 31 December 2011, 2012 and 2013, respectively. We also generated gross profit of HK\$282.6 million, HK\$332.7 million, and HK\$380.1 million during the corresponding periods.

SUMMARY

Our principal market during the Track Record Period was the PRC market, followed by the Hong Kong, Macau, Southeast Asia market and Other Markets. The following table sets forth a breakdown of our revenue by geographical market during the Track Record Period:

	For the year ended 31 December					
	2011 ^{(1),(2)}		2012 ^{(1),(2)}		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
PRC	402,350	82.3	431,713	78.4	463,401	76.7
Hong Kong, Macau and Southeast Asia Market	83,831	17.1	112,689	20.4	131,071	21.7
Other Markets ⁽³⁾	2,908	0.6	6,478	1.2	9,541	1.6
Total	489,089	100.0	550,880	100.0	604,013	100.0

Notes:

- (1) Includes sales to Guangzhou Shihengbao and Shenzhen Ruishi, which arrangement was terminated on 31 March 2012.
- (2) Includes sales of watches purchased from West End in the PRC market.
- (3) Includes Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands, Spain and Switzerland.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths enable us to compete effectively in the premium watch market in the PRC:

- (i) Swiss manufacturing quality;
- (ii) globally recognised Swiss watch brand with leading market position in the PRC to capture the fast-growing premium watch market in the PRC;
- (iii) well-established brand image through effective branding and marketing strategies;
- (iv) extensive distribution network with strong focus on the PRC, Hong Kong, Macau and Southeast Asia market;
- (v) vertically integrated business model giving us effective operation control and efficiencies; and
- (vi) experienced, dedicated and dynamic management team.

OUR BUSINESS STRATEGIES

We intend to strengthen our overall competitiveness and business growth in the premium watch market in the PRC, expand and increase our market share outside the PRC and become the brand of choice for couple watches in the premium watch market. We aim to achieve these goals by implementing the following strategies:

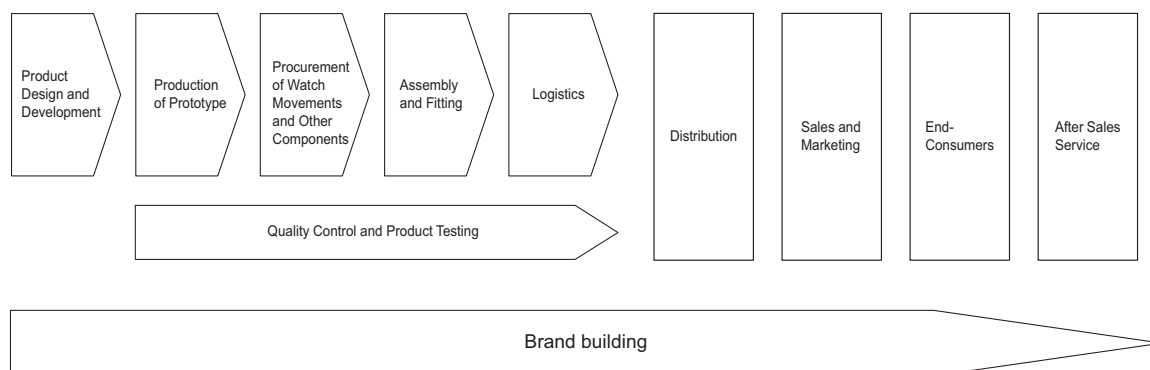
- (i) enhance brand image of Ernest Borel (依波路) in other markets outside the PRC, particularly in Southeast Asia;

SUMMARY

- (ii) solidify our leading position by expanding our sales and distribution network;
- (iii) improve profitability through enhancing our product mix and pricing strategy; and
- (iv) expand our production capacity and design and development capabilities.

OUR BUSINESS MODEL

Our business model is illustrated in the following diagram:



OUR WATCH PRODUCTS

We currently offer over 30 different collections of Swiss-made mechanical and quartz premium watches with over 250 models. Each collection of our watches is characterised by different styles and materials, targets upper-middle-income end-customers in different age groups, and is sold at different ranges of retail prices. All of our watches are water-resistant with Swiss-made watch movements and sapphire crystal.

The following table sets forth the revenue breakdown by watch type for the periods indicated:

	For the years ended 31 December					
	2011 ^(Note)		2012 ^(Note)		2013	
	HK\$('000)	% of total	HK\$('000)	% of total	HK\$('000)	% of total
Mechanical watches	372,183	76.4	360,077	65.4	419,670	69.6
Quartz watches	114,927	23.6	190,297	34.6	183,332	30.4
Total revenue	<u>487,110</u>	<u>100.0</u>	<u>550,374</u>	<u>100.0</u>	<u>603,002</u>	<u>100.0</u>

Note: Includes sales of watches purchased from West End in the PRC market.

SUMMARY

PRODUCTION CAPACITY

Our production facility is located in Le Noirmont, Switzerland with a GFA of 1,450 sq.m. As at 31 December 2013, our production and quality control team in Switzerland consisted of 19 employees collectively. The following table sets forth the theoretical maximum production capacities (in pieces of watches), actual production volume (in pieces of watches) and utilisation rate (in percentage) of theoretical maximum production capacity during the Track Record Period of our production facility in Switzerland:

	For the year ended 31 December								
	2011			2012			2013		
	217 days of work			217 days of work			217 days of work		
	Theoretical maximum production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾	Theoretical maximum production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾	Theoretical maximum production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾
Watches	88.536	51.072	57.7%	88.536	75.968	85.8%	88.536	84.759	95.7%

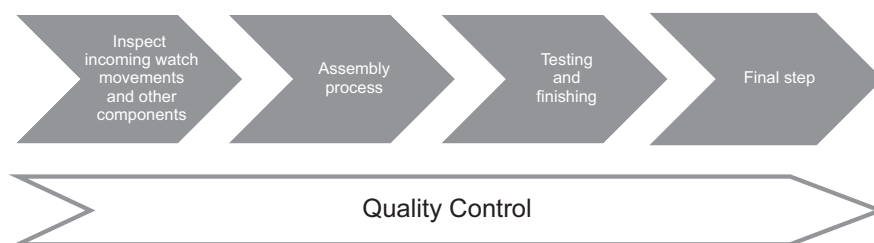
Notes:

- (1) Production capacity for our watches during any time period refers to the theoretical maximum pieces of watches our production facility can assemble during such period. The estimation of such amount is based on the GFA of the production facility, the number of watchmakers involved in production and other relevant conditions of the production facility, assuming production is carried on eight hours a day and 22 working days per month. Our Directors believe that the production capacity as so defined is in line with the practice in the watch industry.
- (2) Production volume refers only to the total pieces of watches we have actually assembled in our production facility. Our watchmakers may work overtime beyond eight hours a day and 22 working days per month from time to time, which may result in the production volume surpassing the production capacity. Our Directors believe that the production volume as so defined is in line with the practice in the watch industry.
- (3) Utilisation rate equals to actual production volume of watches divided by theoretical maximum production capacity.

The average number of watches assembled by each watchmaker per working day for the years ended 31 December 2011, 2012 and 2013 were approximately 24, 23 and 26, respectively.

PRODUCTION PROCESS

Our production process mainly involves the manual assembling of watch components of our watches. We are not involved in manufacturing of watch movements and other components, but source all of our watch movements from suppliers in Switzerland and other watch components from suppliers globally. The following diagram illustrates the production process of our watches:

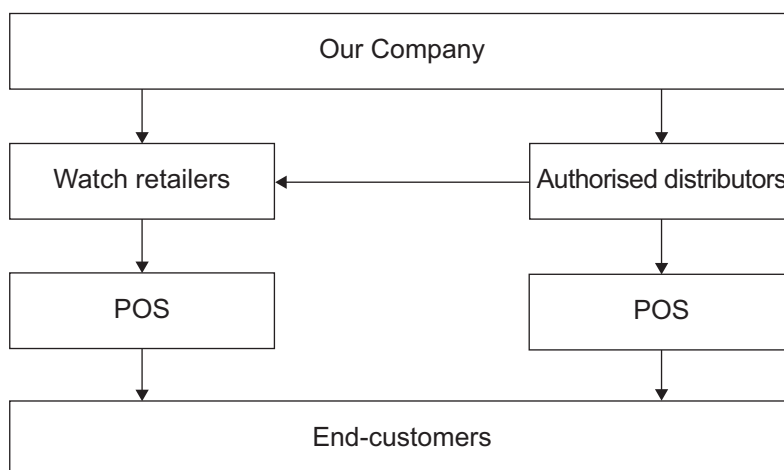


SUMMARY

OUR DISTRIBUTION MODEL

We distribute our watches through watch retailers and authorised distributors globally, who in turn sell our watches to end-customers in POS owned and/or operated by them.

The following chart illustrates our current distribution model:



COMPETITIVE LANDSCAPE

We believe the premium watch market in the PRC demonstrates a high level of dominance by leading brands. According to the Frost & Sullivan Report, the top five brands accounted for approximately 79.7% of the total market share by retail sales value of the premium watch market in the PRC in 2013. Our Group ranked fourth in terms of total retail sales value and total retail sales volume in the PRC in 2013. For further details, please refer to the section headed “Industry Overview — Competitive Landscape in the PRC Premium Watch Market” in this prospectus.

NON-COMPLIANCES

Historically, we failed to comply with certain applicable laws and regulations, including the Predecessor Companies Ordinance in Hong Kong relating to requirements in holding annual general meeting within a specified time frame and laying accounts at annual general meetings, the Inland Revenue Ordinance relating to the understatement of tax provision caused by restatement of comparative financial information in audited financial statements of EB (Far East) due to prior year adjustments made, and the PRC Labour Contract Law relating to requirements in using dispatched workers. Our Directors believe that such non-compliances will not have any material operational or financial impact on us. In order to ensure future compliance with applicable laws and regulations and related policies in different aspects of operations, we have adopted or will adopt a number of remedial actions. For further details, please refer to the section headed “Business — Regulatory Compliance and Legal Proceedings — Non-compliance records” in this prospectus.

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RISK FACTORS

There are certain risks involved in our operations. Any risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations or the trading price of our Shares, and could cause you to lose all or a portion of your investment. Set forth below are the major risk factors in relation to our operations:

- (i) Our success depends on the strength of our Ernest Borel brand, and any deterioration in our brand could have an adverse effect on our business and results of operations;
- (ii) If we were unable to respond effectively to changes in market trends and customer preferences, our market share, financial condition and prospects could be adversely affected;
- (iii) Our growth prospects depend on our ability to manage and expand our distribution network;
- (iv) We depend on several major suppliers for a stable and adequate supply of watch movements and other components and we do not enter into any long-term agreements with our suppliers, which exposes us to uncertainty and potential volatility with respect to our cost of watch movements and other components;
- (v) The loss of, or significant decrease in sales to our major customers may have an adverse effect on our financial condition and results of operations; and
- (vi) Our plan to expand our production facilities may not be successful or such expansion may result in significant increase in our cost of sales, depreciation and may affect our operations, financial condition and our revenue and profit may not increase proportionally to our increased capacity.

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

SUPPLY OF MECHANICAL MOVEMENTS

The Watch Group, one of our watch movement suppliers decided to withdraw the supply of mechanical movements to third parties. In 2013, COMCO has approved a phasing-out agreement which allows the Watch Group to reduce its sales of mechanical movements to the respective third parties progressively over the next six years, and to halt sales completely after 2019. Using the average number of mechanical movements supplied per year by the Watch Group to the respective third parties in 2009 to 2011 as baseline, the phasing-out agreement specifies that the Watch Group will supply 75% of those mechanical movements in 2014 and 2015, 65% in 2016 and 2017, and 55% in 2018 and 2019 to the respective third parties. After that, there will no obligation for the Watch Group to deliver mechanical movements to any third parties.

SUMMARY

We do not expect the reduction in supply of mechanical movements by the Watch Group will have a material adverse impact on our Group's business or operation, as our procurement from the Watch Group has gradually decreased during the Track Record Period. Furthermore, to ensure we have sufficient mechanical movements for our future production, we plan to (i) increase the procurement volume of mechanical movements from our existing movement suppliers other than the Watch Group, (ii) procure extra mechanical movements than we need for the actual production to reserve mechanical movement inventory, and (iii) explore cooperative relationships with alternative movement suppliers.

OUR HISTORY

The origin of our brand, Ernest Borel, dates back to 1856 when Mr. Jules Borel together with Mr. Paul Courvoisier established Borel et Courvoisier in Neuchatel, Switzerland. Mr. Paul Courvoisier was subsequently succeeded by Mr. Ernest Borel, son of Mr. Jules Borel, and the company was subsequently renamed Ernest Borel et Cie.

Mr. Jean-Louis Borel, the son of Mr. Ernest Borel, joined Swiss Ernest Borel et Cie in 1927 and by expanding the capacity and retaining the traditional craftsmanship for the production of streamlined products, it marked an important milestone in the development of the brand Ernest Borel.

Our largest Shareholder, Mr. Lam, first acquired an interest in the brand Ernest Borel and EB (Far East) in 1990. Through the reorganisation of Truly International Holdings in preparation of its listing on the Stock Exchange in 1991, its watch business was separated from the business of its group and the interest in our Company (which owned the entire interest of EB (Far East) at the time) was transferred to Mr. Lam, who was the founder and controlling shareholder of Truly International Holdings.

For further information regarding the history of our Group is set forth in the section headed "History and Corporate Structure" in this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the consolidated financial information for the years ended 31 December 2011, 2012 and 2013 from the Accountants' Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus, including the related notes.

SUMMARY

Summary of Consolidated Statements of Profit or Loss

	For the year ended 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Revenue	489,089	550,880	604,013
Cost of sales	(206,476)	(218,133)	(223,887)
Gross profit	282,613	332,747	380,126
Other gains or losses	2,153	(1,076)	3,105
Other income	524	1,293	1,136
Distribution expenses	(80,315)	(151,392)	(204,731)
Administrative expenses	(30,835)	(43,309)	(58,045)
Other expenses	—	(8,912)	(7,029)
Finance costs	(957)	(2,004)	(3,819)
Profit before tax	173,183	127,347	110,743
Income tax expense	(31,626)	(27,873)	(17,722)
Profit for the year	141,557	99,474	93,021

Our gross profit margin for the years ended 31 December 2011, 2012 and 2013 were approximately 57.8%, 60.4% and 62.9%, respectively. Despite the stable gross profit margin, our net profit margin decreased during the Track Record Period, primarily attributable to an increase in distribution expenses due to our increased advertising and marketing expenses, salaries and other benefit relating to distribution and appreciation in costs of the display counters for new and existing POS.

Summary of Consolidated Statements of Financial Position

	For the year ended 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Non-current assets	53,043	87,079	97,357
Current assets	424,361	554,698	647,713
Current liabilities	124,975	246,894	279,413
Net current assets	299,386	307,804	368,300
Total assets less current liabilities	352,429	394,883	465,657
Total equity	346,993	384,078	455,104

SUMMARY

Inventories

Our inventories comprise movements and other components for watches, work-in-progress and finished goods. The following table sets forth our average inventory turnover days for the year indicated:

	For the year ended 31 December		
	2011	2012	2013
Raw materials and work in progress	249.3	272.1	391.8
Finished goods	37.3	136.8	224.7
Average inventory turnover days ^(Note)	286.6	408.9	616.5

Note: Average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventory after allowance by cost of sales for the relevant period and then multiplied by 365 days for a year.

The increase in our average inventory turnover days was primarily due to (i) the accumulation of spare raw materials and work-in-progress for the planned production volume increase; (ii) an increase in watch movement reserves for contingency purposes; (iii) an increased number of work-in-progress and finished goods as we added 143 new watch models during the Track Record Period; (iv) the longer time involved in terms of selling premium branded watches compared to branded watches; and (v) the finished goods reserves in our warehouse which were stocked for direct sales to our watch retailers in the PRC. For further details, please refer to the paragraph headed “Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Inventory Ageing Analysis” in this prospectus.

SUMMARY

Summary of Consolidated Statements of Cash Flows

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Net cash from operating activities	83,187	9,771	52,508
Net cash used in investing activities	(33,959)	(38,020)	(53,325)
Net cash (used in) from financing activities	(20,566)	37,571	4,941
Net increase in cash and cash equivalents.	28,662	9,322	4,124
Cash and cash equivalents at beginning of the year	18,393	47,024	55,456
Effect of foreign exchange rate changes	(31)	(890)	1,327
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>47,024</u>	<u>55,456</u>	<u>60,907</u>

Key Financial Metrics

The table below sets forth a summary of our key financial metrics during the Track Record Period:

	As at/for the year ended 31 December		
	2011	2012	2013
Rates of return:			
Return on equity ⁽¹⁾	48.0%	27.2%	22.2%
Return on total assets ⁽²⁾	34.6%	17.8%	13.4%
Liquidity ratios:			
Current ratio ⁽³⁾	3.4x	2.3x	2.3x
Quick ratio ⁽⁴⁾	2.1x	0.9x	0.8x
Capital adequacy ratios:			
Gearing ratio ⁽⁵⁾	11.5%	26.0%	37.6%
Net debt to equity ratio ⁽⁶⁾	Net Cash	11.5%	24.3%

Notes:

- (1) Return on equity is calculated by dividing profit for the year by the arithmetic mean of the total equity at the beginning and the end of the year.
- (2) Return on total assets is calculated by dividing profit for the year by the arithmetic mean of the total assets at the beginning and the end of the year.
- (3) Current ratio is calculated by dividing current assets by current liabilities.

SUMMARY

- (4) Quick ratio is calculated by dividing current assets, net of inventories, by current liabilities.
- (5) Gearing ratio is calculated by dividing total borrowings by total equity.
- (6) Net debt to equity ratio is calculated by dividing total borrowings, net of bank balances and cash, by total equity.

Recent Development

Based on our Group's unaudited financial information for the three months ended 31 March 2014, which has been reviewed by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, our revenue was approximately HK\$157.2 million, which represented an increase by approximately 13.0% as compared to the same period in 2013. The sales volume of our watches increased to 34,441 pieces for the three months ended 31 March 2014 as compared to 33,320 pieces for the same period in 2013.

Our Directors confirm that there have not been any material adverse change in our financial or trading position or prospects subsequent to the Track Record Period and up to 30 June 2014. As far as we are aware, there was no material change in the premium watch market conditions that had affected or would affect our business operations or financial conditions materially or adversely.

OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the Global Offering and the Capitalisation Issue (taking into no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and that none of the options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme is exercised), Mr. Lam and Force Field will hold approximately 28.75% and 25.51% interest in us, respectively. Force Field is held as to 30% by Su Ran and as to 70% by Mr. Su Da. Hence, Mr. Lam, Force Field, Mr. Su Da and Mr. Su Ran will be our Substantial Shareholders upon the Listing. Force Field was incorporated in Hong Kong on 2 December 2006 and is an investment holding company.

Pre-IPO Investments

On 27 March 2012, Mr. Lam, Dragon Cloud, Valuebed Qianxin LP, Golden Full, Force Field, Surplus Union, Mr. Su Da, Su Ran, Chan Kin Sun and our Company entered into a share purchase agreement ("Lam's Share Purchase Agreement"), pursuant to which Mr. Lam agreed to sell 12%, 3% and 2% of the equity interests in our Company to Dragon Cloud, Valuebed Qianxin LP and Golden Full, respectively, at a consideration of HK\$130,224,188, HK\$32,556,047 and HK\$21,704,032, respectively. All the said considerations were determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and were irrevocably settled and paid in full on 30 March 2012, except for the balance of HK\$0.18 in respect of the consideration to be paid by Dragon Cloud which was waived by Mr. Lam on 2 April 2012.

SUMMARY

On 27 March 2012, Surplus Union entered into a share purchase agreement with Valuebed Capital LP pursuant to which Surplus Union transferred 2% of the equity interests in our Company to Valuebed Capital LP at a consideration of HK\$21,550,685. The consideration of HK\$21,550,685 was determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and was irrevocably settled and paid in full on 30 March 2012.

On the same day, Surplus Union also entered into another share purchase agreement with East Park pursuant to which Surplus Union transferred 0.5% of the equity interests in our Company to East Park at a consideration of HK\$5,386,301 which was determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and was irrevocably settled and paid in full on 2 April 2012. For further details, please refer to the paragraph headed “History and Corporate Structure — Pre-IPO Investments” in this prospectus.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Our expected share option expenses will be approximately HK\$2.1 million for the year ending 31 December 2014. For details of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to the paragraph headed “Statutory and General Information — F. Pre-IPO Share Option Scheme” and paragraph headed “Statutory and General Information — G. Share Option Scheme” in Appendix IV to this prospectus.

OFFERING STATISTICS

All statistics in the table below are based on the assumptions that the Over-allotment Options is not exercised.

	Based on Offer Price per Share of <u>HK\$2.54</u>	Based on Offer Price per Share of <u>HK\$3.46</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$881.4 million	HK\$1,200.6 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$1.71	HK\$1.88

Notes:

- (1) The calculation of our market capitalisation upon completion of the Global Offering is based on the assumption that 347,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed “Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets” in this prospectus and on the basis of a total of 347,000,000 Shares in issue at the respective Offer Prices of HK\$2.54 and HK\$3.46.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$166.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK\$3.00 per Share, being the mid-point of the indicative Offer Price range of HK\$2.54 to HK\$3.46 per Share in this prospectus.

We intend to use the net proceeds we will receive from this Global Offering for the following purposes:

- approximately HK\$58.3 million (equivalent to approximately 35.0% of our total estimated net proceeds) will be used on marketing and promotional activities of our brand and watches, including advertising on print and other media, implementing marketing initiatives, sponsoring programmes, engaging celebrities as brand ambassadors, conducting promotional activities at the department stores or shopping malls where POS are located and participating in watch exhibitions;
- approximately HK\$58.3 million (equivalent to approximately 35.0% of our total estimated net proceeds) will be used for expanding and enhancing our distribution network, of (i) HK\$41.7 million will be used for addition of display counters in our new POS; and (ii) the balance will be used for refurbishment and replacement of display counters in our existing POS;
- approximately HK\$33.4 million (equivalent to approximately 20.0% of our total estimated net proceeds) will be used for capital expenditures on ongoing expansion of our production capacity including approximately HK\$29.1 million to be used for the planned capital expenditure in our new production facility located in Le Noirmont in Switzerland;
- the remaining amount (equivalent to approximately 10.0%) will be used for providing funding for working capital and other general corporate purposes.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$28.8 million (assuming the Offer Price at the mid-point of the indicative Offer Price range of HK\$3.00). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds to increase our use of proceeds proportionately as earmarked.

If the Offer Price is fixed at HK\$3.46, being the high end of the indicative Offer Price range, our net proceeds will be (i) increased by approximately HK\$29.4 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$62.7 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds to increase our use of proceeds proportionately as earmarked.

SUMMARY

If the Offer Price is fixed at HK\$2.54, being the low end of the indicative Offer Price range, our net proceeds will instead be (i) decreased by approximately HK\$29.4 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$5.1 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

LISTING EXPENSES

The estimated total listing expenses (excluding underwriting commissions) incurred in relation to this Global Offering are estimated to be approximately HK\$15.9 million. We estimate that additional listing expenses (excluding underwriting commissions) of HK\$25.4 million will be incurred by listing, of which HK\$4.4 million is expected to be charged against equity upon successful listing. The remaining HK\$21.0 million will be charged to the consolidated statements of profit or loss and other comprehensive income. These listing expenses are mainly comprised of professional fees paid to legal advisers, the reporting accountant and the sponsor fee for the Sole Sponsor (for the amount approximately US\$540,000) for their services rendered in relation to the Listing and the Global Offering.

DIVIDENDS AND DIVIDEND POLICY

Upon completion of the Global Offering, our Shareholders will be entitled to receive any dividends we may declare. As regards our Company, a Cayman Islands-incorporated company, any amount of dividends we pay will be recommended at our Directors' discretion and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Under Cayman Islands Law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account. Under our Articles, final dividends are declared by our Shareholders at a general meeting.

As regards EB (GZ), our PRC-incorporated subsidiary, PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprise, such as EB (GZ), to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as dividends.

Subject to the factors above, we currently plan to pay annual dividends of not less than 30.0% of our consolidated profit attributable to Shareholders in the future. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions if any will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain other terms are explained in the section headed “Glossary” in this prospectus.

“Application Form(s)”	White application form(s), Yellow application form(s) and Green applications form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 24 June 2014 and effective upon the Listing as amended from time to time
“Asia Pacific”	unless the context indicates otherwise, references in this prospectus to “Asia Pacific” include all countries or territories in Asia, Oceania and the State of Hawaii of the United States, but exclude the PRC
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baselworld”	Baselworld Watch and Jewellery Show which takes place in Basel, Switzerland annually
“Board”	our board of Directors
“BOCI”	BOCI Asia Limited, a licenced corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“Business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about Our Group — 4. “Written Resolutions of Our Shareholders Passed on 24 June 2014” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CHF”	Swiss franc, the lawful currency of Switzerland
“COMCO”	the Swiss Competition Commission
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinances”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “our”, “we” and “us”	Ernest Borel Holdings Limited (依波路控股有限公司), a non-resident company incorporated by registration on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014 under the laws of the Cayman Islands
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction”	has the meaning ascribed to it in the Listing Rules
“Contract Law” or the “PRC Contract Law”	the Contract Law of the PRC (《中華人民共和國合同法》), which was enacted by the Ninth National People's Congress of the PRC on 15 March 1999 and became effective on 1 October 1999

DEFINITIONS

“Corporate Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “Statutory and General Information — B. Corporate Reorganisation” of Appendix IV to this prospectus
“COSC”	Contrôle Officiel Suisse des Chronomètres, the Official Swiss Chronometer Testing Institute, which is an association of the five watch-making cantons of Bern, Geneva, Neuchâtel, Solothurn and Vaud established in 1973, and the institute responsible for certifying the accuracy and precision of chronometers in Switzerland in order to grant them official chronometer status
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	a deed of indemnity dated 24 June 2014 given by Mr. Lam and Mr. Su Da in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities, further information of which is set out in the paragraph headed “Other Information — Deed of Indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 24 June 2014 given by Mr. Lam and Mr. Su Da in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking, further information of which is set out in the section headed “Substantial Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Dragon Cloud”	Dragon Cloud Holdings Limited, a company incorporated with limited liability on 2 March 2012 under the laws of the BVI, holds 12% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold approximately 9.72% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised). Dragon Cloud Holdings Limited is owned as to 87.26% by Greenwood Bloom Fund L.P. with Greenwood Bloom Limited acting as its general partner and others as limited partners, and as to 12.74% by Hua Tang, all of which are Independent Third Parties
“EIT”	the enterprise income tax of the PRC (中華人民共和國企業所得稅)

DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect on 1 January 2008
“East Park”	East Park Fund Limited, a company incorporated with limited liability on 5 October 2010 under the laws of the Cayman Islands, wholly owned by East Park (Cayman) Limited (wholly owned by Wang Yi Dung, Eden (黃以東), an Independent Third Party), which holds 0.5% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold approximately 0.40% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“EB (Far East)”	Ernest Borel (Far East) Company Limited (依波路(遠東)有限公司), (formerly known as Ernest Borel (Far East) Company Limited), a company incorporated with limited liability on 27 February 1981 under the laws of Hong Kong, which is wholly owned by EB Investment and a wholly owned subsidiary of our Company after the Corporate Reorganisation
“EB (GZ)”	依波路(廣州)貿易有限公司 (Ernest Borel (Guangzhou) Trading Co., Ltd*), a wholly foreign-owned limited liability company established on 7 December 2011 under the laws of the PRC, which is wholly owned by EB (HK) and a wholly owned subsidiary of our Company
“EB (HK)”	Ernest Borel (Hong Kong) Limited (依波路(香港)有限公司), a company incorporated with limited liability on 25 August 2011 under the laws of Hong Kong, which is wholly owned by EB Investment and a wholly owned subsidiary of our Company after the Corporate Reorganisation
“EB Investment”	Ernest Borel Investment Limited, a company incorporated with limited liability on 17 August 2011 under the laws of the BVI, which is wholly owned by our Company
“EB (Switzerland)”	Ernest Borel S.A., a corporation incorporated with limited liability on 20 January 1997 under the laws of Switzerland, which is owned as to 98% by EB (Far East) and 2% by Mr. Raphaël Boillat on trust for and on behalf of EB (Far East) and a wholly owned subsidiary of our Company

DEFINITIONS

“Force Field”	Force Field Limited (力禾有限公司), a company incorporated with limited liability on 2 December 2006 under the laws of Hong Kong, which is owned as to 70% by Mr. Su Da (蘇大) and 30% by Mr. Su Ran (蘇然) (the younger brother of Mr. Su Da), which holds 31.50% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering and will hold approximately 25.51% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Brand Co., a global market research and consulting company, which is an independent third party
“Frost & Sullivan Report”	an independent market research report dated 21 February 2014, commissioned by our Company on the PRC premium watch market and prepared by Frost & Sullivan
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Full”	Golden Full VB Investment Limited, a company incorporated with limited liability on 13 February 2012 under the laws of the BVI, which is owned as to 10% by Golden Full Investment Limited (which is wholly owned by Hon Man Investment Limited, which is in turn ultimately wholly owned by Mei Xiaoying), 10% by Golden Full Holdings Limited (which is wholly owned by Wang Aier), 20% by Zhao Hongshu, 15% by Asian Sky Consultants Limited (which is wholly owned by Ding Gen Dong), 15% by Lin Fang, 15% by Joy Bright Holdings Limited (which is wholly owned by Xiong Yan Gui), 5% by Song Jonathan Zhanshan, 5% by Greate Opulence Limited (which is wholly owned by Li Qu) and 5% by Cardinal Global Limited (which is wholly owned by Zheng Zhi Min), all of whom are Independent Third Parties. Golden Full VB Investment Limited holds 2% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and approximately 1.62% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)

DEFINITIONS

“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessor
“Guangzhou Shihengbao”	Guangzhou Shihengbao Department Store Co., Ltd.* (廣州市時亨寶百貨有限公司), a limited liability company established on 26 December 2002 under the laws of the PRC and was wholly owned by Mr. Su Da, and was deregistered on 13 March 2013 in accordance with the laws of the PRC
“HKD” or “Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form www.hkeipo.hk
“HK eIPO White Form Service Provider”	The Bank of East Asia, Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”, or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 6,600,000 Shares (subject to adjustment as described in the section headed “Structure of Global Offering” in this prospectus, being initially offered by us for subscription at the Offer Price under the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms

* For identification purposes only

DEFINITIONS

“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriter” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 June 2014, relating to the Hong Kong Public Offering entered into by us, Mr. Lam, Force Field, Mr. Su Da, Mr. Su Ran, Mr. Wong Pong Chun James, Ms. Liu Libing, the Sole Global Coordinator and the Hong Kong Underwriter, as further described in the paragraph headed “Hong Kong Public Offering” under the section headed “Underwriting” in this prospectus
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards, which collective term includes standards and interpretations approved by the International Accounting Standards Board (IASB), and the IAS and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“International Offer Shares”	the 59,400,000 Shares (subject to adjustment and the exercise of the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus) being initially offered by our Company for subscription under the International Offering, together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option
“International Offering”	the conditional offering of the International Offer Shares to professional, institutional and other investors by International Underwriter(s), as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriter(s)”	the underwriters of the International Offering, who is or are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering expected to be entered into between our Company, the International Underwriter(s) and the Sole Global Coordinator to be dated on or around the Price Determination Date
“Latest Practicable Date”	20 June 2014, being the latest practicable date prior to the issuance of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around 11 July 2014, on which the dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Offer Price”	the maximum offer price under the Global Offering of HK\$3.46 per Offer Share
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Lam”	Mr. Lam Wai Wah (林偉華), who holds 35.50% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold approximately 28.75% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering — Determining the Offer Price” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares including, where relevant, any existing additional Shares sold and transferred pursuant to the exercise of the Over-allotment Option
“Other Markets”	countries and territories in Middle East, Europe and North America where our watches were sold during the Track Record Period
“Over-allotment Option”	the option expected to be granted by us to the Sole Global Coordinator (on behalf of the International Underwriter(s)) under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriter(s)) at any time from the date of the International Underwriting Agreement until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, pursuant to which the Sole Global Coordinator may require our Company to sell up to 9,900,000 existing Shares, (representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price, to, among other things, cover the over-allocation in the International Offering, as further described under the section headed “Structure of Global Offering — The Over-Allotment Option” in this prospectus

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“POS”	authorised points of sale in which our watches are sold
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended at the Sixth Session of the Standing Committee of the Twelfth NPC on 28 December 2013, effective from 1 January 2006 (2013 Amendment), as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of the PRC including all political subdivisions (including provincial, municipal, and other local or regional government entities) and organisations of such government or, as the context requires, any of them
“PRC Legal Adviser”	Beijing Dacheng Law Offices, LLP (Guangzhou), our Company’s legal adviser as to PRC laws
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 24 June 2014 and effective upon the Listing, the principal terms of which are summarised in the section headed “Statutory and General Information — F. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before the commencement date of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 3 March 2014
“Price Determination Date”	the date, expected to be on or around 4 July 2014, but no later than 8 July 2014, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the Global Offering
“Principal Share Registrar”	Royal Bank of Canada Trust Company (Cayman) Limited
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each upon the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated
“Shareholders”	holder(s) of the share(s) of our Company from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 24 June 2014 and effective upon the Listing, the principal terms of which are summarised under the section headed “Statutory and General Information — G. Share Option Scheme” in Appendix IV to this prospectus
“Shenzhen Ruishi”	Shenzhen Ruishi Clock Co., Ltd.* (深圳市瑞時鐘錶有限公司), a limited liability company established on 31 March 2006 under the laws of the PRC and was wholly owned by Mr. Su Ran (蘇然), which was deregistered on 28 January 2013 in accordance with the laws of the PRC
“Sole Sponsor” or “Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager”	BOCI
“Stabilising Manager”	BOCI or any of its affiliates or any persons acting for it
“sq. m.”	square metres
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between Force Field and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 9,900,000 Shares on terms set forth therein

* For identification purposes only

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Mr. Lam, Force Field, Mr. Su Da, our executive Director and chairman of our Board, Mr. Su Ran, younger brother of Mr. Su Da, Surplus Union and Mr. Chan Kin Sun
“Surplus Union”	Surplus Union Investments Limited (盈聯投資有限公司), one of our Substantial Shareholders and a limited liability company incorporated on 10 June 2011 under the laws of the BVI, which is wholly owned by Mr. Chan Kin Sun (陳建新), holds 13.5% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold 10.93% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“Swiss franc” or “CHF”	Swiss Franc, the lawful currency of Switzerland
“Tier 1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“Tier 2 cities”	Tianjin, Chongqing, and provincial capital cities other than Guangzhou
“Tier 3 cities”	prefecture-level divisions excluding provincial capital cities
“Tier 4 cities”	county-level cities
“Track Record Period”	the years ended 31 December 2011, 2012 and 2013
“Truly International Holdings”	Truly International Holdings Limited (stock code: 732), a company whose shares have been listed on the Main Board of the Stock Exchange since July 1991
“Underwriters”	the Hong Kong Underwriter and the International Underwriter(s)
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Valuebed Capital LP”	Valuebed Capital Investments Limited Partnership, a limited partnership formed on 13 March 2012 under the laws of the BVI, between Valuebed Capital Enterprise Limited (which is wholly owned by Li Bing Shan (李冰山), an Independent Third Party) and other Independent Third Parties, which holds 2% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold approximately 1.62% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option is exercised, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“Valuebed Qianxin LP”	Valuebed Qianxin Limited Partnership, a partnership formed on 23 February 2012 under the laws of the BVI, between Valuebed Capital Limited (which is wholly owned by Li Bing Shan (李冰山), an Independent Third Party) and other Independent Third Parties, which holds 3% of the issued share capital of our Company upon completion of the Corporate Reorganisation but immediately before the Capitalisation Issue and the Global Offering, and will hold approximately 2.43% of the issued share capital of our Company upon completion of the Global Offering (assuming none of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme is exercised)
“West End”	West End Watch Co., a company founded in the 1880s in Switzerland, the principal activity of which is the manufacture of Swiss-made watches
“ YELLOW application form(s)”	the forms of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	percentage or per cent

* For identification purposes only

DEFINITIONS

Unless the context otherwise requires, references to “2011”, “2012” and “2013” in this prospectus refer to our financial year ended 31 December of such year.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“authorised distributors”	a person or an entity who is authorised to distribute our watches in certain regions
“bezel”	the ring snapped on to the middle of a watch case to hold the glass, which is usually made up of gold, gold plate or stainless steel
“couple watch”	the couple watch consists of a watch for man and a watch for lady with similar design and style, and people usually wear this kind of watch to show others that they are lovers and to prove that there are strong and solid love between both of them
“K”	unit of purity for gold alloys
“mechanical movement”	a movement which uses the power from a wound spring and keeps time by utilising energy from the tension of the spring to power a set of gears
“movement”	the completed individual mechanism contained inside the case of a watch, not including the watch casing or watch dial itself, which is responsible for time keeping
“quartz movement”	a movement which utilises power from a small battery to keep time
“premium couple watch”	the couple watch sold under the premium watch brands
“premium watch”	watch brands with retail price of most watch products between RMB3,000 and RMB20,000 in 2013 in China
“Swiss-made”	according to applicable Swiss law, a watch is considered as Swiss-made where: (1) the movement is Swiss, (that is (a) assembled in Switzerland; (b) inspected by the manufacturer in Switzerland and (c) the components of Swiss manufacture make up for at least 50% of the value, without considering the cost for assembly); (2) the movement is cased up in Switzerland; and (3) the manufacturer carries out the final inspection in Switzerland. These requirements may vary from time to time. Tightened requirements are expected to enter into force soon (see section headed “Regulatory Overview — Qualifying for the “Swiss-made” label” in this prospectus)

GLOSSARY

“Swiss-made label”	a watch can bear the “Swiss-made” label when it is Swiss-made
“watch bracelet”	a metal link watch band with a clasp to open it
“watch case” or “watch casing”	case of a watch that protects the watch movement from dust, damp and shocks
“watch crown”	knob located on the outside of the watch dial or face and used for winding the watch. It is also used for setting the hands of the watch to the right time
“watch dial”	the plate of metal or other material bearing various markings to show the hours, minutes and seconds, commonly known as the face of a watch
“watch glass”	thin plate of glass or synthetic material for protecting the watch dial
“watch hand”	a pointing device, usually made up of a thin piece of metal, which moves over a graduated dial or scale
“watch head”	the semi-finished watch comprising of the movement which has been assembled with the watch dial and watch hands, and placed into the watch casing and covered with the watch glass
“watch retailer”	a person or company that sells our watches to end-customers
“watch strap”	watch band made of cloth, leather or other non-metal material
“watchmaker”	an artisan/master craftman who makes and repairs watches

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “contemplate”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would”, and the negative forms of these terms, as well as similar expressions, as they relate to our Company, our Group or our management, are intended to identify a number of these forward-looking statements. Our Directors confirm that these forward-looking statements are made after due and careful consideration. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us and our Group which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- our ability to continue to expand our distribution network;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the section headed “Financial Information” in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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

RISK FACTORS

An investment in our Shares involves various risks. Before investing in our Company, you should carefully consider all of the information set forth in this prospectus and, in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of our Shares, and could cause you to lose your investment. Additional risks that we currently believe are immaterial or which are currently unknown to us may arise or become material in the future and may have a material adverse effect on our Group. These risks should also be considered in connection with the reservations in the section headed "Forward-looking Statements" in this prospectus.

RISKS RELATED TO OUR BUSINESS

Our success depends on the strength of our Ernest Borel brand, and any deterioration in our brand could have an adverse effect on our business and results of operations

We design, manufacture, promote and sell our watches under our own brand, Ernest Borel. We derive substantially all of our revenue from sales of our watches, which rely on the strength of our brand. The strength of our brand is based on our long history and reputation for providing quality Swiss-made watches, the competitive prices, the design of our watches, the image of our POS and the effectiveness of our advertising and marketing activities. Our continued success and growth depend upon our ability to protect and promote our brand in our existing markets and key growth markets. Failure to manage any of the above factors could adversely affect the value, market perception and customer acceptance of our brand and image, as well as our ability to retain existing or attract new end-customers. Accordingly, we may not be able to maintain our current prices of our watches and/or sales volumes or enter new markets.

In addition, any negative publicity or dispute relating to our brand, including product defects, counterfeit products or ineffective promotional activities are potential threats to the image of our brand, which could adversely affect our business, results of operation and the implementation of our growth strategies.

If we were unable to respond effectively to changes in market trends and customer preferences, our market share, financial condition and prospects could be adversely affected

The premium watch industry is susceptible to changes in prevailing market trends and customer preferences. This requires us to continuously introduce new watch designs and modify existing watches designs to attract and retain our end-customers. Our success depends, and will continue to depend, heavily on our ability to respond effectively to changing market trends and customer preferences. As customer preferences for watches are highly subjective in nature, we may fail to anticipate or respond to such changes. There can be no assurance that we will bring to market in a timely manner enhanced or new watch designs that meet these changing preferences. Failure on our part to successfully follow the market trends and to design our watches which appeal to our end consumers could adversely affect our market share. In the long run, this could lead to loss or diminution in the goodwill and commercial value of our brands.

RISK FACTORS

Our growth prospects depend on our ability to manage and expand our distribution network

We distribute our watches through watch retailers and authorised distributors, who in turn sell our watches to end-customers in POS owned and/or operated by them. During the Track Record Period, we have pursued a rapid growth strategy, expanding our distribution network from over 770 POS as at 31 December 2011 to over 960 POS as at 31 December 2013, and expect to continue our expansion in the coming three years by adding approximately 300 new POS in the PRC and 100 new POS overseas.

Our ability to successfully expand our distribution network depends on, among other factors:

- our ability to identify suitable watch retailers and authorised distributors with appropriate experience and track record, and their willingness to cooperate with us on mutually acceptable terms;
- the effectiveness of our advertising and marketing campaigns;
- our ability to adapt and expand coverage of our operational, financial and management system, including our ERP system to support an expanded distribution network, and to achieve the related synergies;
- our ability to supply sufficient stock to all POS;
- the ability of our watch retailers and authorised distributors to secure appropriate locations for new POS;
- the ability of our watch retailers and authorised distributors to attract, train and retain qualified personnel for management and operation of the existing and new POS; and
- the ability of our watch retailers and authorised distributors to secure all necessary licences and approvals to carry out their business in the targeted market segments.

There can be no assurance that we will be able to expand our distribution network successfully as it may be affected by many factors including the above, and other factors which are not under our control, such as national and local economic conditions and changes in the region in which we plan to add new POS. Failure to effectively implement our expansion strategies may adversely affect our business prospects, financial condition and results of operations.

RISK FACTORS

We depend on several major suppliers for a stable and adequate supply of watch movements and other watch components and we do not enter into any long-term agreements with our suppliers, which exposes us to uncertainty and potential volatility with respect to our cost of watch movements and other watch components

Our watches are made of raw materials such as watch movements, watch hands, watch cases, watch dial, watch crown, watch straps or watch bracelets, sapphire crystal and precious gemstones, that are subject to changes in market prices. For the years ended 31 December 2011, 2012, and 2013, the cost of watch movements and other components accounted for 86.0%, 79.8% and 78.8% of our total cost of sales, respectively. During the Track Record Period, we source the Swiss-made watch movements from a limited number of suppliers in Switzerland and other components globally. As we expect that our business and revenue will continue to grow, our need for watch movements and our reliance on these major suppliers will continue. Therefore, any problem with the production facilities or processes of our watch movements suppliers may affect our ability to produce the planned quantity of watches meeting the required quality standards. Disruptions to the operations of our watch movement suppliers may also increase our costs of sale. If any of such events occurs, we may not be able to supply a sufficient quantity of watches and our business and results of operations may be materially and adversely affected.

The global supply of Swiss-made watch movements is limited and dominated by a small number of suppliers in Switzerland who tend to give priority to supplying watch movements to their respective in-house watch manufacturing arms. If any of our major suppliers of watch movements decides to substantially reduce its volume of supply to us, or substantially increase the prices of watch movements or terminate its business relationship with us, we may need to find replacements in a timely manner. For further details, please refer to the paragraph headed “Risks related to conducting operations in Switzerland — Significant decrease in the supply of mechanical movements in Switzerland” in this section. Failure to secure alternative suppliers for the supply of movements of comparable quantities and qualities may materially and adversely affect our production, business, financial positions and results of operations.

Further, we do not enter into any long-term supply agreement for the supply of our watch movements, nor have we entered into any hedging arrangements or transactions to reduce relevant risks. We depend on our amicable relationship with our major suppliers to secure a stable supply of watch movements at competitive prices. If we fail to maintain such relationship, we may not be able to source a sufficient quantity of watch movements at competitive terms or at all. Our costs of sale may increase if we cannot source watch movements at competitive prices or terms, and we may have to incur substantial costs to secure supply of watch movements, which could materially and adversely affect our profitability. Any increase in the prices of our major raw materials could result in additional costs to us and may lead to a reduction in our gross profit margin to the extent that we are unable to pass these increased costs on to our customers. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

RISK FACTORS

The loss of, or significant decrease in sales to our major customers may have an adverse effect on our financial condition and results of operations

Our customers are watch retailers and authorised distributors which are primarily engaged in the sales of watches. Our five largest customers accounted for 88.6%, 32.6% and 32.2% of our total revenue for the years ended 31 December 2011, 2012 and 2013, respectively. The distribution agreements and the supplemental distribution agreements which we entered with our existing watch retailers are generally valid for a period of two years, subject to automatic renewal for one year upon expiration. We cannot assure you that any agreements will be renewed on similar terms or at all after the expiration. There can be no assurance that these major customers will continue to place orders with us at historical levels, or that we could find sizable customers to purchase similar quantity of watches should we lose any of our major customers. If any of our major customers were to substantially reduce their transaction volume or terminate their business relationship with us, our financial condition and results of operations would be materially and adversely affected.

Our plan to expand our production facilities may not be successful or such expansion may result in significant increase in our cost of sales, depreciation and may affect our operations, financial condition and our revenue and profit may not increase proportionally to our increased capacity

As our distribution network grows, the demand for our watches is expected to grow as well. In order to meet the anticipated increase in demand for our watches, we will construct an additional production facility on a piece of land located adjacent to our production facility in Le Noirmont, Switzerland that we have purchased. It is currently at the planning stage and no construction has commenced.

Our expansion plans may involve the following risks (i) our actual production volume may vary depending on the demand and purchase orders for our products, which in turn may be affected by market trends, customer preferences or other factors which are beyond our control. The demand for our products and revenue to be generated may not increase in line with our increase in production capacity; (ii) we expect to incur increased costs, such as direct labour costs and depreciation costs, in connection with the expansion of our production facility; and (iii) we cannot assure you that our expansion plans will be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.

We are subject to the risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity

The demand for our watches is highly dependent on the customers' preferences, which are beyond our control. If our watches fail to meet the changing consumer preferences and market trends, slow-moving inventory will increase. Our inventory (before provision for inventory) as at 31 December 2011, 2012 and 2013 amounted to approximately HK\$163.0 million, HK\$342.2 million and HK\$434.6 million, respectively, of which approximately 0.3%, 1.2% and 2.1%, respectively, were finished goods aged over one year. Our inventory turnover days (after allowance) increased to 408.9 days for the year ended 31 December 2012 from 286.6 days for

RISK FACTORS

the year ended 31 December 2011, further increased to 616.5 days for the year ended 31 December 2013. The increase in inventory adversely affected our working capital during the Track Record Period. In particular, net cash generated from operating activities decreased from HK\$83.2 million for the year ended 31 December 2011 to HK\$9.8 million for the year ended 31 December 2012, and our net increase in cash and cash equivalents of HK\$9.3 million for the year ended 31 December 2012 was mainly supported by net cash generated from financing activities of HK\$37.6 million for the year ended 31 December 2012. If we cannot manage our inventory level effectively in the future, our liquidity and cash flow may be adversely affected. Further, if we cannot manage to enhance or design our watches to suit the consumer preference and market trends in the future, the volume of obsolete and slow-moving inventory may increase and we may need to either sell off such inventory by offering additional 1% or 2% discount or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected. Please refer to the paragraph headed “Business — Inventory Control” for the strategies we adopt for inventory management.

We may not be able to successfully control our distribution channel, including monitoring the retail price of our watches and inventory level of our watch retailers and authorised distributors

We rely on our ability to control our distribution network to ensure that our watches are sold in an environment and manner consistent with our brand image. We require our watch retailers and authorised distributors to sell our watches in agreed locations and to follow our pricing policy and merchandising displays guidelines in order to maintain consistency with our brand image.

Deviation by our watch retailers and authorised distributors from our policies and guidelines, such as selling our watches in retail outlets or to third parties without our authorisation, presenting our products in a manner inconsistent with our preferred positioning or offering our watches at unacceptable discounts, could damage our brand image. In addition, we may not be able to exercise adequate control in practice over the retail price and inventory levels of our watch retailers and authorised distributors. Although our agreements with our retailers and authorised distributors require them to provide us with reports on sales data and inventory levels on a regular basis, we cannot assure you of the accuracy of such relevant data. As a result, we may not be able to identify or prevent any excessive inventory build-up in a timely manner, which could materially and adversely affect our sales, business and results of operations.

If any of our watch retailers in the PRC fails to comply with relevant legal or regulatory requirements, or to respond to such changes, our business, financial condition and results of operations may be adversely affected

As at the Latest Practicable Date, the business scope of a small number of our PRC watch retailers as set out in their business licences literally cover the distribution of general merchandise instead of the specific sales of watches. As advised by our PRC Legal Adviser, due to the uncertainty of PRC laws and regulations on whether these watch retailers may or may not conduct sales of watches under the business scope of the distribution of general merchandise, they may be subject to certain administrative penalties. According to the actual

RISK FACTORS

circumstances under Measures for Investigating, Punishing and Banning Unlicensed Business Operations (《無照經營查處取締辦法》), such penalties could be ordered to cease the sales of watches, face confiscation of illegal profits and/or pay certain monetary penalties. If any of our watch retailers is required to cease their business operations of distributing watches as a result of deemed non-compliance with the business scope requirements, our results of operations, market share, geographical coverage and relevant brand image(s) may be materially adversely affected.

Further, there can be no assurance that our watch retailers have complied with all other PRC laws and regulations or will have sufficient resources to deal with unexpected changes in the regulatory, economic or business environment or other factors beyond their control. If any of our watch retailers fails to comply with relevant legal or regulatory requirements, or to respond to such changes, our business, financial condition and results of operations may be materially adversely affected.

We outsource the production of a portion of our semi-finished watches. Any disruption in the supply of our products could have a material and adverse effect on our business, financial condition, results of operations and prospects

We outsource the manufacturing of a portion of our semi-finished watches to external watch manufacturers in Switzerland. Given the flexibility required by our production needs, we did not enter into any formal written agreements with our external watch manufacturers but instead placed individual purchase orders for the provision of their services. Accordingly, our external watch manufacturers may decide not to accept our future purchase orders on the same or similar terms or at all. If our external watch manufacturers decide to substantially reduce their volume of supply to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to find replacements in a timely manner, the failure of which may result in disruption of our operations. In addition, if any of our external watch manufacturers fails to provide the required amount of products meeting our quality standards, we may need to source products from other external watch manufacturers, which may result in additional costs and delays in the delivery of our products to our watch retailers and authorised distributors.

A number of factors could also cause prolonged interruption or have a negative effect on the operation of our external watch manufacturers, such as changes in laws and regulations that affect their manufacturing costs or process or result in financial difficulties or labour disputes faced by these external watch manufacturers. Moreover, we may not be able to exercise adequate control over the operations of our external watch manufacturers and as a result are not able to ensure their compliance with applicable laws and regulations. Failure on the part of any of our external watch manufacturers to comply with applicable laws and regulations, such as production-related, labour and environmental laws and regulations, may materially and adversely disrupt the supply of our products, causing a material and adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

As we do not have direct control over our external watch manufacturers, if any of them is involved in unauthorised production of products, of lower quality, appropriating our brand or design, and sold at lower prices on the market, our reputation, business, financial condition, results of operations and prospects may be materially and adversely affected.

Any significant disruption or damage to our production and warehouse facilities could have a negative impact on our business

Our revenue is dependent on the continuing operations of our production facilities. Our production process is subject to risks beyond our control including, amongst others, fire, breakdown, failure or substandard performance of our equipment, power shortage, labour strikes, natural disasters and any interruption in our operations as a result of any failure to comply with all applicable laws, regulations and standards in Switzerland. We have not encountered any significant disruption during the Track Record Period, and we cannot assure you that our production would be free of disruption in the future. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on our business, financial condition and results of operation.

Our insurance coverage may not completely cover the risks related to our business and operations

We maintain insurance policies covering risks in respect of properties, goods in transit and public liability which we believe is in line with industry practice. However, there is no assurance that our insurance coverage would be sufficient to cover all our potential losses. For further details on the insurance policies we maintain, please refer to “Business — Insurance” in this prospectus. In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference ourselves and our cash flow and liquidity could be adversely affected.

We may face infringement of our intellectual property rights regarding our “Ernest Borel” or “依波路” brand name

We manufacture and sell our watches under our “Ernest Borel” or “依波路” brand name. We are dependent on the general recognition of the “Ernest Borel” or “依波路” brand name and we consider our business to be inseparable from the use of our brand name in both English and Chinese. We have registered the trademark of our Ernest Borel logo, our “Ernest Borel” brand name (in both English and Chinese), other trademarks as well as design patents for certain of our watches in various countries. For further details, please refer to “Our Intellectual Property Rights” in Appendix IV to this prospectus. There can be no assurance that our end-customers can distinguish our brand name from that of other brand names which are similar to ours, and our sales and brand reputation may be affected accordingly.

As the watch market is subject to numerous instances of counterfeiting and imitation, there is also no assurance that there will not be incidents of third-party infringement of our intellectual property rights from time to time, nor is there any assurance that we will be able to detect and deal with any infringement effectively.

RISK FACTORS

Preventing intellectual property infringements, particularly in the PRC, is difficult, costly and time-consuming, and continued unauthorised use of our intellectual properties by unrelated third parties may damage our reputation and brand image. The measures we take to protect our trademarks, patents, brand name and other intellectual property rights may not be adequate to prevent unauthorised use by third parties. If we are unable to adequately protect our trademarks, patents, brand name and other intellectual property rights, we may lose these rights, our brand image may be harmed and lead to a loss of consumer confidence in our brand which would in turn materially adversely affect our competitive position, business and financial performance.

We are dependent on certain key executives and senior management

Our expansion plans and future success depends, to a significant extent, on the continuous service of key members of our management team. If we were to lose the services of any of the existing key management members without a suitable replacement, or were unable to attract new qualified members with suitable experience to join our management team as we continue to grow, our operations and business may be materially and adversely affected. Our chairman and executive Director, Mr. Su Da, and the members of our senior management, Mr. Retz and Mr. Bodard, possess extensive experience in the watch industry and have made significant contributions to the development of our Group. There can be no assurance that we will be able to attract or retain highly skilled employees and key personnel. The competition for experienced personnel in Switzerland and the PRC may increase our labour costs, which would in turn increase our costs of operations and affect our profitability.

An increase in the cost of labour and labour shortage in Switzerland and the PRC may adversely affect our business, financial condition, results of operations and growth prospects

We rely on our employees in Switzerland and the PRC to carry out production and/or other operating activities. For the years ended 31 December 2011, 2012 and 2013, our cost of direct labour amounted to HK\$17.2 million, HK\$24.2 million and HK\$26.1 million, respectively, representing 8.3%, 11.1% and 11.6% of our total cost of sales, respectively. The labour costs in Switzerland and the PRC have been gradually increasing in recent years and may continue to increase in the future. In addition, as the competition for skilled watchmakers is increasingly intensive, we may need to enhance our remuneration packages and welfare to our employees in order to recruit and retain staff. We cannot assure you that our employees will not demand an increase in their salaries. If we encounter such demands from our employees or if we are unable to employ appropriate means to control our labour costs, or if we are unable to pass on such increase in our labour costs to our customers, our business, financial condition, results of operations and growth prospects may be adversely affected.

Our rights to use certain of our leased premises could be challenged and we may be subject to fines as a result of unregistered leases

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房租賃管理辦法》), the lease of property shall be registered with the relevant government authorities within 30 days after the execution of the lease agreement. However, as at the Latest Practicable Date, we leased six properties in the PRC for the operation of our office premises and staff quarters,

RISK FACTORS

among which the lease of five properties had not been registered with relevant PRC government authorities. As advised by our PRC Legal Adviser, failure to register an executed lease agreement will not invalidate the agreement. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered leased property if the relevant PRC government authorities require us to rectify such non-compliance and we fail to do so within the specified period of time.

We may not be able to obtain financing on favourable terms, or at all, to meet our funding requirements

We currently fund our operations and capital expenditure primarily from cash flow generated from our operating activities and bank loans. With an aim to continually expanding our business, we may need to obtain further financing from external sources to supplement our liquidity in the future. Our ability to obtain external financing in the future is subject to a number of uncertainties, including but not limited to the following: (i) our financial condition, results of operation, business reputation, cash flow and credit history; and (ii) the condition of the global and domestic financial markets.

As at 30 April 2014, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, our total borrowings amounted to HK\$182.8 million. However, we cannot assure you that we will be able to obtain bank loans or renew existing facilities in the future on favourable terms or at all. We also cannot assure you that we will not be affected by any fluctuation in the interest rates on external financing secured or to be secured to fund our operations and planned expansion. If adequate funding is not available to us on favourable terms, or at all, our finance costs may increase or we may not be able to continue our existing operations, develop or expand our business and, therefore, our business, financial condition and results of operations would be materially and adversely affected.

Fluctuations in the exchange rates of the CHF, the RMB and the Hong Kong dollars may affect our business and results of operations

During the Track Record Period, an average of approximately 31.1% and 53.5% of our expenses and costs were denominated in CHF and Hong Kong dollars, respectively, while an average of approximately 72.8% and 25.8% of our revenue was denominated in RMB and Hong Kong dollars, respectively. Any significant fluctuations in the exchange rates between CHF and Hong Kong dollars or RMB may materially and adversely affect our results of operations. Any future exchange rate volatility relating to CHF may give rise to uncertainties in the value of net assets, net profit margin and dividends. For the years ended 31 December 2011, 2012 and 2013, our net foreign exchange (loss)/gain amounted to HK\$1.6 million, HK\$(2.0) million and HK\$3.1 million, respectively.

To reduce our exposure to foreign exchange fluctuations of CHF against Hong Kong dollars, our functional currency, we entered into certain foreign-exchange contracts to buy CHF Sell-Hong Kong dollars at specified exchange rates on specified future dates. We recognised fair value gains on derivative financial instruments of HK\$0.7 million, HK\$1.0 million and HK\$1.0 million as at 31 December 2011, 2012 and 2013, respectively. As at 31 December 2011, 2012 and 2013, the notional amount of CHF/HKD foreign exchange contracts were CHF8.9 million, CHF15.5 million and CHF17.1 million, respectively, representing 49.4%, 86.1% and 95.0% of

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foreign exchange risks respectively. We cannot assure you that such transactions will be risk-free, and any loss resulting from such transactions may materially and adversely affect our financial condition and results of operations.

Although we have entered into certain foreign currency forward contracts to hedge against part of our exposure to foreign currency risk, we cannot predict the impact of future exchange rate fluctuations on our results of operations nor is there any assurance we will not incur any net foreign currency losses in the future. For further details, please refer to the section headed “Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign Currency Risk” in this prospectus.

We are subject to certain risks relating to the delivery of our products

We rely on third-party logistics service providers for the delivery of our products to customers. Such delivery services could be suspended and thus interrupt the supply of our products if unforeseen events occur which are beyond our control, such as poor handling and damage to our finished products, transportation bottlenecks, natural disasters or labour strikes. Our market reputation and profitability could be materially and adversely affected if there are such delayed deliveries.

We may be subject to further tax charge or penalty imposed by the Inland Revenue Department

During the Track Record Period, the statutory accounts of EB (Far East) were audited by another auditor's firm prior to the appointment of Deloitte Touche Tohmatsu as the statutory auditor of EB (Far East) and reporting accountant for the purpose of the Listing. Upon the engagement of Deloitte Touche Tohmatsu as the statutory auditor, a detailed review was conducted over EB (Far East)'s accounting books and records in accordance with IFRS during the course of audit. Some accounting errors such as (i) improper recognition of property, plant and equipment, (ii) cut off error of advertising expenses, (iii) inconsistent application of inventory accounting policy, (iv) understatement of warranty and (v) overstatement of rental expenses in respect of the audited financial statements were identified by Deloitte Touche Tohmatsu. Accordingly, prior year adjustments have been made in our Company's financial statements. Our Group has made full additional provision of HK\$7,745,000 in aggregate based on the revised estimated assessable profits for each of the years of assessment, taking into account the effect of such restatements. However, there is no assurance that the provision of HK\$7,745,000 would be sufficient to cover all our potential tax charge or penalty imposed by the Inland Revenue Department. As at the Latest Practicable Date, no demand notice or penalties or charges, if any, had been made against EB (Far East) or our Company.

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Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy

We have declared HK\$34.0 million, HK\$66.0 million and HK\$30.0 million dividend payments for the years ended 31 December 2011, 2012 and 2013, respectively. Historical dividend distributions by our subsidiaries are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, as well as (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC, which may be subject to withholding taxes described in the paragraph headed “— Risks Relating to Conducting Business in the PRC — Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy” in this section.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could adversely affect our production and the timely delivery of our products

Certain regions in the world, including where our existing production facility is located, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, avian influenza or swine influenza. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries and regions. A recurrence of SARS, avian influenza or swine influenza or an outbreak of any other epidemics, especially in the cities where we have operations, may result in material disruptions to our sales, which in turn could materially and adversely affect our financial condition and results of operations.

Other extraordinary events, including political unrest, terrorist attacks and natural disasters such as earthquakes, snowstorms and hurricanes, could significantly affect our operations if they occur at a location near to that of our production facilities or our suppliers. Such events may cause personnel casualties, loss of inventory, work disruptions and delays and damages to our production facilities. If we are not able to react quickly upon the occurrence of such extraordinary events and our operations are disrupted significantly, and the insurance policies we maintain for the contracts are not adequate to cover all the losses, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATED TO THE INDUSTRY

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

The premium watch industry in the PRC is characterised by intense competition from international and domestic brands. We generally face competition from brands with similar positioning based on brand recognition, design, quality, price and coverage of distribution network, amongst others. Our competitors may have greater financial and technological design

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and manufacturing capacities, better customer relationship, more extensive distribution network and resources and stronger negotiation power with suppliers than we do. As a result, there is no assurance that we may be able to compete effectively with these competitors and the competitive pressures could adversely affect our business and financial condition and results of operations. Please refer to the section headed “Industry Overview” in this prospectus for details on the competitive landscape of the watch industry in the PRC in which we operate.

We currently enjoy the competitive advantage of the high entry barriers in the watch industry due to high operating and entry costs. However, there is no assurance that there will not be new market entrants with substantial financial resources which could pose significant competitive pressure on us and reduce our market share. Further, some of the markets we have recently expanded into may have well-established existing competitors which would adversely affect our business and future prospects.

The sale of counterfeit products may affect our brand image, reputation and profitability

The premium watch market is subject to numerous instances of product counterfeiting. We encounter counterfeiting of our products, such as unauthorised imitation or replication of our designs, trademarks or labelling by third parties from time to time. Although we are and have been actively taking actions to combat against counterfeiting of our products, there can be no assurance that such actions will be successful in preventing counterfeiting. A significant occurrence of counterfeit products in the market could have a negative impact on the value and image of our brands, result in a loss of customer confidence in our brands and, as a consequence, adversely affect our business and results of operations.

Challenging economic conditions and economic uncertainty over a prolonged period of time could adversely affect our sales or growth

We are a manufacturer of discretionary products and our revenue is particularly sensitive to changes in economic conditions and consumer confidence, especially those in the PRC, Hong Kong and Macau, where most of our revenue is generated. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions such as employment rates, inflation and interest rates.

Although recent data have not shown any deterioration in consumer purchases, we cannot assure you that consumer demand will not be impacted by the continuing weakness in the global economic condition or any future deterioration of economic condition in the PRC. In the event that our competitors react to any declines in consumer confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted, and we may have to intensify our marketing efforts in order to compete effectively. Such efforts, such as more aggressive promotions, or reduction of our retail prices to respond to price competition, may materially and adversely affect our business, results of operations and financial condition.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the political, economic and social conditions and regime of law in the PRC could adversely affect our business, financial condition, results of operations and growth prospects

We derive a substantial percentage of our revenue from our distribution network in the PRC. Accordingly, our business, results of operations and prospects are, to a significant extent, subject to the economic, political and social conditions in the PRC. Measures adopted by the PRC government to encourage economic growth may benefit the macro-economy but may have a material and adverse impact on us. We also cannot assure that the PRC economy will enjoy sustainable growth. Any slowdown in the growth of the PRC economy could have a material adverse effect on our business activities, results of operations and prospects.

We cannot guarantee that the implementation of economic reform measures by the PRC government will benefit the business operation of our Group. The performance of our Group could also be adversely impacted by the change of the political and social conditions in the PRC resulting from any shift in the PRC government policies.

PRC laws and regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries

Any capital contributions or loans which our Company, as an offshore entity, makes to PRC member(s) of our Group that are foreign-invested enterprises, including the proceeds from the Global Offering, are subject to PRC foreign investment and foreign currency regulations. Capital contributions must be approved by the PRC Ministry of Commerce and local competent authorities. Foreign investors must apply to SAFE or local SAFE sub-divisions for foreign loan registration certificates and foreign exchange settlements in order to provide shareholder loans to foreign-invested enterprises in the PRC. There is no assurance that we will be able to obtain these approvals on a timely basis or if at all. If we fail to obtain such approvals in a timely manner or at all, our ability to fund our operations or utilise the proceeds from the Global Offering in the manner described in the section headed “Future Plans and Use of Proceeds” in this prospectus may be negatively affected, which could materially affect our ability to grow and our Group’s financial position and results of operations.

Restrictions on foreign exchange and payments of dividends may limit our operating subsidiaries’ ability to remit payments to us

At present, the Renminbi is not freely convertible to other currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China who have the licences to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions such as repayment of loan principal, distribution of

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return on direct capital investment and investment in negotiable instruments must be approved by or registered with SAFE. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If future changes in relevant regulations were to place restrictions on the ability of our subsidiaries to remit dividend payments to us, our liquidity and ability to satisfy our third-party payment obligations and our ability to distribute dividends in respect of our Shares could be materially and adversely affected.

Failure to comply with SAFE regulations relating to the disclosure of the direct or indirect shareholdings in a foreign invested enterprise by a PRC resident would expose us to penalties, fines or actions in other forms

Our PRC subsidiary, EB (GZ), has failed to disclose, as at its incorporation, the indirect shareholdings in its foreign investor EB (HK) by the domestic residents to the SAFE Guangdong Bureau and further be identified in the foreign exchange administration information system, whether under the then valid Notice on Issuing Operational Rules on Foreign Exchange Administration of Corporate Financing by Domestic Residents through Offshore Special Purpose Vehicles and Remittance of Investments (《國家外匯管理局關於印發〈境內居民通過境外特殊目的公司融資及返程投資外匯管理操作規程〉的通知》), or under the now valid Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》). As a result, we may be exposed to orders for rectification, warning and a fine of not more than RMB300,000 to be imposed by foreign exchange administration authorities.

We face taxation uncertainty with respect to the indirect transfer of equity interest in our PRC resident enterprises through transfers made by our non-PRC holding companies

The State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Equity Transfer of Non-resident Enterprises (Guo Shui Han (2009) No.698) (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “Circular”) on 10 December 2009, which was made retrospectively effective from 1 January 2008. Pursuant to the Circular where a non-PRC investor (the actual controlling party) indirectly transfers the equity interests of a PRC resident enterprise through disposing of its equity interests (the “Indirect Transfer”) in a non-PRC holding company, and such non-PRC holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC investor shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. The competent PRC tax authority may disregard the existence of a non-PRC holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate up to 10%. The Circular also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a value lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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However, since further detailed implementation rules of the Circular have not been issued by the State Administration of Taxation and in practice the views of the implementation of the Circular vary across different local tax authorities, it remains unclear how the PRC tax authorities will use the “substance over form” principle to examine the substance of the non-PRC holding companies and the bona fide commercial purpose of the Indirect Transfer. As a result, we may become at risk of being taxed under the Circular in the future and we may be required to expend valuable resources to comply with the Circular or to establish that we should not be taxed under the Circular, which may have a material adverse effect on our financial condition and results of operations.

A newly enacted PRC tax law may affect tax burden on dividends received by our Company and Shareholders and increase our enterprise income tax rate

A new EIT law and its implementation rules were enacted respectively on 16 March 2007 and 6 December 2007, both of which became effective on 1 January 2008. Under the new laws, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us, unless we are entitled to reduce or eliminate such tax, including by tax treaties. According to the tax treaties between PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of no more than 5% if the Hong Kong company directly holds a 25% or more interest in the PRC enterprise.

In addition, the EIT Law and its implementation rules provide that, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. A number of the members of our management are located in the PRC. If the relevant authorities take the view that a number of the members of our management continue to be located in the PRC after the effective date of the EIT Law and its implementation rules, we may be deemed to be a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), which excludes the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected.

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC. Substantially all of our Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of these persons or to enforce judgments obtained outside of the PRC against us or any of these persons, as the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the United States, the United Kingdom, Japan and the Cayman Islands. As a result, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

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The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors

Substantially all of our operations are conducted in the PRC. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have limited precedential value and, because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in the PRC. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

RISKS RELATED TO CONDUCTING OPERATIONS IN SWITZERLAND

Our production of watches is subject to extensive regulation and affected by government policies in Switzerland

The watch design and manufacture industry in Switzerland is highly regulated and our operations are affected by changing Swiss laws and other regulations applicable to the watch industry. An overview of the regulatory environment in which we operate is described in the section headed “Regulatory Overview” in this prospectus. There is no assurance that the relevant governmental agencies or regulatory authorities will not alter these laws and regulations or impose additional or more stringent laws or regulations. Compliance with new laws and regulations may either require us to incur significant capital expenditures or result in increased cost of production of our watches. If this occurs, our business, financial position and results of operations may be materially adversely affected.

“Swiss-made” label and changes in related regulations

The “Swiss-made” label is one of our competitive strengths, and an important asset for Switzerland’s business environment as a whole. In respect of the Swiss watch industry in particular, the Federal Council in 1971 enacted a special Ordinance (which has repeatedly been revised) governing the use of the appellation “Switzerland” or “Swiss” specifically for watches (Swiss-made watches ordinance “**SWO**”, RS 232.119), which provides specific rules on the criterion to be qualified as a “Swiss watch” and “Swiss movement” (on the basis of the Federal Act on the Protection of Trademarks and Indications of Geographical Origin (“**Swissness Act**”, RS 232.11)). For further details, please refer to the explanation of “Swiss-made” in the Glossary section of this prospectus.

Recently, the Swiss Parliament approved an amendment to the Swissness Act to reinforce the conditions for the use of the “Swiss-made” appellation. According to the revised rules of the Swissness Act, for an industrial product (e.g., watches) is to be deemed of Swiss origin, at least 60% of its manufacturing costs (including costs for manufacturing and assembly, research and development and costs for statutory or recognised quality measures or certificates) must be

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incurred in Switzerland. In addition, at least one essential manufacturing step must have taken place in Switzerland. It is not yet known when the revised Swissness Act will come into force. According to the Swiss Federal Institute of Intellectual Property, it is expected that the revised act will enter into force most likely by the end of 2015.

As the application of the new criteria will include watches, the SWO has to be revised in order to be compliant with the revised Swissness Act and to specify the particular requirements for watches. At the Latest Practicable Date, there has been no draft version of a revised SWO available that implements the requirements set by the revised Swissness Act. Thus, it is not yet clear which requirements watches will have to fulfil in order to qualify as “Swiss watches”. However, it is expected that the revised SWO will set higher requirements than the SWO currently in force.

On the basis of the approved Swissness Act, the Federation of the Swiss Watch Industry (“**FH**”) will drive forward plans to reinforce the conditions for the Swiss-made label for the watch industry. The FH has a double role in the protection of the “Swiss-made” indication of geographical origin: firstly, in advising companies on the lawful markings for watches and movements according to the SWO; and secondly, by acting against companies which illegally use this “Swiss-made” appellation, in order to protect consumers as well as the reputation of the “Swiss-made” appellation.

For the compliance of the changes in the “Swiss-made” related regulation, a number of watch manufacturers may need to increase their sourcing of components from Switzerland to maintain their “Swiss-made” label, such increase in demand of components in Switzerland may lead to an increase of price in such components. Our cost of procurement may increase if the price of components increases and our business and financial performance may be affected.

Significant decrease in the supply of mechanical movements in Switzerland

A watch manufacturer group (the “**Watch Group**”) has played a dominant role in the supply and manufacturing of mechanical movements in Switzerland. Due to production capacity constraints, the Watch Group decided to withdraw the supply of mechanical movements to third parties so as to better cater to its internal needs. As a result, the COMCO, an independent federal authority in Switzerland responsible for monitoring dominant companies for signs of anti-competitive conduct, has begun an investigation in June 2011 to determine if the withdrawal of supply of mechanical movements by the Watch Group to third parties violates the Federal Cartel Act. On 21 October 2013, the COMCO approved a phasing-out agreement between its secretariat and the Watch Group that provides a delivery obligation of mechanical movements to third parties, which will be gradually reduced until 2019. Using the average number of mechanical movements supplied per year by the Watch Group to the respective third parties in 2009 to 2011 as baseline, the phasing-out agreement specifies that the Watch Group will supply 75% of those mechanical movements in 2014 and 2015, 65% in 2016 and 2017, and 55% in 2018 and 2019 to the respective third parties. After 2019, there will no longer be any obligation to deliver mechanical movements to third parties for the subsidiary of the Watch Group being in charge of delivering the mechanical movements. The phasing-out agreement provides only delivery obligations for third parties which were customers between 2009 and 2011 of the mentioned subsidiary of the Watch Group. However, the COMCO did not adopt the same

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measures for other key watch components as those adopted regarding mechanical movements. The COMCO considered such a reduction to be premature, as the market trends were difficult to predict. The COMCO, however, did not rule out such a reduction in the future.

Notwithstanding the implementation of the phasing-out agreement, the supply of mechanical movements in the Swiss watchmaking industry by the Watch Group in the coming years may reduce significantly. Given the dominant position of the Watch Group in the Swiss watchmaking industry, it may be difficult for all the independent watch brands, including us, to locate alternate suppliers for the supply of mechanical movements of comparable quantities, quality and price levels.

If we are unable to procure mechanical movements from alternate suppliers on terms similar to our current arrangements with the Watch Group, our production, business, financial positions and results of operations could be materially adversely affected.

RISKS RELATED TO THE GLOBAL OFFERING AND OUR SHARES

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us, the Sole Global Coordinator on behalf of the International Underwriter(s) and the Sole Sponsor on behalf of the Hong Kong Underwriter and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. We cannot assure you the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The liquidity and market prices of our Shares following this Global Offering may be volatile. The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for our business;
- timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;

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- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the premium watch industry.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

We may be unable to pay any dividend on our Shares

We will only pay dividends out of the accumulated realised profits of our Company so far as not previously utilised by distribution or capitalization, less the accumulated realised losses of our Company, so far as not previously written off in a reduction or reorganisation of capital duly made. Our ability to pay dividends will therefore depend on the ability of our Company to generate sufficient accumulated net realised profits.

Our ability to pay dividends in relation to our Shares will also depend on our future financial performance, which in turn depends on our success in implementing our business strategy and expansion plans and on financial, competitive and other factors, general economic conditions, demand for and price of our watches, costs of watch movements and other components, many of which are beyond our control.

The receipt of dividends from our operating subsidiaries may also be affected by new laws or changes to, or in the interpretation or implementation of existing laws, rules and regulations and other events out of our control, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including IFRS. In addition, restrictive covenants in our credit facilities that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. The foregoing restrictions on the availability and usage of our funds may impact our ability to pay dividends to our Shareholders.

Subject to the availability of our Company's cash and distributable reserves, our Group's investment requirements, cashflow and working capital requirements, our Directors intend to declare and recommend dividends which would amount to not less than 30% of our net profit, if any, for the first financial year after the Global Offering. The above intention does not amount to any guarantee or representation that our Company must or will declare and pay dividends in such manner in the future nor is there any assurance that our Company will declare and pay any dividend at all.

For further details, please refer to the section headed "Financial Information — Dividends And Dividend Policy" in this prospectus.

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We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to the watch industry, are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE HONG KONG PUBLIC OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees, affiliates or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

UNDERWRITING

The Hong Kong Public Offering is part of the Global Offering comprising the Hong Kong Public Offering of initially 6,600,000 Hong Kong Offer Shares and the International Offering of 59,400,000 International Offer Shares.

The application for listing of our Shares is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and us by 8 July 2014, the Global Offering will not become unconditional and will lapse immediately. Further information about the Hong Kong Underwriter and the underwriting agreements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON USE OF THIS PROSPECTUS

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to any registration made with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities laws.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue prior to the Global Offering and to be issued pursuant to the Global Offering (including any additional Shares which may be sold pursuant to the exercise of the Over-allotment Option, and the exercise of options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, officers, employees, agents, advisers, representatives or affiliates and any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

HONG KONG BRANCH REGISTER

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our Hong Kong branch register of members to be maintained by our Hong Kong Branch Share Registrar in Hong Kong. Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands.

STAMP DUTY

Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert. Our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, and the Underwriters, all of their respective directors, officers, employees, agents, advisers, representatives or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth under the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure of the Global Offering — The Over-allotment Option” and “Structure of the Global Offering — Stabilising Action” in this prospectus.

REGISTER OF MEMBERS

Our Company’s principal register of members will be maintained by its principal share registrar, Royal Bank of Canada Trust Company (Cayman) Limited, in the Cayman Islands and our Company’s branch register of members will be maintained by its Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Global Offering, and any Shares to be issued upon exercise of the Over-allotment Option or any option which has been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme will be registered on our Company’s branch register of members maintained in Hong Kong. Only Shares registered on our Company’s branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

Exchange Rate Conversion

For exchange rate translations throughout this prospectus, unless otherwise specified, we have used the PBOC rates of HK\$1.00 to RMB0.79310 being the PBOC medium rate prevailing on 9 June 2014. All translations from Hong Kong dollars into U.S. dollars were made at the rate of US\$1.00 to HK\$7.7511, being the exchange set forth in the Federal Reserve Board of the United States on 9 June 2014. We make no representations and none should be construed as being made, that any of the Renminbi, Hong Kong dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Su Da (蘇大)	Room A, 32/F, Block 5 The Coronation 1 Yau Cheung Road South West Kowloon Hong Kong	Chinese
Mr. Wong Pong Chun James (黃邦俊)	Flat 1, 29/F., Block M Sunshine City Phase 4 Ma On Shan New Territories Hong Kong	Chinese
Ms. Liu Libing (劉麗冰)	C2A1003 Fuli Academician Ting Dongguan Zhuang Road Tianhe, Guangzhou Guangdong PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Chan Kwan Pak Gilbert (陳君珀)	Flat 4B, Block 9 Provident Centre North Point Hong Kong	Chinese
Mr. Pan Di (潘迪)	Room 302 No. 25, Nong 200 Song Tao Road Pudong District Shanghai PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Zhang Huaqiao (張化橋)	House 2, Le Bleu Coastal Skyline 12 Waterfront Road Tung Chung Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Mr. Lo Chi Chiu (盧志超)	Flat C, 14th Floor Duchy Heights 5 Duke Street Ho Man Tin Kowloon Hong Kong	Chinese
Mr. Cheung Kam Min Mickey (張錦麟)	Flat 6, 1/F., Block I Siu Hong Court Tuen Mun New Territories Hong Kong	Chinese

Note: Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for further information on our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SENIOR MANAGEMENT

Name	Address
Mr. Renaud de Retz	8, rue des Perrières, 2340 Le Noirmont, Switzerland
Mr. Jean-François Bodard	8, rue des Perrières, 2340 Le Noirmont, Switzerland
Mr. Lau Fan Yu (劉範儒)	Suites 1101–3 & 1112–14, 11th Floor, Tower 6 The Gateway, Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon, Hong Kong
Ms. Chu Yuen Ling, Teresa (朱婉玲)	Suites 1101–3 & 1112–14, 11th Floor, Tower 6 The Gateway, Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon, Hong Kong
Ms. Song Yi (宋怡)	Suites 1101–3 & 1112–14, 11th Floor, Tower 6 The Gateway, Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon, Hong Kong
Su Ran (蘇然)	Suites 1101–3 & 1112–14, 11th Floor, Tower 6 The Gateway, Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon, Hong Kong
Mr. Wong Fung (王烽)	Suites 1101–3 & 1112–14, 11th Floor, Tower 6 The Gateway, Harbour City, 9 Canton Road Tsim Sha Tsui, Kowloon, Hong Kong
Mr. Xu Xuexin (徐學新)	Unit 1702, Level 17, No. 400 Zhejiang Middle Road Huangpu District, Shanghai, PRC

Note: Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further information on our Senior Management.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BOCI Asia Limited
Sole Global Coordinator	26th Floor, Bank of China Tower
Sole Bookrunner	1 Garden Road, Central
Sole Lead Manager	Hong Kong
Legal Adviser to our Company	<i>As to Hong Kong Law</i> Orrick, Herrington & Sutcliffe 43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong <i>As to PRC Law</i> Beijing Dacheng Law Offices, LLP (Guangzhou) 45/51F, Tower A, Victory Plaza 103 Tiexi Road, Tianhe District Guangzhou, China <i>As to Cayman Islands Law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>As to Swiss Law</i> Athemis Jaquet-Droz 32 2300 La Chaux-de-Fonds Switzerland
Legal Adviser to the Sole Sponsor and Underwriters	<i>As to Hong Kong Law</i> Sidley Austin Level 39, Two International Finance Centre 8 Finance Street, Central Hong Kong <i>As to PRC Law</i> Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Beijing China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Swiss Law

Bär & Karrer AG

Brandschenkestrasse 90

CH-8027 Zurich, Switzerland

**Auditors and reporting
accountant**

Deloitte Touche Tohmatsu

35/F One Pacific Place

88 Queensway, Hong Kong

Receiving Banks

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central

Hong Kong

Standard Chartered Bank (Hong Kong) Limited

15/F Standard Chartered Tower

388 Kwun Tong Road

Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Head office in Switzerland	8, rue des Perrières 2340 Le Noirmont Switzerland
Principal place of business and head office in Hong Kong	Suites 1101–3 & 1112–14 11th Floor, Tower 6 The Gateway, Harbour City 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Office in the PRC	Suite 701, Taikoo Hui Tower 1 385 Tianhe Road, Guangzhou 510620 PRC
Company's website	www.ernestborel.ch (<i>information contained in this website does not form part of this prospectus</i>)
Company secretary	Mr. Lau Fan Yu, <i>HKICPA, FCCA</i> 12D Yiu Sing Mansion Tai Koo Shing Quarry Bay Hong Kong
Authorised representatives	Mr. Wong Pong Chun James Room 1, 29/F., Block M Sunshine City Phase 4 Ma On Shan New Territories Hong Kong Mr. Lau Fan Yu 12D Yiu Sing Mansion Tai Koo Shing Quarry Bay Hong Kong
Audit committee	Mr. Lo Chi Chiu (<i>Chairman</i>) Mr. Cheung Kam Min Mickey Mr. Zhang Huaqiao

CORPORATE INFORMATION

Nomination committee	Mr. Su Da (<i>Chairman</i>) Mr. Cheung Kam Min Mickey Mr. Zhang Huaqiao Mr. Lo Chi Chiu
Remuneration committee	Mr. Lo Chi Chiu (<i>Chairman</i>) Mr. Zhang Huaqiao Mr. Cheung Kam Min Mickey Mr. Wong Pong Chun James
Compliance adviser	Messis Capital Limited Room 1606, 16th Floor Tower 2, Admiralty Centre 18 Harcourt Road Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
Cayman Islands principal share registrar and transfer office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor Royal Bank House 24 Shedden Road PO Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the global economy and the industry in which we operate. We have derived such information and data partly from publicly available government, official and other third-party sources which have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, any of the Underwriters or any of their respective affiliates or advisers. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside China. We believe the sources of the information in this section are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading.

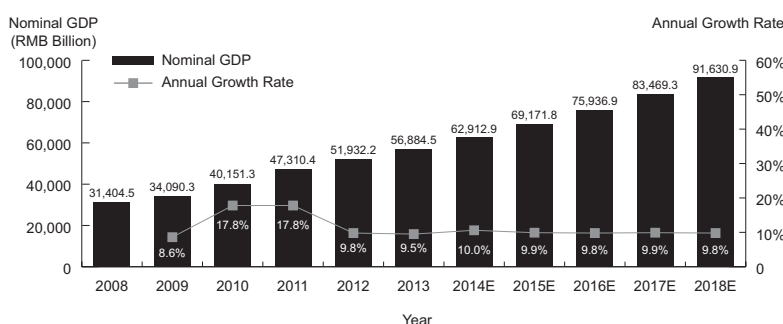
Unless otherwise indicated, information and statistics relating to the global watch industry in this and other sections of this prospectus have been derived from the Frost & Sullivan Report.

OVERVIEW OF THE PRC ECONOMY

Nominal GDP of the PRC

The economy of the PRC has achieved strong growth through the increased export, investment, and domestic consumption since the implementation of the economic reform policies in the early 1980s. According to the Frost & Sullivan Report, the PRC's nominal GDP grew at a CAGR of 12.6% from RMB31,404.5 billion to RMB56,884.5 billion from 2008 to 2013. According to the International Monetary Fund, with favourable government policies and the recovery of the global economy, the nominal GDP of the PRC is expected to increase from RMB56,884.5 billion in 2013 to RMB91,630.9 billion in 2018, with a CAGR of 10.0% from 2013 to 2018.

Nominal GDP (China), 2008–2018E



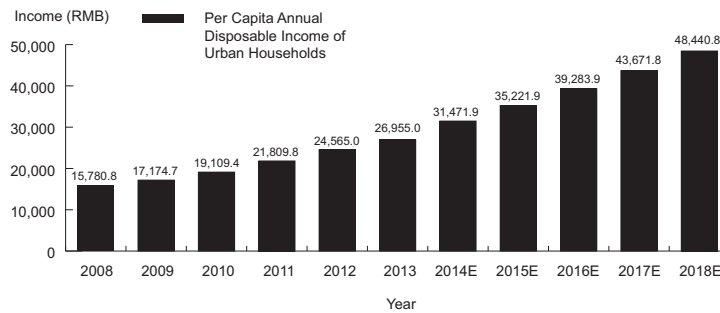
Source: Frost & Sullivan Report

PRC's Per Capita Annual Disposable Income of Urban Households

Along with the continuous growth in the economy and increasing urbanisation in the PRC, the per capita annual disposable income of urban households has increased steadily in recent years. From 2008 to 2013, the per capita annual disposable income of urban households experienced a strong CAGR of 11.3% from RMB15,780.8 in 2008 to RMB26,955.0 in 2013. Frost & Sullivan estimates that by 2018, the per capita annual disposable income of urban households is expected to reach RMB48,440.8, with a CAGR of 12.4% from 2013 to 2018. The growth of per capita annual disposable income of the PRC urban households has driven the increase of the purchasing power of the PRC.

INDUSTRY OVERVIEW

Per Capita Annual Disposable Income of Urban Households (China), 2008–2018E



Source: Frost & Sullivan Report

GLOBAL AND THE PRC LUXURY GOODS RETAIL MARKETS OVERVIEW

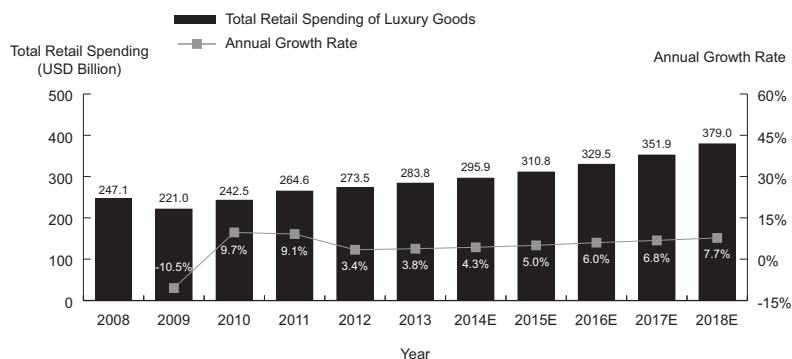
Global Luxury Goods Retail Market

According to the Frost & Sullivan Report, the retail market of luxury goods, which are segmented into apparel and shoes, handbag and small leather goods, skincare and makeups, jewellery, watch and others has a history of over one hundred years. Paris, Milan and London have been the key fashion cities in the world for over a century. Japan and the United States, driven by their strong economic growth, became the top luxury markets in the late 19th century.

After the financial crisis in 2008, the key markets of the global luxury goods retail market have been shifting from developed countries to emerging countries. The PRC has maintained its strong growth in the past few years, and is expected to become the key market of the global luxury goods retail in the future.

The global luxury goods retail market experienced a strong recovery in 2011 at an annual growth rate of 9.1% in terms of total retail spending and reached USD264.6 billion. Frost & Sullivan estimates that the global luxury goods retail market is likely to be stable in the future, with a CAGR of 6.0% in total retail spending from 2013 to 2018. The total retail spending in the global luxury goods retail market is likely to reach USD379.0 billion by the end of 2018.

Luxury Goods Retail Market: Total Retail Spending (Global), 2008–2018E



Source: Frost & Sullivan Report

Note: Luxury goods include apparel, shoes, jewellery, suitcases and handbags, watches and skincare and makeups etc

INDUSTRY OVERVIEW

The total retail spending of luxury goods in the PRC increased from USD21.5 billion in 2008 to USD46.3 billion in 2013, representing a CAGR of 16.6% during the same period. Since 2010, the PRC has taken over Japan but as the third largest luxury goods retail market worldwide in terms of total retail spending.

Europe and the United States remained as the first and the second largest luxury good markets in terms of retail value, respectively. Driven by the recovery of the world economy, the luxury goods retail market in Europe and the United States recovered strongly in 2011 and based on the estimation by Frost & Sullivan, they will maintain a stable growth at a CAGR of 2.4% and 4.5% from 2013 to 2018, respectively.

Growth rate comparison by Product Category

The global luxury goods retail market achieved a CAGR of 2.8% from USD247.1 billion in 2008 to USD283.8 billion in 2013. Notwithstanding the impact of the financial crisis, the global luxury goods retail market has experienced stable development in the past few years.

The following table sets forth the CAGR of the global luxury goods retail market for goods in different categories from 2008 to 2013 and from 2013 to 2018 respectively.

	CAGR	
	2008–2013	2013–2018E
Apparel and Shoes.	4.5%	5.3%
Handbag and SLG	5.4%	7.8%
Skincare and makeups	-1.7%	0.1%
Watch	3.7%	11.0%
Jewellery	3.6%	6.3%
Others.	-1.4%	6.7%

The global luxury watch retail market experienced a strong increase in 2011, with an annual growth rate of 61.0%. It is becoming popular in emerging regions for some consumers to purchase watches as an investment or for collection. Frost & Sullivan forecasts that the global luxury watch retail market is likely to grow with a CAGR of 11.0% from 2013 to 2018.

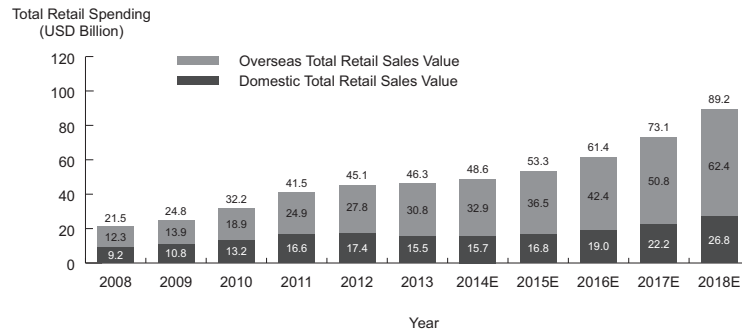
Total Luxury Goods Retail Market in the PRC

Driven by the strong economic development and growth in demand, the total retail spending in the PRC luxury goods retail market increased from USD21.5 billion in 2008 to USD46.3 billion in 2013, representing a CAGR of 16.6%. According to the Frost & Sullivan Report, the total retail spending of the PRC luxury goods retail market is likely to reach USD89.2

INDUSTRY OVERVIEW

billion in 2018, at a CAGR of 14.0% from 2013 to 2018. The chart below illustrates the total retail spending in luxury goods retail market in the PRC from 2008 to 2018:

Luxury Goods Retail Market: Total Retail Spending (China), 2008–2018E



Source: Frost & Sullivan Report

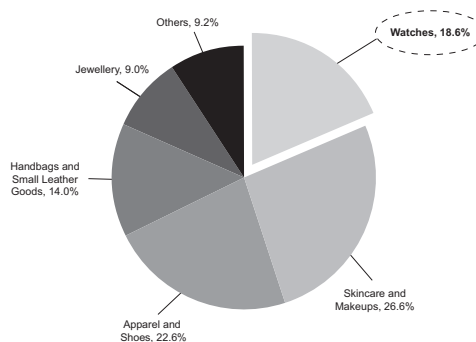
Domestic retail sales value refers to the retail spending which is generated in the PRC, whereas overseas retail sales value refers to the retail spending which is generated from overseas markets, including Hong Kong, Macau and the rest of the world. According to the Frost & Sullivan Report, the domestic and overseas total retail sales value increased with a CAGR of 11.0% and 20.1% from 2008 to 2013, and achieved total retail sales value of USD15.5 billion and USD30.8 billion, respectively in 2013.

According to the Frost & Sullivan Report, the European debt crisis in 2012 has brought limited effects to the PRC luxury goods market. The key markets of the global luxury goods retail market is shifting from developed regions to emerging regions. Strong increase in purchasing power and willingness to purchase in the PRC are the key market drivers for the PRC luxury goods retail market.

Major Product Category

The luxury watch market is one of the largest markets in luxury goods retail market by category and represents 18.6% of the total retail sales value in the PRC in 2013. The chart below illustrates the breakdown of product category in total domestic retail sales in the PRC:

Luxury Goods Retail Market: Domestic Total Retail Sales Value by Product Category (China), 2013



Domestic Total Retail Sales Value = USD15.5 Billion

INDUSTRY OVERVIEW

Source: Frost & Sullivan Report

Notes:

- (1) Skincare and Makeups category includes skincare, makeups, perfume, and other personal care products;
- (2) Apparel and Shoes category includes menswear, womenswear, shoes, tie, and other apparel accessories;
- (3) Handbag and SLG includes handbags, wallets, pouches, cosmetic bags;
- (4) Others category includes sunglasses, jewellery, suitcases, and other niche luxury goods items.

Market Drivers of Luxury Goods in the PRC

There are several factors that drive the rapid growth in the PRC luxury goods retail market. The PRC maintained strong growth in both nominal GDP and disposable income even during the financial crisis and growth is expected to continue in the future. The total number of wealthy individuals in the PRC reached 37.6 million in 2013 and this number is expected to increase rapidly in the future. With the continuous development of urban facilities, the urban population is expected to maintain a CAGR of 2.7% from 2013 to 2018 and reach 835.7 million by 2018, with an urbanisation rate of 59.9%. Brand reputation and image are expected to be better protected in the future by anti-piracy laws and regulations which forbids the selling of pirated products.

Future Outlook

Market Potential

In 2013, the domestic total retail sales value of the luxury goods market in the PRC was USD15.5 billion and is expected to grow with a CAGR of 11.6% from 2013 and 2018. Driven by the PRC's strong social and economic growth, the PRC luxury goods market is expected to maintain strong growth and become the leading luxury goods market in the world in the future.

Opportunities in Tier 2 and Tier 3 Cities

Although the PRC's luxury goods market enjoyed solid growth in the past few years, the penetration is not strong. The demand for luxury goods has mainly come from the Tier 1 cities.

Due to the rapid urbanisation and economic development in Tier 2 and Tier 3 cities, there is great potential growth in such regions. Some luxury goods brands have already launched their expansion plans into those cities.

SWISS WATCH MARKET ANALYSIS

The Swiss Watch Industry

Introduction

The Swiss watch industry originated in Geneva in the middle of the 16th century. In 1541, due to the prohibition of the wearing of jewels, goldsmiths and other jewellers were forced to develop a new and independent craft, which was watch-making.

Watch manufacturer

Historically, the Swiss watch industry has always had a specialised horizontal structure in which suppliers, craftsmen and sub-contractors supply movements and external parts to assemblers called “établisseurs”, who put the final products together. However, the industry has also been developed into a vertically integrated structure in which watches and clocks are sometimes made by the same company, in this case called a watch manufacturer.

Watch portfolio

Today, the Swiss watch industry has become Switzerland's third largest industry in export and come after the machinery and the chemical industries. Swiss-made timepieces exist around the world. Swiss watches have a wide product portfolio, from quartz fashion watches which are sold at a modest price to mechanical masterpieces, which can be made of gold and decorated with precious stones at an expensive price.

Major brands

In 2013, leading Swiss watch brands included Audemars Piguet, Breguet, Enicar, Ernest Borel, Eterna, Franck Muller, Girard Perregaux, IWC, Jaeger LeCoultre, Longines, Mido, Omega, Patek Philippe, Piaget, Rado, Rolex, Tissot, Titoni, and Vacheron Constantin, among others.

Characteristics to Swiss-made watches

“Swiss-made” embodies a concept of quality that has been forged over years. It signifies the technical qualities of watches (accuracy, reliability, water-resistance and shock-resistance), as well as their aesthetic qualities (elegance and originality of design). It covers both traditional manufacturing and new technologies.

For further details regarding “Swiss-made” requirements according to Swiss law, please refer to the explanation of “Swiss-made” in the Glossary section of this prospectus.

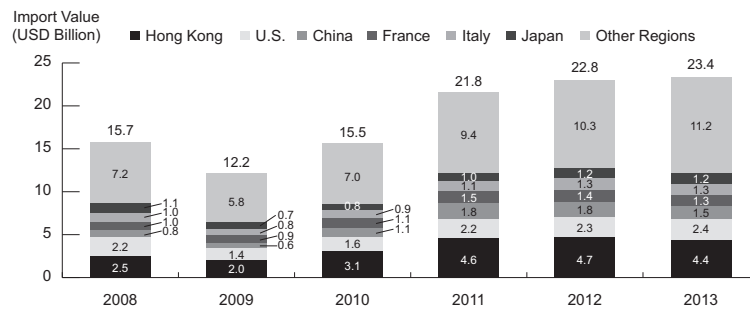
INDUSTRY OVERVIEW

Major Swiss Watch Export Import Regions

After the sharp fall in demand in 2009, the Swiss watch export market began to recover in 2010. Total export value of Swiss watches reached USD23.4 billion in 2013. From 2008 to 2013, the Swiss watch export market expanded with a CAGR of 8.2%.

Hong Kong is the largest Swiss watch import market in terms of import value in 2013, with import value of USD4.4 billion. The second largest import region was the United States, with an import value of USD2.4 billion in 2013. The chart below illustrates the import value of Swiss watches from different regions from 2008 to 2013:

Watch Market: Major Swiss Watch Import Regions (Global), 2008–2013



Source: Frost & Sullivan Report

According to the Federation of the Swiss Watch Industry, the PRC has been the third largest Swiss watch import market in 2013, with import value of USD1.5 billion. With the rapid increase of purchasing power, the PRC's import value of Swiss watches increased rapidly with a CAGR of 15.2% from 2008 to 2013. Italy, France and Japan ranked fourth to sixth in the Swiss watch import markets in 2013, with import values of USD1.3 billion, USD1.3 billion, and USD1.2 billion, respectively. The chart below illustrates the CAGR of import value of watches in different regions from 2008 to 2013:

	CAGR 2008–2013
Hong Kong	12.1%
U.S.	1.8%
China	15.2%
France	4.0%
Italy	6.4%
Japan	3.0%
Other Regions	9.1%
Total	8.2%

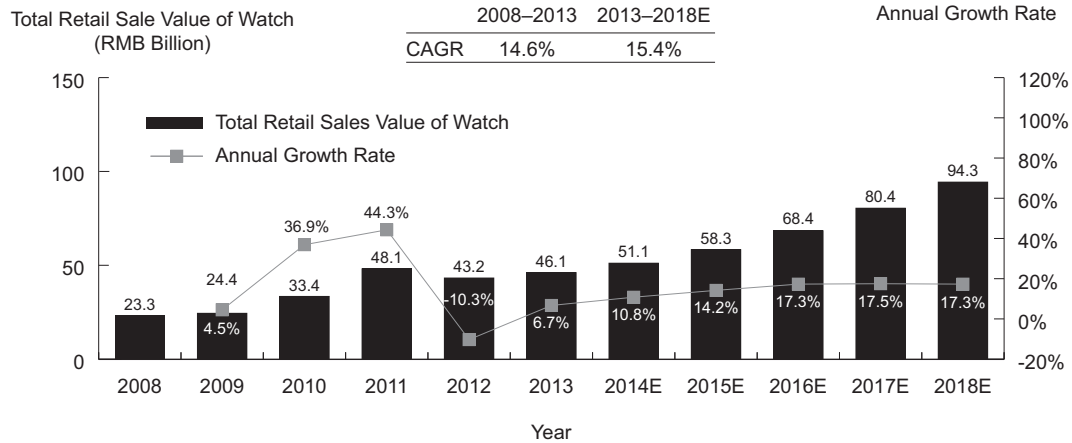
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

INTRODUCTION TO THE CHINA WATCH MARKET

Total Market Size by Retail Value

Watch Market: Total Retail Sales Value (China), 2008–2018E



The China watch market has experienced dramatic growth in the past few years. In spite of the financial crisis in 2009, the China watch market showed strong growth in each year between 2008 and 2011. The unfavourable economic conditions in 2012 greatly affected the China watch market, especially the top brand market. The total retail sales value of the China watch market is likely to be RMB46.1 billion in 2013, with a CAGR of 14.6% from 2008 to 2013.

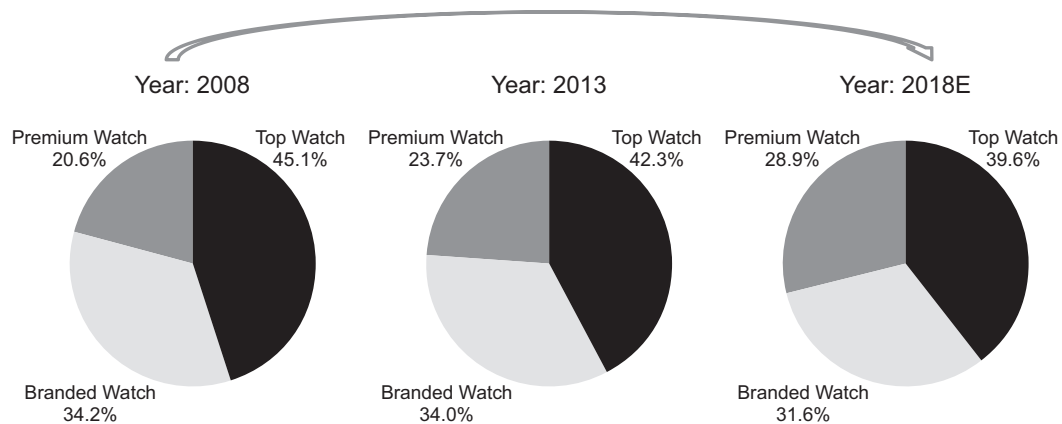
According to Frost & Sullivan, the China watch market is likely to recover gradually and total retail sales value of the China watch market is expected to grow with a CAGR of 15.4% from 2013 to 2018, and reach RMB94.3 billion by the end of 2018.

The China Watch Market Segmentation

Segment	Characteristics	Retail Price
Top Watch Brands	<ul style="list-style-type: none">• First-class raw materials, exquisite design and very complicated production procedure• Top of them are equipped with technology like Tourbillon, Minute Repeater etc.• Most are Swiss brands• Emblem of social status• High collection value• Narrow customer base due to limited production capacity as well as high price	>RMB20,000
Premium Watch Brands	<ul style="list-style-type: none">• Classic well-known brands with long history• Most come from Switzerland• Also able to bring "superior feeling" to customers• Outstanding quality with fine design• Some are equipped with sophisticated functions• Wider customer base than top ones	RMB3,000–20,000
Branded Watch Brands	<ul style="list-style-type: none">• Guaranteed quality• Popular brands but most are non-Swiss ones, e.g. coming from Japan or China• Many brands have a wide range portfolio of quartz watches	RMB500–3,000

INDUSTRY OVERVIEW

Watch Market: Total Retail Sales Value by Market Segment (China), 2008, 2013, 2018E



Due to the higher disposable income and improving living standards of Chinese consumers, the consumption structure of the China watch market is upgrading. More and more consumers can afford premium watches and the premium watch segment is likely to expand at the expense of the other two segments' market share.

By 2013, the market share of premium watch is expected to reach 23.7% in terms of retail sales value, up from 20.6% in 2008. Frost & Sullivan further expects the contribution of premium watch to reach 28.9% of the total retail sales value of RMB27.2 billion during 2018.

THE PRC PREMIUM WATCH MARKET ANALYSIS

Introduction to the PRC Premium Watch Market

In 2013, there were no more than 20 brands focusing on the premium watch market. Most premium brands were Swiss-made, including, for example, Ernest Borel, Longines, MIDO, TISSOT and TITONI.

Some of these brands have been in the PRC watch market for a long time. While the market has enjoyed rapid growth during the past few years, this upward trend is expected to continue from 2014 to 2018. The increase of per capita disposable income and the stronger purchasing power of the PRC consumers are factors to sustain the market's growing momentum.

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Total Market Size by Retail Volume

The chart below illustrates the retail sales volume of premium watches in the PRC from 2008 to 2018:

Premium Watch Market: Retail Sales Volume (China), 2008–2018E

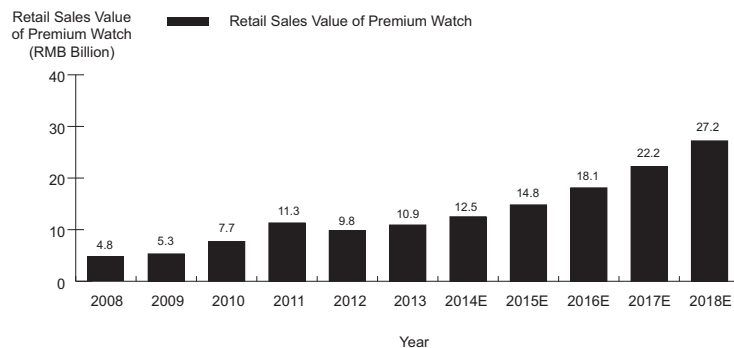


Source: Frost & Sullivan Report

Due to the rapid development of the PRC economy, the PRC has become wealthier and premium watches are becoming more affordable for consumers. In 2013, the total retail sales volume of premium watch in the PRC reached 1.7 million pieces, growing from 1.1 million in 2008 at a CAGR of 8.3%. Due to the global financial crisis, the annual growth for 2009 slowed to 6.1%. However, from 2013 to 2018, the total retail sales volume is expected to maintain a CAGR of 15.6% and reach 3.4 million pieces in 2018.

Total Market Size by Retail Value

Premium Watch Market: Retail Sales Value (China), 2008–2018E



Source: Frost & Sullivan Report

As the consumption volume of premium watches was increasing rapidly, the total retail sales value had also gained significant growth from 2008 to 2013. Meanwhile, the increase in the prices of watches has further accelerated the retail sales value growth. In 2013, the total market retail sales value reached RMB10.9 billion, growing from RMB4.8 billion in 2008 at a CAGR of 17.9%.

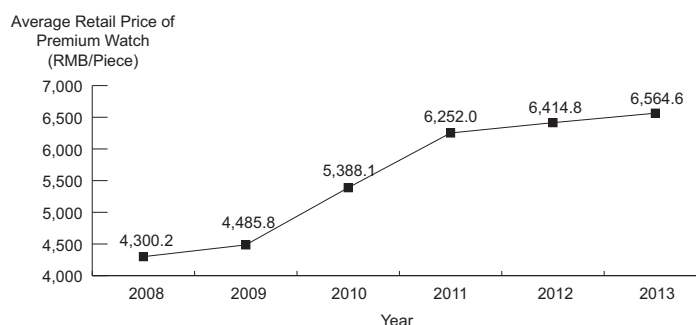
The total retail sales value is predicted to increase at a CAGR of 20.0% between 2013 and 2018, reaching RMB27.2 billion in 2018.

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Historical Price Trend

The average retail price of premium watch in China increased from RMB4,300.2 per piece in 2008 to RMB6,564.6 per piece in 2013, representing a CAGR of 8.8%. The premium watch market in China increased significantly from 2008 to 2013 in terms of both retail sales value and volume, and most premium watch brands have adopted different pricing strategies in the last few years.

Premium Watch Market: Historical Average Retail Price (China), 2008–2013



Source: Frost & Sullivan Report

As watch movements and other components are of a great variety of models and prices, there is no official statistics for the average price of watch movements and other components. However, based on Frost & Sullivan's industry understanding, the cost of watch movements and other components has generally accounted for 15% to 25% of the retail price of a premium watch, and price of watch movements and other components has showed an upward trend during 2008 and 2013.

Supply of Mechanical Movements

The Watch Group, a watch manufacturer group has played a dominant role in the supply and manufacturing of mechanical movements in Switzerland, decided to withdraw the supply of mechanical movements to third parties. In 2013, COMCO, an independent federal authority in Switzerland responsible for monitoring dominant companies for signs of anticompetitive conduct, has approved a phasing-out agreement which allows the Watch Group to reduce its sales of mechanical movements to the respective third parties progressively over the next six years, and to halt sales completely after 2019. Using the average number of mechanical movements supplied by the Watch Group to the respective third parties per year in 2009 to 2011 as baseline, the phasing-out agreement specifies that the Watch Group will supply 75% of those mechanical movements in 2014 and 2015, 65% in 2016 and 2017, and 55% in 2018 and 2019 to the respective third parties. After that, there will no obligation for the Watch Group to deliver mechanical movements to any third parties.

Market Drivers of the PRC Premium Watch Market

There are several market drivers which have a high impact on the PRC premium watch market. There has been a significant improvement in the per capita income level of the PRC. Accordingly, consumers have gradually moved from low-end to mid to high-end products, including their choices of watches. Watches of well-known brands, especially Swiss brands, are highly recognised by the consumers in the PRC. The average per capita disposable income of urban households in some lower tier cities may have higher growth rates than those in Tier 1 cities. Distributors and retailers contribute to the import watch brands with the promotion and

INDUSTRY OVERVIEW

distribution of their products, such as establishing flagship stores. With the expansion of their sales network, those imported brands are becoming better known in the PRC watch market. These factors have resulted in the continued popularity of Swiss watches in the PRC.

Consumer Behaviour Analysis

Growing income

Several decades ago, PRC consumers spent their earnings mostly on basic living necessities, such as food. However, with the growing disposable income, PRC consumers are more likely to afford luxury items such as of premium watches.

Increasing Brand Awareness

PRC consumers are gaining more brand awareness through logos and other qualities of the watch brands. The increase in brand awareness is likely to lead to the increase in the consumers' willingness to pay a higher price for these products.

Preference of Swiss Brands

Swiss brands watches are highly regarded by PRC consumers and they associate Swiss brands with "high manufacturing technology", "good quality" and "superiority". At similar price range, consumers are more likely to choose Swiss brands in many cases over Japanese, US or PRC domestic brands.

Preference for Couple Watches

The popularity of couple watches among PRC consumers is increasing. More PRC consumers have begun to treat couple watches as love tokens. Couples and lovers prefer to choose couple watches as gifts on Valentine's Day and anniversaries. In the PRC, brands with wide product portfolio of couple watches often achieve better performance than other brands with fewer couple watches in their portfolio.

Entry Barriers

As premium watches often contain different functions, competitors will need to have attained a certain level of research and development and technology in order to produce watches with sophisticated functions, such as water-resistance and compass function. The competitors will also need to have a strong design capability as premium watches are often designed watches which embody cultural and artistic value. It requires competitors to make a considerable amount of initial investment such as marketing and promotion campaigns and engaging famous spokespersons. New entrants, in most cases, have to pay a cost to gain the industry knowledge and such cost could be considerable.

As a wide distribution network of POS is critical for most consumer goods, new entrants may need to bear a high cost to acquire sales channels as distributors. There are already a number of different established premium watch brands competing in the market for bigger market share, it would take time and cost to earn an ideal market share amid the competition. PRC consumers' great bias in favour of existing household names is another barrier to the entry of the PRC premium watch market as the PRC consumers may be more sceptical towards new brands due to their concern with the quality of these unknown brands. Compared with brands with a similar price range, Swiss brands with a relatively long history are preferred by PRC consumers and it is quite difficult for newer brands to enter the market successfully.

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Future Outlook of Premium Watch Market

In the premium products market, brand recognition is one of the vital drivers of purchase decisions and accordingly, a well-known brand generally has a stable consumer base. With the improvement in women's social positions as well as their income level, there is an emerging female consumption power, such as white-collar office ladies. To follow this trend, many premium brands have launched female watches and couple watches. Although in recent years, many domestic brands in the PRC have strengthened their efforts in the enhancement of their brand image, given the PRC consumers' psychology, imported brands, especially Swiss brands are expected to continue to be the mainstream in the premium watch market. PRC consumers are likely to become more sophisticated consumers, and their demands are expected to become more segmented. Therefore, they are likely to purchase watches of different styles to satisfy their needs in various circumstances.

Competitive Landscape in the PRC Premium Watch Market

The premium watch market in the PRC demonstrates a high level of dominance by leading brands. According to Frost & Sullivan, the top five brands accounted for approximately 79.7% of the total market share value in 2013. Our Group ranked fourth of the retail sales value in the PRC in 2013, and fourth of the retail sales volume in the PRC in 2013. The following table sets forth the ranking of the retail sales value and retail sales volume in the PRC in 2013.

In 2013, our Group ranked the 2nd position of the couple watch retail sales value retail sales volume in the PRC. The following table sets forth the ranking of couple watch retail sales value and retail sales volume in the PRC in 2013.

Premium Watch Market: Top Five Brands Ranked by Retail Sales Value (the PRC), 2013

Rank	Brand	Total Retail Sales Value (Billion RMB)	Market Share (%)
1	Brand A.	3.45	31.5
2	Brand B.	2.79	25.5
3	Brand C.	1.18	10.8
4	Ernest Borel	0.74	6.7
5	Brand D.	0.57	5.2
Top Five Brands		8.73	79.7
Total		10.94	100.0

Source: Frost & Sullivan Report

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Top Five Brands Ranked by Retail Sales Volume (the PRC), 2013

Rank	Brand	Total Retail Sales Volume (Thousand PCs)	No. of POS by 31 December 2013
1	Brand B.	684.4	1,040
2	Brand A.	266.9	415
3	Brand C.	173.6	661
4	Ernest Borel	98.8	817
5	Brand D.	64.9	469
Top Five Brands		1,288.6	
Total		1,665.9	

Source: Frost & Sullivan Report

Premium Watch Market: Top Five Brands Ranked by Couple Watch Retail Sales Value (the PRC), 2013

Rank	Brand	Total Retail Sales Value (Billion RMB)	Market Share (%)
1	Brand A.	1.00	43.6
2	Ernest Borel	0.41	18.0
3	Brand C.	0.28	12.3
4	Brand B.	0.21	9.1
5	Brand F.	0.06	2.7
Top Five Brands		1.96	85.6
Total		2.30	100.0

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Top Five Brands Ranked by Couple Watch Retail Sales Volume (the PRC), 2013

Rank	Brand	Total Retail Sales Volume (Thousand PCs)
1	Brand A.	80.1
2	Ernest Borel	63.8
3	Brand B.	54.8
4	Brand C.	43.4
5	Brand E.	7.5
Top Five Brands		249.6
Total		288.4

Source: Frost & Sullivan Report

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct analysis of the overview of the PRC economy, Swiss Watch Market, PRC watch market and premium watch market from 2008 to 2018 and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately HK\$1.87 million for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent consultant founded in 1961 and has over 40 global offices with 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. The Frost & Sullivan Report includes historical and forecast information on the Swiss watch market and PRC watch and premium watch market and other economic and industrial data, which have been quoted in this prospectus. The Frost & Sullivan Report has been prepared independent of our Group's influence. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various official government publications in the EU, the United States, Japan and the PRC as well as information provided by international organisations and industry sources. Primary research involves interviewing leading industry participants from the global and the PRC luxury goods market, Swiss Watch market and PRC premium watch market, other than related industry experts. Secondary research involved reviewing industry reports and independent research reports and data in Frost & Sullivan's own research database. In the preparation of its report, Frost & Sullivan used secondary research as an initial research platform and primary research was conducted with the key methodologies used by Frost & Sullivan to obtain the information and data for the preparation of its report.

All statistics are reliable and are based on information available as at the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or market place participants, may have provided some of the information on which the analysis or data is based.

REGULATORY OVERVIEW

Our main operating subsidiaries consist of EB (Switzerland), which is principally engaged in the manufacture of watches in Switzerland, distribution of watches in Europe, the United States and Middle East, and after sales service, EB (GZ), which is principally engaged in the distribution of watches in the PRC, and EB (Far East), which is principally engaged in distribution of watches and after sales services. A summary of important provisions of the relevant Swiss and PRC laws and regulations governing enterprises in the watchmaking industry is set out below.

OVERVIEW OF SWISS REGULATIONS

Labour and Social Insurance

The Swiss Federal Act on Labour (LTr, RS 822.11) provides, among others, for the conditions of safety in a workplace, the rules to be complied with in relation to shift work and night work, the maximum number of work hours per day, per week and per year. The maximum number of work hours per week under the Swiss Federal Act on Labour is 50 and EB (Switzerland) currently has an average of 40 working hours per week for its employees.

Compulsory contributions : AVS/AI/APG/AC/SUVA/LAA

AVS/AI/APG/AC — According to Article 111 of the Swiss Federal Constitution (Cst, RS 101), the Swiss pension system is based on a three pillar principle aimed at maintaining the standard of living for the insured persons or their dependants during retirement or in case of disability or death. The first pillar is mandatory contribution consisting of old age and survivors' insurance ("**AVS**"), invalidity insurance ("**AI**"), income compensation allowances in the event of service or of maternity ("**APG**") and unemployment insurance ("**AC**"). Employers and employees are required to jointly contribute to the AVS, AI, APG and AC on a 50/50 basis at the following rates of the monthly salary of the employees:

AVS	:	8.4%
AI	:	1.4%
APG	:	0.5%
AC	:	1%–2.2% (depending on the annual income of the individual employee)

The second pillar consists of company pension schemes mandatory for all employees above the age of 17 and having an annual income of over CHF 21,060. The contributions are borne by the employers and employees on a 50/50 basis at a rate determined individually based on the age, sex and annual income of such employee. The third pillar is private and voluntary.

SUVA/LAA — The Swiss Federal Act on the Accident Insurance ("**LAA**", RS 832.20) states that all employees in Switzerland must be insured against professional accidents, non-professional accidents and occupational disease under the Swiss National Accident Insurance Fund ("**SUVA**"). Professional accidents and occupational disease insurance are to be contributed by the employers whereas the non-professional accidents insurance is to be contributed by the employees. The contribution rates are fixed by the insurers each year for each industry section. In 2013, the rate applicable to EB (Switzerland) for non-professional accidents and professional accidents were approximately 1.27% and 0.2397%, respectively, of the monthly income of its employees.

REGULATORY OVERVIEW

Taxation

Switzerland has a federal tax system consisting of taxes that are (1) exclusively federal, (2) federal and cantonal, or (3) exclusively cantonal.

Exclusive federal taxes

- (i) VAT — The Swiss Federal Act on the Value Added Tax (LTVA, RS 641.20) provides that the Swiss Confederation may, at each stage of the production and distribution, collect a standard tax of 8% on consumption.
- (ii) Stamp Duty — A stamp duty is chargeable at the rate of 1% of any capital contribution made to a Swiss company above the tax-free tranche of CHF 1 million.
- (iii) Withholding Tax — A withholding tax of 35% is chargeable on dividends payment made by a Swiss company to its shareholders, interest payment for any bonds or similar collective debt fund-raising instruments, and to payments which qualified as constructive dividends for tax purposes. Pursuant to the Agreement between the Swiss Federal Council and the Government of The Hong Kong Special Administrative Region of the People's Republic of China for the Avoidance of Double Taxation with respect to Taxes on Income entered into force in 2013, a Swiss company is not required to pay any Swiss withholding tax if at least 10% of its shareholding is being beneficiary held by a Hong Kong company directly.

Federal and cantonal tax

Companies in Switzerland are generally subject to a federal direct tax and cantonal tax in the Canton of Jura of 8.5% and 17.93%, respectively, on their annual profits. Benefiting from a scheme to promote the economy of the Canton of Jura, EB (Switzerland) enjoys a preferential tax rate of 50% for the years 2009 to 2014.

Exclusive cantonal taxes

A canton may levy its own taxes, which may include tax on the profit realised from real properties at a rate between 10% to 30% of the amount of purchase price, depending on the number of years of possession by the vendor.

Production

Operation in a centre zone

The Municipal Regulation on Buildings of the municipality of Le Noirmont promulgated on 25 September, 2003 contains all rules applicable to different zones of the municipality. The location of our production facility in Le Noirmont, Canton of Jura, is classified as a centre zone for residential, trade or light industrial purposes. No heavy industrial work is allowed to be carried out on our production facility.

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Importation of components

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES, RS 0.453) provides that an importer shall obtain a licence as professional importer from the Federal Veterinary Office if the goods imported contain leather straps deriving from exotic species.

Exportation of watches

Watches manufactured by EB (Switzerland) can be exported freely and no authorisation or approval is required under Swiss law.

Standard of watches

Watches manufactured in Switzerland have to comply with the following conditions:

- (i) Federal Act on the safety of products (LSPro, RS 930.11) and its Ordinance on safety and health of the end users (OSPro, RS 930.111) provide that only products that involve no or minimal risk for the health or safety of the users or third parties, when they are used under normal or reasonably foreseeable conditions, can be marketed and sold.
- (ii) Federal Ordinance on the reduction of risk connected with the use of particularly hazardous preparations, substances and objects (ORRChim, RS 814.81) contains restrictions on the use of substances that are particularly dangerous. It also provides the levels of substance that may be contained in a product.

Qualifying for the “Swiss-made” label

The Swiss Federal Act on the Protection of Trademarks and Indications of Geographical Origin (“**Swissness Act**”, RS 232.11) and a special Ordinance enacted by the Federal Council on the application of the Swissness Act (“**SWO**”, RS 232.119) regulate the use of the “Swiss-made” label on watches manufactured in Switzerland. A “Swiss-made” watch must bear the identification sign, company name or brand name of the manufacturer on its case or dial. A watch is considered to be “Swiss-made” where: (1) the movement is Swiss, (that is (a) assembled in Switzerland; (b) inspected by the manufacturer in Switzerland and (c) the components of Swiss manufacture make up at least 50% of the value, without considering the cost for assembly); (2) the movement is cased up in Switzerland; and (3) the manufacturer carries out the final inspection in Switzerland.

The SWO does not stipulate a minimum percentage required for Swiss added value in respect of the manufacturing of the watch as a whole, but only to the movement. There is Swiss case law ruling that industrial products can carry the “Swiss-made” label if the work performed in Switzerland amounts to at least 50% of the manufacturing costs of such product. This case law, however, was developed in relation to the Swissness Act, a general body of rules, and is not directly applicable to SWO, a specific Ordinance enacted for the application of Swissness Act. Under the SWO, the Federal Council may specify conditions under which an indication of geographical origin may be used for specific products or services. Although Swiss courts have

REGULATORY OVERVIEW

raised in obiter dicta the issue of a lack of clarity with regards to the watch components to be considered for the assessment of the minimum percentage required for Swiss added value, no Swiss court had ruled on any challenge to the SWO in relation to the minimum percentage required for Swiss added value as at the Latest Practicable Date.

As an effort to delineate the use of the “Swiss-made” label, the Swiss Parliament has approved a revision of the Swissness Act, according to which it introduces as a general rule that, for an industrial product (e.g., watches) to be qualified as “Swiss-made”, at least 60% of its production cost (including costs for manufacturing and assembly, research and development as well as costs for statutory or recognised quality measures or certificates) must be incurred in Switzerland. In addition, at least one essential manufacturing step must have taken place in Switzerland. As a consequence of this revision, the SWO has to be amended in order to be compliant with the revised Swissness Act and to specify the requirements in particular for watches. As at the Latest Practicable Date, there is not yet a draft of the revised SWO available that implements the requirements adopted by the revised Swissness Act. Thus, it is not possible to outline the detailed new requirements. However, due to the new requirements of the revised Swissness Act, it is to be expected that the rules of the revised SWO will set higher standards than the current rules in force.

OVERVIEW OF PRC REGULATIONS

Foreign Investment

On 11 February 2002, the State Council promulgated the Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) (the “Foreign Investment Provisions”). According to the Foreign Investment Provisions, all foreign investment projects are classified into four categories: “encouraged” projects, “permitted” projects, “restricted” projects and “prohibited” projects. Foreign investment projects belonging to all categories except “permitted” projects are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “Foreign Investment Catalogue”). The Foreign Investment Catalogue was first promulgated in 1995 and the version currently in force was jointly promulgated by NDRC and MOFCOM on 24 December 2011 with effect from 30 January 2012. Unless otherwise provided for under other laws and regulations, foreign investors are permitted to invest in industries other than the “prohibited” projects. Certain “restricted” projects are only open to equity joint ventures or cooperative joint ventures or joint venture with Chinese shareholders holding a controlling stake. Foreign-invested industries which are neither “encouraged”, “restricted” nor “prohibited” are considered industries allowing foreign investments which are not included in the Foreign Investment Catalogue.

Based on the Foreign Investment Catalogue currently in force, our PRC Legal Adviser is of the view that the businesses of our PRC subsidiaries fall within the “permitted” scope allowing foreign investment.

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Mergers and Acquisitions

On 8 August 2006, six PRC governmental and regulatory authorities, including MOFCOM and CSRC, promulgated the Rules on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September, 2006 and revised on 22 June, 2009. Under the M&A Rules, an offshore special purpose vehicle was formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, in cases where its shareholder or itself purchases the equities of the shareholders of a domestic company or subscribes for the increased capital of a domestic company by paying with its equities or additional issued shares, shall be required to obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. In accordance with the M&A Rules, “takeover of a domestic enterprise by a foreign investor” means that the foreign investor purchases by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise (“Domestic Enterprise”) or subscribes to the increased capital of a Domestic Enterprise, thus changing the Domestic Enterprise into a foreign-invested enterprise; or, a foreign investor establishes a foreign investment enterprise, through purchasing the assets of a Domestic Enterprise by agreement and owns its assets; or, a foreign investor purchases by agreement the assets of a Domestic Enterprise, and then invests such assets to establish a foreign-invested enterprise and owns the assets.

Our PRC Legal Adviser is of the view that our subsidiary in the PRC, namely EB (GZ) is not subject to the M&A Rules as it was set up by its investors in accordance with PRC laws and regulations regulating foreign direct investment and there is no such acquisition of Domestic Enterprise by foreign investors involved. In accordance with the M&A rules, as at the Latest Practicable Date, neither our Company nor our subsidiary in the PRC was required to obtain approvals or permits from CSRC or other relevant PRC government authorities or departments for the purpose of the Listing.

Foreign Exchange Control

The principal regulations governing foreign currency exchange in the PRC are (i) the Regulation on Foreign Exchange Control (《中華人民共和國外匯管理條例》), promulgated on 29 January 1996 and came into effect on 1 April 1996, and subsequently amended on 14 January 1997 and 5 August 2008 (the “Foreign Exchange Regulation”), and (ii) Administration Rules for the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “Administration Rules”), promulgated on 20 June 1996. The Foreign Exchange Regulation classifies all international payments and transfers into current account items and capital account items. Foreign currency payments under current account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with the foreign currency purchased from any financial institution engaged in foreign currency sale and settlement, in accordance with the administrative provisions on payment and purchase of foreign currency promulgated by SAFE. Foreign currency income accounted for under current account items may be retained or sold to financial institutions engaged in foreign currency sale and settlement in accordance with the relevant

REGULATORY OVERVIEW

PRC laws and regulations. Foreign currency payments under capital account items include cross-border transfer of capital, direct investments, securities investments, derivative products and loans, and must, in accordance with the SAFE regulations relating to foreign currency payments and purchases, be made out of a domestic institution's own foreign currency with valid documentation or be made with foreign currency purchased from any financial institution engaged in foreign currency sale and settlement. For foreign-invested enterprises wound up in accordance with the law, funds denominated in Renminbi that belong to a foreign investor after liquidation and payment of tax may be used to purchase foreign currency from any financial institution engaged in foreign exchange sale and settlement in order to remit the foreign currency outside of China.

Under the Administration Rules, enterprises may only buy, sell or remit foreign currencies at banks that are authorised to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by MOFCOM, SAFE and the NDRC, or their respective competent local branches. On 21 July 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies.

On 29 August 2008, the General Affairs Department of SAFE issued the Notice with Regard to the Issues of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC. According to the notice, the capital of a foreign investment enterprise converted from foreign currency and settled in Renminbi may not be used for equity investment within the PRC unless otherwise provided, but may only be used within the business scope as approved by the authorities in charge of the foreign investment. The use of such Renminbi capital may not be changed without SAFE's approval and may not in any case be used to repay Renminbi-denominated loans if the proceeds of such loans have not been used within the approved business scope as stipulated in the loan agreement. In addition, any transfer of funds for the sake of equity investment in the PRC by foreign-invested enterprises approved by MOFCOM must first undergo examination and be approved by SAFE or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account and any related transfer of funds must undergo examination and be approved by the local branches of SAFE as provided by the relevant regulations.

Foreign Exchange Registration of Offshore Investment by PRC Residents

On 21 October 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) ("Circular No. 75"), which came into effect on 1 November 2005. Circular No. 75 and its subsequent implementation rules provide that if a PRC

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resident establishes or acquires a direct or indirect interest in an offshore special purpose company (“offshore SPV”), for the purpose of financing such offshore SPV with the assets of, or an equity interests in, an enterprise in the PRC, or injects assets or an equity interest of the PRC entity into the offshore SPV, the PRC resident must register with local SAFE branches with respect to its investments in the offshore SPV. Circular No. 75 also requires that PRC residents file changes to their registration if their offshore SPV encounters material events such as capital increases or decreases, share transfers or exchanges, mergers or divisions, long-term equity or debt investments and provisions of guarantees to a foreign party. SAFE subsequently issued relevant guidance to its local branches with respect to the operational process for the SAFE registration under Circular No. 75, which provides standardised, specific and stringent supervision of the registration relating to Circular No. 75 and imposed obligations on the onshore subsidiaries of offshore SPVs to coordinate with and supervise PRC residents holding direct or indirect interest in the offshore SPVs to complete the SAFE registration process. Under the relevant SAFE rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of offshore SPVs, including the payment of dividends and other distributions to their offshore parents or affiliates and capital inflow from such offshore entities, and may also subject relevant PRC residents and onshore companies to penalties under the PRC foreign exchange administration regulations.

Our PRC Legal Adviser is of the view that Mr. Lam, the largest shareholder of our Company, is not required to make such registration as (i) he is not PRC citizen, and (ii) his holding of beneficial interests, directly or indirectly, of EB (GZ) through offshore SPVs controlled by him does not constitute a round-trip investment under Circular No. 75.

Foreign Trade

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the National People’s Congress (“NPC Standing Committee”) on 12 May 1994 and amended on 6 April 2004, foreign trade operators engaged in the import and export of goods or technologies shall file and register with the relevant State Council authorities responsible for foreign trade and institutions, unless such filing or registration is exempted by the laws and regulations and the relevant State Council authorities.

Import and Export

According to the Regulation of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on 10 December 2001 and came into effect from 1 January 2002, import goods are categorised into (i) free import, (ii) restricted import, and (iii) prohibited import. “Free import” goods are not subject to any restrictions on importation. Our PRC Legal Adviser is of the view that goods imported by EB (GZ) are within the “free import” category and are therefore, not subject to any import restrictions.

Pursuant to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) promulgated on 28 April 2002 and amended on 29 June 2013 and its Implementation Regulations of the Law on Import and Export Inspection (《中華人民共和國進出口商品檢驗法實施條例》) promulgated on 31 August 2005 and amended on 18 July 2013, the

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Customs shall handle, on the basis of customs clearance of goods issued by import and export inspection and quarantine authorities, customs clearance procedures in respect of import commodities subject to inspection and examination under the law and import commodities subject to verification management; import and export inspection and quarantine authorities shall conduct random inspection and examination in accordance with national regulations in respect of import and export commodities other than those subject to Inspection and examination under the law.

On 15 November 2010, the General Administration of Customs promulgated the Administrative Measures of the PRC Customs on Classification of Enterprises (《中華人民共和國海關企業分類管理辦法》), which came into effect on 1 January 2011. According to the administrative measures, enterprises delivering or receiving import or export goods shall register with the customs. The customs shall then make assessment of the enterprises based on, among others, its business operation and management and regulatory and statistical records with the customs. Based on the assessment, enterprises will be classified into five groups, namely Classes AA, A, B, C or D, and be subject to different administrative measures, with Class AA enterprises enjoying the swiftest customs clearance process.

Taxation

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) enacted by the National People's Congress on 16 March 2007 and came into effect on 1 January 2008 (the "EIT Law"), the income tax rate for both domestic and foreign-invested enterprises is 25%, and the existing tax exemptions, reductions and preferential treatment which had been enjoyed by foreign-invested enterprises were abolished unless otherwise specified. Pursuant to the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax ("EIT") rate for their global income.

Pursuant to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》), which was promulgated on 26 December 2007 and became effective on 1 January 2008, the preferential tax rate enjoyed by foreign-invested and domestic enterprises established prior to the promulgation of the EIT Law pursuant to the then-current tax laws and administrative regulations will be granted a transitional period. An enterprise subject to an applicable enterprise income tax rate lower than 25% before the EIT Law became effective will have its tax rate gradually increased to the statutory tax rate within a transitional period of five years from the effective date of the EIT Law. As at 1 January 2008, enterprises that previously enjoyed the two-year EIT exemption followed by three years at 50% of the standard EIT rate or the five-year EIT exemption followed by five years at 50% of the standard EIT rate tax holidays and other preferential treatment in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments for the time period prescribed in the former tax law and other regulations until the expiration of

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the said time period. However, enterprises have not enjoyed the preferential treatment due to failure of making any profit, the time period for preferential treatment shall be calculated from 2008.

Value-added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which were promulgated on 13 December 1993 and amended on 10 November 2008 and took effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of specific services and importation of goods are required to pay Value-added Tax (“VAT”), on the value added during the course of the sale of goods or the provision of services. Unless otherwise specified, the applicable VAT rate for the sale or importation of goods and provision of processing, repair and maintenance services is 17%.

Withholding Tax on Dividends

According to the EIT Law, PRC-resident enterprises are levied a withholding tax of 10% on dividends to their non-PRC-resident corporate investors for profits earned since 1 January 2008. However, under the Arrangement between the Mainland and the Hong Kong SAR for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), a qualified Hong Kong company is liable for withholding tax at a rate of 5% for dividend income derived from the PRC if the Hong Kong company is a “beneficial owner” and holds at least a 25% equity interest in the PRC company directly.

Import Tariff

On 6 July 2013, China and Switzerland entered into the “Free Trade Agreement between the Swiss Confederation and the People’s Republic of China” 《中華人民共和國和瑞士聯邦自由貿易協定》 (“FTA”). Pursuant to Item 2 of Article 2.3 in Section 2 of the FTA, China and Switzerland agree to revoke or reduce the tariff on the imported goods by the other party in accordance to the terms set out in the tariff concession table listed in the FTA. Upon the effective date of the FTA, China shall gradually reduce the tariff charged on the imported clocks, watches and accessories of various types made in Switzerland in accordance to the tariff concession table listed in the FTA.

As advised by our PRC Legal Adviser, the relevant import tariff concessions have not yet been applied to the Swiss-made watches and accessories imported by EB (GZ). Our Directors believe that the potential reduction of the relevant tariff would have a positive impact on the demand of premium watches in PRC, and therefore would be favourable to our business. However, taking into consideration the progressive reduction in the relevant tariff in the next ten years, our Directors are of the view that the associated impact on our business may be negligible at the time of Listing.

Product Quality and Consumer Rights Protection

The Law of the PRC on Product Quality (《中華人民共和國產品質量法》) (“Product Quality Law”) was promulgated on 22 February 1993 by the NPC Standing Committee, revised on 8 July 2000 and came into effect on 1 September 2000. The Product Quality Law provides that a manufacturer and a seller shall establish an internal quality management system and have stringent work quality standards implemented. In accordance with Article 4, 26, and 49 of the Product Quality Law, it encourages the product quality meet and exceed the industry, national, and international standards. Where there are any national or industry standards in respect of health, personal and property safety for the product, such standards shall be followed, otherwise the enterprise shall be ordered to stop production and sale and the products shall be confiscated. A fine of under the equivalent of three times the value of the products shall be imposed. Where there are illegal proceeds, such proceeds shall be confiscated and the business licence may be revoked if any serious circumstances occur.

The Law of the PRC on Standardisation (《中華人民共和國標準化法》) (“Standardisation Law”) was promulgated by the NPC Standing Committee on 29 December 1988 and came into effect on 1 April 1989. The State Council further promulgated the implementation rules of the Standardisation Law on 6 April 1990 which became effective on the same date. The Standardisation Law provides that national standards on the technical requirements of products shall be formulated at the national level by the department of standardisation administration under the State Council. In the absence of a national standard for a particular product, industry standards may be formulated by competent administrative authorities under the State Council. Where neither national standard nor industry standard is in place, local standards may be formulated by departments of standardisation of provinces, autonomous regions, and municipalities directly under the central government. In accordance with the Implementation Regulations of Standardisation Law promulgated and came into effect on 6 April 1990, in the absence of national standards industrial or local standards, enterprise standards shall be formulated in respect of products manufactured by an enterprise to provide a basis of production. The national and industry standards for safeguarding human health, personal and property safety and those for compulsory execution under laws and regulations shall be mandatory. The local standards for the safety and sanitary requirements of industrial products shall be mandatory to follow within their respective administrative areas.

As at the Latest Practicable Date, there were 22 sets of national standards on timepieces and 67 sets of industry standards for the timepiece industry. Standards currently adopted by the EB (GZ) in respect of its products include: (i) national standard GB1T6044-2005 for Pointed Quartz Watches, (ii) timepiece industry standard GB1T1249-2004 for Mechanical Watches, and (iii) timepiece industry standard GB/T1897-1993 for Timepieces and Water-proof Watches.

The Law of the PRC on Consumer Rights Protection (《中華人民共和國消費者權益保護法》) was promulgated by the NPC Standing Committee on 31 October 1993 and came in effect on 1 January 1994 (“Consumer Rights Protection Law”), then was amended on 25 October 2013 and came into effect on 15 March 2014. The Consumer Rights Protection Law provides that if a consumer or any person (the “Consumer”) suffers injury or property loss as a result of a product defect, the Consumer may demand compensation from the seller of such defective product. If a

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third party is responsible for causing the product defect, the seller may, after providing compensation to the Consumer, claim against such third party for the amount of compensation paid to the Consumer.

Labour and Social Insurance

According to the PRC Labour Law (《中華人民共和國勞動法》) promulgated on 1 January 1995, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) was promulgated on 29 June 2007 and came into effect on 1 January 2008 and was amended on 28 December 2012 and came into effect 1 July 2013, and its implementation regulations were implemented on 18 September 2008. According to the PRC Labour Contract Law, labour contracts must be executed in writing to establish labour relationships between employers and employees. Employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Wages paid by employers may not be lower than the local minimum wage. Both employers and employees must perform their respective obligations stipulated in the labour contracts. In the event of a violation of any legal provisions of the PRC Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licences and other penalties. A staffing company may be held jointly and severally liable together with the dispatched workers when harm is done to workers by the dispatched workers.

The PRC Employment Promotion Law (《中華人民共和國就業促進法》), which became effective on 1 January 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

Pursuant to the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who

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fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) being effective on 3 April 1999 and amended on 24 March 2002, companies must register with the local housing fund management centre and establish a special housing fund account with an entrusted bank. Employers are also required to make adequate contributions of no less than 5% of each employee's average monthly salary in the previous year to the housing fund for their employees on a timely basis.

OVERVIEW OF HONG KONG REGULATIONS

Inland Revenue Ordinance

The Inland Revenue Ordinance is a statute enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The Inland Revenue Ordinance provides, amongst other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stands as at the Latest Practicable Date at 16.5% for corporate taxpayers. The Inland Revenue Ordinance also contains detailed provisions relating to, amongst other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets. As EB (Far East) carries on businesses in Hong Kong, our Directors have confirmed that EB (Far East) is subject to the profits tax regime under the Inland Revenue Ordinance.

As stipulated by the Inland Revenue Ordinance, the Inland Revenue Department in Hong Kong may give notice in writing to any person requiring him or her to furnish a prescribed tax return. For the proper enforcement of the tax regime, the Inland Revenue Department is equipped with various powers, including the power to require any person to furnish any relevant information, the power to examine any person for the purposes of obtaining full information with regard to any matter affecting a person's liability, responsibility or obligation under the Inland Revenue Ordinance and the power to require a person to furnish a detailed statement of assets and liabilities. The Inland Revenue Department may also in certain circumstances apply to a magistrate for a search warrant. As required by the Inland Revenue Ordinance, every person carrying on a trade, profession or business in Hong Kong is required to keep sufficient records of his or her income and expenditure and shall retain such records for a period of not less than seven years.

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As stipulated by section 80(2) of the Inland Revenue Ordinance, a person commits an offence if he or she, without reasonable excuse, (i) makes an incorrect tax return by omitting or understating anything; (ii) makes an incorrect statement in connection with a claim for any tax deduction or allowance; or (iii) gives any incorrect information in relation to any matter or thing affecting his or her (or some other person's) tax liability. Such a person is liable on conviction to a fine of up to HK\$10,000 and a further fine of three times the amount of tax which has been undercharged as a consequence. However, no person shall be liable to any penalty under section 80 of the Inland Revenue Ordinance unless the complaint concerning such offence was made within six years of the year of assessment concerned.

If no prosecution is made under section 80(2) of the Inland Revenue Ordinance, the person who has committed an offence under such sections is liable to additional tax of an amount not exceeding three times the amount of tax which has been undercharged as a result and shall not be liable to be charged on the same facts with an offence as described in the paragraphs above. However, before making an assessment of additional tax payable, the commissioner or deputy commissioner, as the case may be, shall cause notice to be given to the person he proposes so to assess, and shall inform such person of the alleged incorrect return, statement or information, and include a statement that such person has the right to submit written representations to him regarding the proposed assessment on him of additional tax.

For the years of assessment of 2008/09, 2009/10 and 2010/11, EB (Far East) has understated its profits in its tax returns submitted to the Inland Revenue Department. For details of the understatements and the remedial actions taken, please refer to the paragraph headed "Business — Non-compliance records" of this prospectus.

CORPORATE BUSINESS DEVELOPMENT

The origin of our brand, Ernest Borel, dates back to 1856 when Mr. Jules Borel, together with his brother-in-law, Mr. Paul Courvoisier, established Borel et Courvoisier in Neuchatel, Switzerland to engage in the manufacture of watches. Mr. Paul Courvoisier was later succeeded by Mr. Ernest Borel, the son of Mr. Jules Borel and Borel et Courvoisier was subsequently renamed as Ernest Borel et Cie.

In the late 19th century, inspired by the dancing couple image of himself and a beautiful girl in a photograph, our hallmark logo of a dancing couple dressed in the 19th century costume was created by Ernest Borel under his management.

Mr. Jean-Louis Borel, the son of Mr. Ernest Borel, joined Swiss Ernest Borel et Cie in 1927 and by expanding the capacity and retaining the traditional craftsmanship for the production of streamlined products, it marked an important milestone in the development of the brand Ernest Borel.

Our largest Shareholder, Mr. Lam, first acquired an interest in the brand Ernest Borel and EB (Far East) in 1990. At all relevant times, Mr. Lam was the controlling shareholder of Truly International Holdings (stock code: 732). In March 1990, Truly International Holdings group acquired the entire equity interests in Aubry Frères S.A., which owned the entire issued share capital of Société Immobilière Ciny S.A., and Société des Montres West End S.A. At the time of such acquisition, Aubry Frères S.A., Société Immobilière Ciny S.A. and Société des Montres West End S.A. were engaged in the design, manufacture and sale of Swiss watches including the brand name “Ernest Borel”. As disclosed in the Truly International Holdings prospectus, our Company was incorporated in 1991 as the holding company for all of the watch making subsidiaries of Truly International Holdings. As part of the reorganisation of Truly International Holdings in preparation of its listing on the Stock Exchange in 1991, the watch business was separated from the business of Truly International Holdings group. Therefore, (i) on March 1991, our Company acquired 33.3% interest in EB (Far East) from Truly Electronics Manufacturing Ltd. and Mr. Lam acquired 66.7% interest in EB (Far East) from Aubry Frères S.A., who held the same on trust for and on behalf of our Company, at a consideration of HK\$10 and HK\$20, respectively, and (ii) the entire equity interest of our Company was transferred to Mr. Lam from Truly International Holdings on 8 July 1991.

In 1993, Mr. Su Da, our executive Director, joined our Group and managed our Group’s business of supplying watches to our distributors in the PRC as he had extensive experience in, and exposure to, the distribution of watches and had built up strong business relationships with distributors in the PRC.

In 1997, we established EB (Switzerland) in Switzerland, principally engaged in the overall production of our watches and branding and marketing, sales and after sales services in the markets outside of Asia Pacific region and Mr. Raphaël Boillat, became the chairman and general manager of EB (Switzerland) and at the same time took over the general management of our operations in Switzerland, including the training of our watch designers in Switzerland. At the same time, we also started focusing on widening the distribution of watches in the PRC, Hong Kong and Macau markets.

HISTORY AND CORPORATE STRUCTURE

As part of our strategic plan to expand distribution of our watches in the PRC, Guangzhou Shihengbao and Shenzhen Ruishi were established in 2002 and 2006, respectively. At the time of its establishment, the interests of Guangzhou Shihengbao was held as to 90% by Mr. Su Da and as to 10% by Mr. Huang Weishuang (“Mr. Huang”), an Independent Third Party. In 2007, Mr. Huang transferred his entire equity interest in Guangzhou Shihengbao to Mr. Wang Baoqiang, an Independent Third Party pursuant to a share transfer agreement. In 2011, Mr. Wang Baoqiang in turn transferred his entire equity interest in Guangzhou Shihengbao to Mr. Su Da pursuant to a share transfer agreement. Consequently, Guangzhou Shihengbao was owned as to 100% by Mr. Su Da. At the time of its establishment, Shenzhen Ruishi was held as to 90% by Su Ran, the brother of Mr. Su Da, our executive Director and as to 10% by Mr. Cai Zonglin, an Independent Third Party. After the completion of a series of share transfers, Shenzhen Ruishi was consequently owned as to 100% by Su Ran.

Commencing from 2003 and 2006 respectively, Guangzhou Shihengbao and Shenzhen Ruishi purchased watches produced by us for distribution in the PRC. Other than the distribution of our watches, Shenzhen Ruishi also distributed Swiss-made watches manufactured by West End, a watch manufacturer located in Switzerland. None of our Directors or substantial shareholders have any interest in West End.

In 2011, we established EB(GZ) to serve as our operating subsidiary in the PRC, and to replace the functions of Guangzhou Shihengbao and Shenzhen Ruishi in the distribution of our watches in the PRC in preparation for the Listing. In 2012, EB(GZ) acquired all of the fixed and intangible assets of Guangzhou Shihengbao and Shenzhen Ruishi (other than the inventory of West End watches owned by Shenzhen Ruishi), including inventory of our watches, motor vehicles and intellectual properties, at the consideration of approximately RMB37,300,000 and approximately RMB51,100,000, respectively. Shenzhen Ruishi has entered into a separate agreement with an Independent Third Party to dispose of its inventory of watches manufactured by West End.

After the completion of the above transfer of assets, EB (GZ) entered into new distribution agreements and supplemental distribution agreements with all existing distributors who procured our watches from Guangzhou Shihengbao and Shenzhen Ruishi prior to the completion of the transfer of assets. Guangzhou Shihengbao and Shenzhen Ruishi are deregistered on 13 March 2013 and 28 January 2013, respectively.

HISTORY AND CORPORATE STRUCTURE

As at 31 December 2013, we have successfully developed an extensive distribution network spanning 12 countries where our watches are sold. The major milestones and achievements in our business are set forth below:

Year(s)	Event/Milestone
1856	Borel et Courvoisier was established
1859 to 1860 .	We expanded our market to Germany, Italy, the United Kingdom and the United States
1866	We won Grade 1 Award in the Competition for Pocket Watches with Escapement
1867	We expanded our market to Spain
1878	We were awarded Golden Prize in the Paris Exhibition
1951	We advertised our brand on Dagong Huakan (大公畫刊)
1955	We advertised our brand on The Sing Pao Daily News (成報)
1958	We received an award from the Observatoire Astronomique at Chronométrique de Neuchâtel
1990	We officially entered the PRC market We advertised our brand on Guangzhou Daily for the first time
1994	We sponsored World Volleyball Grand Prix 1994 and became official timekeeper
1995	We advertised our brand on the exterior of public buses in Shanghai
1999	We sponsored the “Ernest Borel Cup” China and Korea football game
2003	We sponsored the China Women Football League (2003年全國女足超級聯賽) We sponsored the Miss Chinese Cosmos Pageant form 2003 to 2007
2004	We sponsored the Celebrity Golf Contest in Beijing (京城高爾夫名人邀請賽) from 2004–2005 Ernest Borel was awarded “2004 Fashion Consumer Brands (Watches) Award in Guangdong District” (2004時尚百花獎廣東地區時尚消費品牌推選手錶類消費者最愛品牌) by Guangzhou Daily
2005	We opened our first flagship store in Guangzhou We became a member of the Federation of the Swiss Watch Industry FH
2006	Ernest Borel was awarded as “Media’s Choice Award in 2006” (2006年度中國金擺輪獎媒體推薦大獎) We held our 150 th anniversary celebration of Ernest Borel in Hong Kong We engaged Ms. Angie Chiu (趙雅芝) as brand ambassador
2008	We engaged Mr. Raymond Lam (林峯) as brand ambassador

HISTORY AND CORPORATE STRUCTURE

<u>Year(s)</u>	<u>Event/Milestone</u>
2009	<p>We opened our first flagship stores in Shanghai and Liuzhou</p> <p>We engaged Ms. Kelly Chen (陳慧琳) as brand ambassador</p> <p>Ernest Borel was awarded as “2009 Best Service Brand Award” (2009中國鐘錶商大會—時間中國—中國市場鐘錶品牌大獎) by PRC Watch Manufacturers Conference (中國鐘錶商大會組委會)</p>
2011	<p>Our first flagship stores in Zhuzhou and Nanning were opened</p> <p>We sponsored the <i>Voice of China Hourly Report</i> (中國之聲全天整點報時) broadcasted by China National Radio since 2011</p> <p>We held our 155th anniversary celebration of Ernest Borel in Shanghai and, launched the Royal Collection</p>
2012	<p>Our first flagship stores in Hong Kong (Causeway Bay) was opened</p> <p>We sponsored the 2012 USA Dance Nationals</p> <p>We sponsored the Asia Wedding Design Competition</p> <p>We agreed to purchase a piece of land with a site area of 18,000 square feet in Le Noirmont, Switzerland adjacent to our production facility for expansion of production capacity</p>
2013	<p>We engaged Mr. Marcel Nguyen (阮馬素) as global ambassador for our brand</p> <p>Our second flagship stores in Hong Kong (Mongkok) and first flagship stores in Singapore and Vietnam were opened</p> <p>Ernest Borel was awarded the “2013 Supreme Brand Award for Couple Watches” (非凡品牌大賞2013 — 非凡情侶手錶品牌大獎) by Southern Media Corporation</p> <p>Ernest Borel was awarded the “2013 Prime Awards for the Best Brand Enterprise in Greater China” (2013 大中華超卓商譽品牌) by Metro HK</p> <p>We sponsored the 2013 USA Dance Nationals</p> <p>We advertised on China Central Television channel three</p> <p>We advertised on Jade and Pearl Channels of Hong Kong Television Broadcasts Limited</p>
2014	<p>Our third flagship stores in Hong Kong (Tsim Sha Tsui) was opened</p> <p>We sponsored the gala premiere of Horseplay (盜馬記)</p>

OUR HISTORY AND DEVELOPMENT

Our history can be traced to 1981 when the first company of our Group, EB (Far East), was incorporated in Hong Kong and primarily engaged in the distribution of our watches. Mr. Lam, our largest Shareholder and Mr. Su Da, our executive Director and Chairman of our Board, first acquired interests in our Company in July 1991 and February 2003, respectively.

HISTORY AND CORPORATE STRUCTURE

Since February 2011 and immediately prior to the Corporate Reorganisation, our Company was owned as to 63% by Mr. Lam and 37% by Mr. Su Da. For further information on the changes of the share capital of our Company, please refer to “Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital of Our Company” in Appendix IV to this prospectus.

Our Group comprises our Company, EB Investment and EB (HK), which are investment holding companies, and the following operating subsidiaries:

(1) EB (Switzerland)

EB (Switzerland) is our operating subsidiary in Switzerland, which principally engages in the manufacture of our watches, distribution of watches in Europe, United States and Middle East, and after sales services. EB (Switzerland) was incorporated as a company limited by shares (*société anonyme*) in Switzerland on 20 January 1997. On the date of incorporation, EB (Switzerland) was held as to 97% by EB (Far East), 1% by Kwok On Tsui, 1% by Raphaël Boillat and 1% by Elisabeth Boillat, with Kwok On Tsui, Raphaël Boillat and Elisabeth Boillat holding their respective shares on trust for and on behalf of EB (Far East). As advised by the Swiss legal adviser to our Company, Athemis, at the time, under the relevant Swiss law, majority of the board of a *société anonyme* company must be Swiss and domiciled in Switzerland, and that all directors must also be shareholders of the company. Hence, the trust arrangements were made with Raphaël Boillat and Elisabeth Boillat, both being Swiss nationals and were appointed to the board of directors of EB (Switzerland), and Kwok On Tsui, who was appointed by EB (Far East) as its representative of EB (Far East) on the board of directors of EB (Switzerland). Further, the Swiss legal adviser to our Company, Athemis, has confirmed that the trust agreements of Raphaël Boillat, Elisabeth Boillat and Kwok On Tsui were valid and legally binding under Swiss law. On 13 December 2001, Kwok On Tsui resigned from the board of director of EB (Switzerland) and the trust agreement between Kwok On Tsui and EB (Far East) was also terminated on the same date. Upon such termination being effective, EB (Switzerland) was held as to 98% by EB (Far East), 1% by Raphaël Boillat and 1% by Elisabeth Boillat. On 28 July 2005, the 1% interest held by Elisabeth Boillat was transferred to Raphaël Boillat through inheritance as part of the estate of Elisabeth Boillat after her death. On 28 May 2012, a trust agreement was signed by Raphaël Boillat who confirmed that he was holding two shares in EB (Switzerland) for and on behalf of EB (Far East). The Swiss legal adviser to our Company, Athemis, has confirmed that such trust agreement was valid and legally binding under Swiss law. Immediately after such transfer, EB (Switzerland) was held as to 98% by EB (Far East) and 2% by Raphaël Boillat on trust for and on behalf of EB (Far East).

(2) EB (Far East)

EB (Far East) is our operating subsidiary in Hong Kong and principally engages in distribution of watches and after sales services. EB (Far East) was incorporated in Hong Kong as a limited liability company on 27 February 1981. On 23 March 1991, our Company acquired 33.3% interest in EB (Far East) from Truly Electronics Manufacturing Ltd. and Mr. Lam acquired 66.7% interest in EB (Far East) from Aubry Frères S.A., who held the same on trust for and on behalf of our Company, at a consideration of HK\$10 and HK\$20, respectively. At the time of the said transfers, (i) our Company was wholly-owned by Truly International Holdings, and (ii) both Truly Electronics Manufacturing Ltd. and Aubry Frères S.A. were wholly owned subsidiaries of Truly International Holdings, and their entire equity

HISTORY AND CORPORATE STRUCTURE

interests in EB (Far East) were transferred to our Company at nominal consideration as part of the reorganisation of Truly International Holdings in preparation of its listing on the Stock Exchange in 1991, whereby the entire equity interest in our Company was subsequently transferred to Mr. Lam from Truly International Holdings on 8 July 1991, who was the founder and controlling shareholder of Truly International Holdings. Immediately after the said transfers, EB (Far East) was owned as to 33.3% by our Company and 66.7% by Mr. Lam on trust for and on behalf of our Company.

On 28 December 2001, EB (Far East) issued and allotted two new shares with par value of HK\$10 each at par to Cheung Siu Wa, an employee of EB (Far East), who held both Shares on trust for and on behalf of our Company. Immediately after such share allotment, EB (Far East) was held as to 40% by each of Mr. Lam and Cheung Siu Wa on trust for and on behalf of our Company and 20% by our Company.

On 9 June 2005, at the instructions of Mr. Lam, EB (Far East) further issued and allotted one new share with par value of HK\$10 to each of Mr. Lam and Cheung Siu Wa at the consideration of HK\$7,750,000, both of whom held the share on trust for and on behalf of our Company, which Mr. Lam was then the major shareholder. The total consideration of HK\$15,500,000 for such share allotment was settled by offsetting a shareholder loan due to Mr. Lam. Immediately after such share allotment, EB (Far East) was held as to 42.86% by each of Mr. Lam and Ms. Cheung Siu Wa on trust for and on behalf of our Company and 14.3% by our Company.

As part of the Corporate Reorganisation, on 20 October 2011, EB (Far East) issued and allotted 1,993 new shares with par value of HK\$10 each to EB Investment. Immediately after such share allotment, EB (Far East) was held as to 99.65% by EB Investment, 0.05% by our Company, and 0.15% by each of Mr. Lam and Cheung Siu Wa, who held their interests on trust for and on behalf of our Company. Subsequently, on 7 November 2011, each of Mr. Lam, Cheung Siu Wa and our Company transferred their respective 0.15%, 0.15% and 0.05% interests in EB (Far East) to EB Investment at considerations of HK\$30, HK\$30 and HK\$10, respectively. The consideration of all of the above transfers were determined with reference to the par value of the shares of EB (Far East). Immediately after such share transfers, EB (Far East) became a wholly owned subsidiary of EB Investment.

(3) EB (GZ)

EB (GZ) is our operating subsidiary in Guangzhou and principally engages in distribution of watches in PRC. In order to facilitate the transfer of the distributorship business from Shenzhen Ruishi and Guangzhou Shihengbao to our Group, EB (GZ) was established on 7 December 2011 as a limited liability company with an initial registered capital of RMB20,000,000, which is a wholly owned by EB (HK), and a wholly owned subsidiary of our Company. Our PRC Legal Adviser confirmed that the contribution of registered capital of EB (GZ) had been fully paid up within the required timeframe.

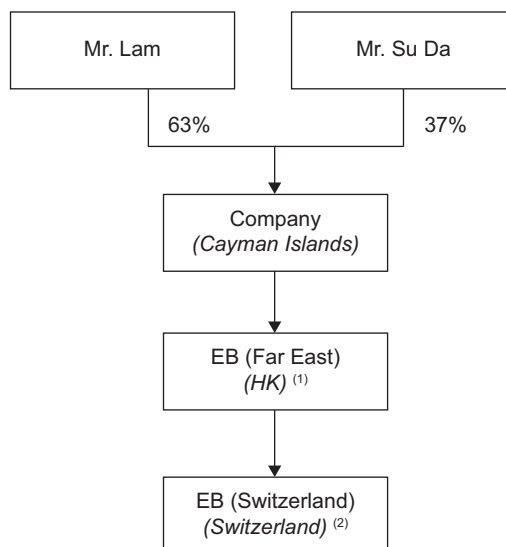
HISTORY AND CORPORATE STRUCTURE

CORPORATE REORGANISATION

In preparation of the Listing, our Group underwent the Corporate Reorganisation. Details of the Corporate Reorganisation are set out in the section headed “Statutory and General Information — B. Corporate Reorganisation” in Appendix IV to this prospectus.

(1) Group Structure prior to the Corporate Reorganisation

The chart below is the corporate structure of our Group immediately prior to the Corporate Reorganisation:



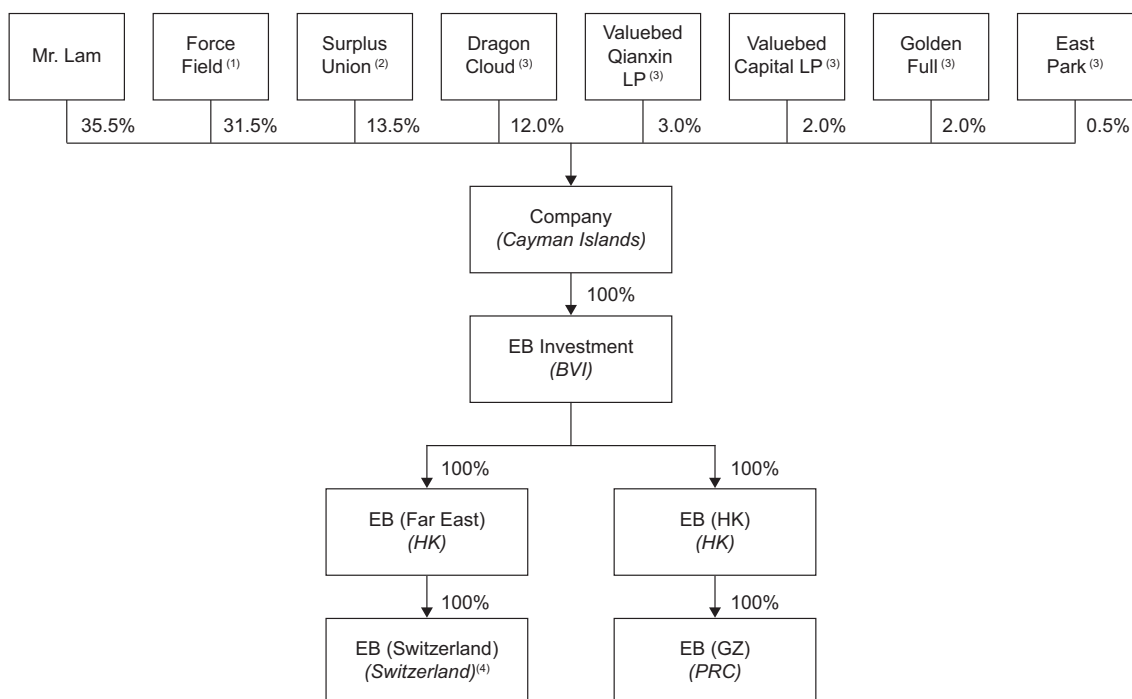
Notes:

- (1) Each of Mr. Lam and Cheung Siu Wa, a former employee of EB (Far East), held 42.86% of the issued share capital in EB (Far East) on trust for and on behalf of our Company.
- (2) 2% interests in EB (Switzerland) is held by Raphaël Boillat on trust for and on behalf of EB (Far East).

HISTORY AND CORPORATE STRUCTURE

(2) Group Structure after the Corporate Reorganisation but immediately before the Global Offering

The corporate structure of our Group after the Corporate Reorganisation but immediately before the Global Offering is set out below:



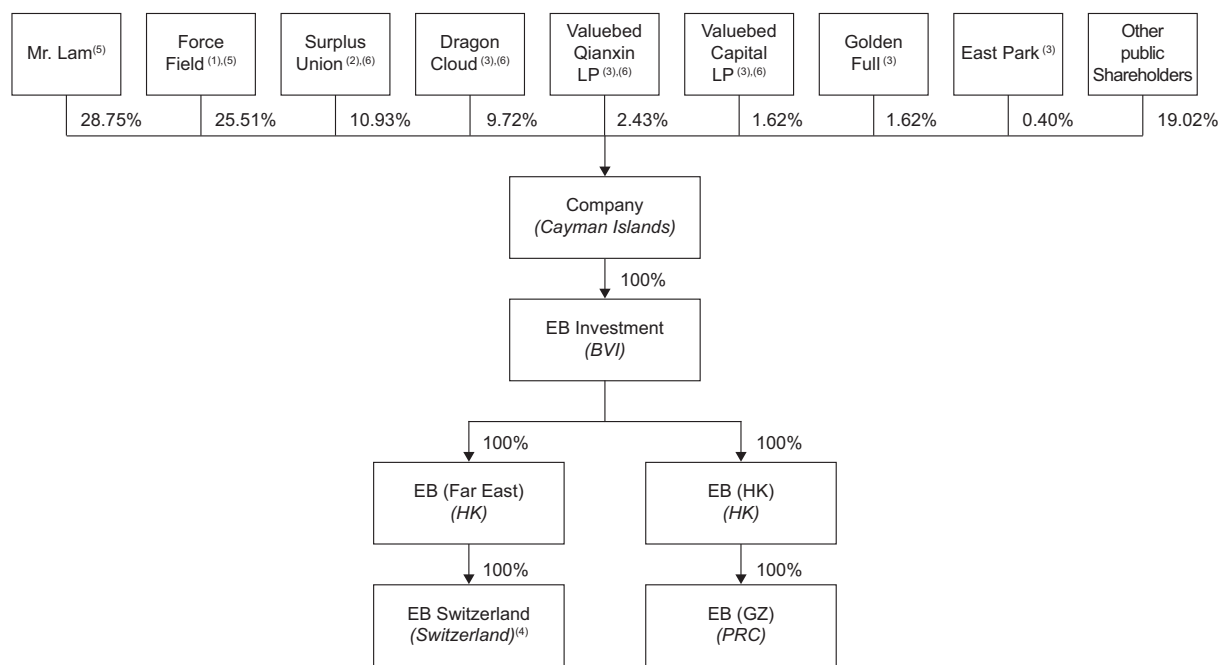
Notes:

- (1) Force Field is held as to 70% by Mr. Su Da and 30% Mr. Su Ran. Mr. Su Da is an executive Director and Chairman of our Board. Mr. Su Da is the elder brother of Su Ran, and Su Ran is the younger brother of Mr. Su Da.
- (2) Surplus Union is wholly-owned by Chan Kin Sun.
- (3) Each of Dragon Cloud, Valuebed Qianxin LP, Valuebed Capital LP, Golden Full and East Park is an Independent Third Party and will be treated as a member of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
- (4) 2% interests in EB (Switzerland) is held by Raphaël Boillat on trust for and on behalf of EB (Far East).

HISTORY AND CORPORATE STRUCTURE

(3) Group Structure upon the Listing

The corporate structure of our Group upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and none of the Pre-IPO Share Options is exercised) is set out below:



Notes:

- (1) Force Field is held as to 70% by Mr. Su Da and 30% Mr. Su Ran. Mr. Su Da is an executive Director and Chairman of our Board. Mr. Su Da is the elder brother of Mr. Su Ran, and Su Ran is the younger brother of Mr. Su Da.
- (2) Surplus Union is wholly-owned by Chan Kin Sun.
- (3) Each of Dragon Cloud, Valuebed Qianxin LP, Valuebed Capital LP, Golden Full and East Park is an Independent Third Party and will be treated as a member of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
- (4) 2% interests in EB (Switzerland) is held by Raphaël Boillat on trust for and on behalf of EB (Far East).
- (5) Each of Mr. Lam, Force Field, and the shareholders of Force Field, namely, Mr. Su Da and Mr. Su Ran has provided lock-up undertakings under the Hong Kong Underwriting Agreement. Please see the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings" in this prospectus for details.
- (6) Each of Surplus Union (and its sole shareholder, Mr. Chan Kin Sun), Dragon Cloud, Valuebed Qianxin LP and Valuebed Capital LP has provided a six months lock-up undertaking to our Company and the Sole Global Coordinator.
- (7) Percentage of the shareholdings are approximate figures.

PRE-IPO INVESTMENTS

(A) Sale of shares in our Company from Mr. Lam to Dragon Cloud, Valuebed Qianxin LP and Golden Full

On 27 March 2012, Mr. Lam, Dragon Cloud, Valuebed Qianxin LP, Golden Full, Force Field, Surplus Union, Mr. Su Da, Mr. Su Ran, Chan Kin Sun and our Company entered into a share purchase agreement ("Lam's Share Purchase Agreement"), pursuant to which Mr. Lam agreed to sell 12%, 3% and 2% of the equity interests in our Company to Dragon Cloud, Valuebed Qianxin LP and Golden Full, respectively, at the consideration of HK\$130,224,188, HK\$32,556,047 and HK\$21,704,032, respectively. All the said considerations were determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010, and were irrevocably settled and paid in full on 30 March 2012, except for the balance of HK\$0.18 in respect of the consideration to be paid by Dragon Cloud which was waived by Mr. Lam on 2 April 2012.

(B) Sale of shares in our Company from Surplus Union to East Park and Valuebed Capital

On 27 March 2012, Surplus Union entered into a share purchase agreement with Valuebed Capital LP pursuant to which Surplus Union transferred 2% of the equity interests in our Company to Valuebed Capital LP at a consideration of HK\$21,550,685. The consideration of HK\$21,550,685 was determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and was irrevocably settled and paid in full on 30 March 2012.

On the same day, Surplus Union also entered into another share purchase agreement with East Park pursuant to which Surplus Union transferred 0.5% of the equity interests in our Company to East Park at the consideration of HK\$5,386,301. The consideration of HK\$5,386,301 was determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and was irrevocably settled and paid in full on 2 April 2012.

HISTORY AND CORPORATE STRUCTURE

Further details of the investment of each of our Pre-IPO investors are set out below:

	Dragon Cloud	Valuebed Qianxin LP	Golden Full	Valuebed Capital LP	East Park
Background of investors:	<p>Dragon Cloud is a limited liability company incorporated on 2 March 2012 under the laws of the BVI. It is owned as to 87.26% by Greenwood Bloom Fund, L.P. with Greenwood Bloom Ltd. (which is wholly owned by Hua Tang, an Independent Third Party), as its general partner and others acting as its limited partners, and as to 12.74% by Mr. Hua Tang, all of which are Independent Third Parties.</p> <p>To our best information, knowledge and belief, Dragon Cloud is incorporated solely for investment by Greenwood Bloom Fund, L.P. in our Company. Greenwood Bloom Fund, L.P. primarily invests into companies that generate a significant portion of revenues and/or profits from the PRC, and listed or to be listed in the PRC, Hong Kong, United States and other markets.</p> <p>Further, to our best information, knowledge and belief, Hua Tang is engaged in the financial industry.</p>	<p>Valuebed Qianxin LP is an international limited partnership formed on 23 February 2012 under the laws of the BVI, with Valuebed Capital Limited (which is wholly owned by Li Bing Shan (李冰山), an Independent Third Party) acting as its general partner and other Independent Third Parties acting as its limited partners.</p> <p>Valuebed Qianxin LP is established solely for its investment in our Company and managed by Valuebed Capital. Valuebed Capital is founded in 2011 to seek value-based investment opportunities in Hong Kong capital market. It currently has funds under management of over HK\$230 million, and has investment and research experience in Hong Kong and overseas capital market.</p>	<p>Golden Full is a limited liability company incorporated on 13 February 2012 under the laws of the BVI, which is owned as to 10% by Golden Full Investment Limited (which is wholly owned by Hon Man Investment Limited, which is then ultimately wholly-owned by Mei Xiaoying), 10% by Golden Full Holdings Limited (which is wholly owned by Wang Aier), 20% by Zhao Hongshu, 15% by Asian Sky Consultants Limited (which is wholly owned by Ding Gen Dong), 15% by Lin Fang, 15% by Joy Bright Holdings Limited (which is wholly owned by Xiong Yan Gui), 5% by Song Jonathan Zhanshan, 5% by Greate Opulence Limited (which is wholly owned by Li Qu) and 5% by Cardinal Global Limited (which is wholly owned by Zheng Zhi Min), all of whom are Independent Third Parties.</p> <p>To our best information, knowledge and belief, Golden Full is an investment holding company principally making investments in companies with potentials.</p>	<p>Valuebed Capital LP is an international limited partnership formed on 13 March 2012 under the laws of the BVI, with Valuebed Capital Enterprise Limited (which is wholly owned by Li Bing Shan (李冰山), an Independent Third Party) acting as its general partner and other Independent Third Parties acting as its limited partners.</p> <p>Valuebed Capital LP is established solely for its investment in our Company and managed by Valuebed Capital. Valuebed Capital is founded in 2011 to seek value-based investment opportunities in Hong Kong capital market. Its currently has funds under management of over HK\$230 million, and has investment and research experience in Hong Kong and overseas capital market.</p>	<p>East Park is a limited liability company incorporated on 5 October 2010 under the laws of the Cayman Islands, wholly owned by East Park (Cayman) Limited (wholly owned by Wong Yi Dung, Eden (黃以東)), an Independent Third Party.</p> <p>To our best information, knowledge and belief, East Park is an investment holding company principally holding investment in our Company.</p>
Date of the relevant agreement:	27 March 2012	27 March 2012	27 March 2012	27 March 2012	27 March 2012
Consideration paid:	HK\$130,224,187.82	HK\$32,556,047	HK\$21,704,032	HK\$21,550,685	HK\$5,386,301
Basis of determination of consideration:	Arm's length negotiations between the parties taking into account the net profit of EB (Far East) for the financial year ended 31 December 2010	Arm's length negotiations between the parties taking into account the net profit of EB (Far East) for the financial year ended 31 December 2010	Arm's length negotiations between the parties taking into account the net profit of EB (Far East) for the financial year ended 31 December 2010	Arm's length negotiations between the parties taking into account the net profit of EB (Far East) for the financial year ended 31 December 2010	Arm's length negotiations between the parties taking into account the net profit of EB (Far East) for the financial year ended 31 December 2010
Payment Date⁽³⁾:	27 March 2012, 29 March 2012, 30 March 2012	30 March 2012	30 March 2012	30 March 2012	2 April 2012
Investment cost per Share⁽¹⁾ (Approximately):	HK\$3.86	HK\$3.86	HK\$3.86	HK\$3.83	HK\$3.83
Premium to Offer Price range^(1,2) (Approximately):	Between 11.6% to 52.0%	Between 11.6% to 52.0%	Between 11.6% to 52.0%	Between 10.7% to 50.8%	Between 10.7% to 50.8%

HISTORY AND CORPORATE STRUCTURE

	Dragon Cloud	Valuebed Qianxin LP	Golden Full	Valuebed Capital LP	East Park
Use of proceeds:	Personal use of Mr. Lam	Personal use of Mr. Lam	Personal use of Mr. Lam	Personal use of Surplus Union	Personal use of Surplus Union
	Since the proceeds are not for use by our Group, our Company and our Directors confirmed that they are not aware the amount of proceeds utilised.	Since the proceeds are not for use by our Group, our Company and our Directors confirmed that they are not aware the amount of proceeds utilised.	Since the proceeds are not for use by our Group, our Company and our Directors confirmed that they are not aware the amount of proceeds utilised.	Since the proceeds are not for use by our Group, our Company and our Directors confirmed that they are not aware the amount of proceeds utilised.	Since the proceeds are not for use by our Group, our Company and our Directors confirmed that they are not aware the amount of proceeds utilised.
Shareholding in our Company upon Listing:	Dragon Cloud will hold a total of 33,720,000 Shares, representing a shareholding of approximately 9.72% in our Company immediately upon Listing.	Valuebed will hold a total of 8,430,000 Shares, representing a shareholding of approximately 2.43% in our Company immediately upon Listing.	Golden Full will hold a total of 5,620,000 Shares, representing a shareholding of approximately 1.62% in our Company immediately upon Listing.	Valuebed Capital will hold a total of 5,620,000 Shares, representing a shareholding of approximately 1.62% in our Company immediately upon Listing.	East Park will hold a total of 1,405,000 Shares, representing a shareholding of approximately 0.40% in our Company immediately upon Listing.
Strategic benefit to our Company.	As Greenwood Bloom Fund, L.P. is one of the funds managed by Greenwood Asset Management Limited, with their experiences in investing in companies with potentials and listed companies, we believe they would provide us with valuable advice including finance and investment, in the future.	As Valuebed Capital manages investment fund, with their experiences in investing in companies with potentials and listed companies, we believe they would provide us with valuable advice including finance and investment, in the future.	To our best, knowledge and belief, Golden Full invests in companies with potentials, as such, we believe they could provide us with valuable advice including finance and investment, in the future.	As Valuebed Capital manages investment fund, with their experiences in investing in companies with potentials and listed companies, we believe they would provide us with valuable advice including finance and investment, in the future.	To our best knowledge, information and belief, Wong Yi Dong, Eden, has good business relationships, including in the PRC, and hence, his investment in our Company is potentially beneficial for the expansion of our business in the future, in particular in the PRC.
	Further, to our best information, knowledge and belief, as Hua Tang is knowledgeable in corporate finance and investments, we believe Hua Tang would provide us with valuable advice including finance and investment, in the future.				

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	Dragon Cloud	Valuebed Qianxin LP	Golden Full	Valuebed Capital LP	East Park
Special Rights⁽³⁾:	<p>Dragon Cloud was granted certain minority protection rights, including:</p> <ul style="list-style-type: none"> • pre-emptive rights to purchase new shares of our Company; • right of first refusal for share of our Company proposed to be disposed by other shareholders; • anti-dilution rights; • tag-along right for shares of our Company to be transferred by other shareholders of our Company; • rights to request Mr. Lam to redeem the shares held by Dragon Cloud in accordance with the terms of Lam's Share Purchase Agreement in case if Mr. Lam refuses to approve a qualified IPO at the general meeting; • right to request for certain periodic financial information of our Group; • right to an annual dividend not less than 60% of the distributable profit after tax for the relevant financial year pro-rata to Dragon Cloud's then shareholding in our Company provided that such distribution will not cause our Company to be in a negative cash flow situation; • right to appoint one director to the board of directors of our Company; and • prior approval rights with respect to transfer of shares by our other shareholders and certain activities that our Company and its subsidiaries may undertake in future. 	<p>Valuebed Qianxin LP was granted certain minority protection rights, including:</p> <ul style="list-style-type: none"> • pre-emptive rights to purchase new shares of our Company; • right of first refusal for share of our Company proposed to be disposed by other shareholders; • anti-dilution rights; • a tag-along right for shares of our Company to be transferred by other shareholders of our Company; • rights to request Mr. Lam to redeem the shares held by Valuebed in accordance with the terms of Lam's Share Purchase Agreement in case if Mr. Lam refuses to approve a qualified IPO at the general meeting; • right to request for certain periodic financial information of our Group; • right to an annual dividend not less than 60% of the distributable profit after tax for the relevant financial year pro-rata to Valuebed's then shareholding in our Company provided that such distribution will not cause our Company to be in a negative cash flow situation; • right to appoint one director to the board of directors of our Company; and • prior approval rights with respect to transfer of shares by our other shareholders and certain activities that our Company and its subsidiaries may undertake in future. 	<p>Golden Full was granted certain minority protection rights, including:</p> <ul style="list-style-type: none"> • pre-emptive rights to purchase new shares of our Company; • a right of first refusal for share of our Company proposed to be disposed by other shareholders; • anti-dilution rights • a tag-along right for shares of our Company to be transferred by other shareholders of our Company; • rights to request Mr. Lam to redeem the shares held by Golden Full in accordance with the terms of Lam's Share Purchase Agreement in case if Mr. Lam refuses to approve a qualified IPO at the general meeting; • the right to request for certain periodic financial information of our Group; • right to an annual dividend not less than 60% of the distributable profit after tax for the relevant financial year pro-rata to Golden Full's then shareholding in our Company provided that such distribution will not cause our Company to be in a negative cash flow situation; • the right to appoint one director to the board of directors of our Company; and • prior approval rights with respect to transfer of shares by our other shareholders and certain activities that our Company and its subsidiaries may undertake in future. 	N/A	N/A

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	Dragon Cloud	Valuebed Qianxin LP	Golden Full	Valuebed Capital LP	East Park
Lock-up:	None. Dragon Cloud has separately agreed to a lock-up period of six months commencing from the Listing Date.	None. Valuebed Qianxin LP has separately agreed to a lock-up period of six months commencing from the Listing Date.	None.	None. Valuebed Capital LP has separately agreed to a lock-up period of six months commencing from the Listing Date.	None.
Relationship with us:	Each of Dragon Cloud and Hua Tang is not related to our Group or any of the connected persons of our Company.	Each of Valuebed Qianxin LP, Valuebed Capital Limited and its limited partners, and Li Bing Shan is not related to our Group or any of the connected persons of our Company.	Each of Golden Full and its beneficial owners is not related to our Group or any of the connected persons of our Company.	Each of Valuebed Capital LP, Valuebed Capital Enterprise Limited and its limited partners, and Li Bing Shan is not related to our Group or any of the connected persons of our Company.	Each of East Park and Wong Yi Dung, Eden is not related to our Group or any of the connected persons of our Company.
Public float:	As none of Dragon Cloud and Hua Tang is a connected person, the interest in our Company held by Dragon Cloud will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.	As none of Valuebed Qianxin LP, Valuebed Capital Limited and its limited partners is a connected person, the interest in our Company held by Valuebed Qianxin LP will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.	As none of Golden Full and its beneficial owners is a connected person, the interest in our Company held by Golden Full will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.	As none of Valuebed Capital LP, Valuebed Capital Enterprise Limited and its limited partners is a connected person, the interest in our Company held by Dragon Cloud will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.	As none of East Park and Wong Yi Dung, Eden is a connected person, the interest in our Company held by East Park will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.

Notes:

- (1) Calculated based on a total of 347,000,000 Shares, being the number of Shares in issue after the Corporate Reorganisation and upon completion of the Global Offering (assuming none of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme is exercised).
- (2) Calculated based on the lower end of the Offer Price range of HK\$2.54 per Share and the upper end of the Offer Price range of HK\$3.46 per Share.
- (3) All special rights granted to Dragon Cloud, Valuebed Qianxin LP and Golden Full under Lam's Share Purchase Agreement are of no effect as at and after the Listing Date.

The Sole Sponsor has reviewed the relevant information and documentation in relation to the investments of Dragon Cloud, Valuebed Qianxin LP, Golden Full, Valuebed Capital LP and East Park. On this basis, the Sponsor is of the view that the investment made by Dragon Cloud, Valuebed Qianxin LP, Golden Full, Valuebed Capital LP and East Park are in compliance with guidance letters of the Stock Exchange HKEX-GL29-12 and HKEX-GL43-12.

SAFE REGISTRATION

The Notice on Issues relating to Foreign Exchange Administration of Corporate Finances by Domestic Residents through Offshore Special Purpose Vehicles and Remittance of Investments (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Notice”) was promulgated by SAFE on 21 October 2005 and came into effect on 1 November 2005. In accordance with the Notice, a domestic resident shall complete foreign exchange registration procedures with the foreign exchange bureaus and foreign exchange administration authorities of its location in respect of its overseas investments prior to establishing or gaining control of overseas SPVs. The said domestic residents include natural persons holding legal identification documents such as identity cards or passports of residents of the People’s Republic of China, or natural persons who do not have a legal domestic identity in the PRC but are customarily resident in the PRC for reasons pertaining to economic interests. The said SPVs are overseas enterprises directly established or indirectly controlled by domestic resident corporations or domestic resident natural persons for the purpose of conducting overseas equity financing by investing the assets or equity of domestic enterprises held by them. The business of our Company is conducted mainly through EB (Far East) (established in Hong Kong on 27 February 1981) and EB (Switzerland) (established in Switzerland on 20 January 1997), companies that carry out the management, purchase, design, manufacture and sales of Ernest Borel watches. Our Company is not the SPV under the Notice. Moreover, our PRC Legal Adviser is of the view that Mr. Lam, the largest shareholder of our Company, is not required to make such registration as (i) he is not PRC citizen, and (ii) his holding of beneficial interests, directly or indirectly, of EB (GZ) through offshore SPVs controlled by him does not constitute a round-trip investment under Circular No. 75.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On 8 August 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”) which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to the M&A Rules, where a PRC company, enterprise or individual intends to take over its or his or her related domestic company in the name of an offshore company which such company or individual lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC. Further, the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals should obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Pursuant to the M&A Rules, the acquisition of domestic enterprises by foreign investors shall include: the acquisition of equity interests of the shareholders of a domestic non-FIE (“Domestic Enterprise”) or the subscription to the increased capital of a Domestic Enterprise by foreign investors resulting in the conversion of the Domestic Enterprise into a FIE; or, a foreign investor establishes a FIE through which it purchases by agreement the assets of a Domestic Enterprise and operates such assets; or a foreign investor purchases by agreement the assets

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of a Domestic Enterprise, and invests such assets to establish a FIE and operates such assets. The M&A Rules is inapplicable to the Listing as the domestic interests in relation to the Listing is EB (GZ), a wholly foreign owned enterprise established by means of direct investment rather than through a merger and/or acquisition of the equities or assets of a Domestic Enterprise.

As such, our PRC Legal Adviser, is of the opinion that the M&A Regulations are not applicable to the Listing. Our PRC Legal Adviser has also advised us that, unless there are any rules promulgated in future expressly providing otherwise, it is unlikely that the M&A Rules will be considered by the relevant PRC authorities to be applicable to the listing of our Company.

OVERVIEW

We are one of the oldest Swiss premium watch makers, established since 1856 in Switzerland and with 158 years of heritage. We design, manufacture, market and sell Swiss-made mechanical and quartz premium watches for men and women under our own brand, Ernest Borel (依波路), with a focus on watches for couples. In 2013, the sales of our couple watches accounted for approximately 56.2% of our total sales value and approximately 64.6% of our total sales volume, respectively. Leveraging our long history and reputation for Swiss-made premium watches, we have become one of the best-selling brands in the premium watch market in the PRC. According to the Frost & Sullivan Report, Ernest Borel (依波路) ranked fourth in the premium watch market in the PRC in terms of total retail sales value and total retail sales volume in 2013, and ranked second in the premium couple watch market in the PRC in terms of total retail sales value and total retail sales volume in 2013.

Our portfolio of watches comprises over 30 different collections of Swiss-made mechanical and quartz watches with over 250 models, mainly targeting upper-middle-income end-customers in the PRC. The average selling prices of our watches for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3,381, HK\$3,917 and HK\$4,327, respectively. We have achieved overall growth in revenue and gross profit during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, our revenue amounted to approximately HK\$489.1 million, HK\$550.9 million and HK\$604.0 million, respectively. We also generated gross profit of HK\$282.6 million, HK\$332.7 million, and HK\$380.1 million, respectively during the corresponding periods.

We have an extensive distribution network with a strong focus on the PRC market and the Hong Kong, Macau and Southeast Asia market. Our Other Markets primarily include Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands, Spain and Switzerland. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and four authorised distributors in Hong Kong, Macau and Southeast Asia and in over 15 POS through 11 watch retailers and three authorised distributors in Other Markets. Our largest market is the PRC, which accounted for approximately 82.3%, 78.4% and 76.7% of our revenue for the years ended 31 December 2011, 2012 and 2013, respectively, followed by the Hong Kong, Macau and Southeast Asia market, which together with Other Markets accounted for approximately 17.7%, 21.6% and 23.3% of our revenue for the corresponding periods. For further details, please refer to the paragraph headed “— Distribution — Our distribution network” in this section.

We have adopted a vertically integrated business model, which allows us to maintain control over the key stages of our operation chain, including product design and development, procurement of watch movements and other components, production, promotion and management of our brand, sales and marketing of our watches and after sales services. This integrated business model, together with our well-established relationship with our suppliers of watch movements and other components, enables us to retain control over our production know-how, production costs and maintain a flexible capacity throughout the entire production process, while assuring high quality of our watch products.

We believe our brand image is well established as a result of our effective brand-building and marketing strategy. Our experienced sales and marketing team has been key to our sustained success and, we believe, will continue to contribute to our success and growth. In order to enhance and promote our brand, we have sponsored international events such as the Miss Chinese Cosmos Pageant (from 2003 to 2007), the Asian Wedding Design Competition in 2012 and the 2013 USA Dance Nationals. Our celebrity ambassadors during the Track Record Period, included Ms. Angie Chiu (趙雅芝), Mr. Raymond Lam (林峯), Ms. Kelly Chen (陳慧琳) and Mr. Marcel Nguyen (阮馬素). We seek to promote our brand to a broad range of end-customers for the further development of our markets globally.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

Swiss manufacturing quality

We are committed to providing quality Swiss-made premium watches to our end-customers. All our watch movements are sourced from reputable companies in Switzerland. The majority of our watches were made in our production facility located in Le Noirmont, the heart of the Swiss Jura region, which is a well-known watchmaking region in Switzerland. To fulfil the growing market demand, from time to time, we outsource a portion of production of our semi-finished watches to select external manufacturers in the Swiss Jura region, with most of whom we have stable and long-term relationships. For further details, please refer to the paragraph headed “— Production — Outsourced production” in this section.

We have implemented stringent quality control measures throughout the entire production cycle of our watches, including selection of suppliers, inspection of watch movements and other components, close monitoring of production cycle, quality function testings and inspection of finished watches. Our quality control team rigorously monitors our entire production cycle to ensure our in-house and outsourced production maintains the maximum quality standards that we require. For further detail, please refer to the paragraph headed “— Quality Control” in this section. To enhance consumer confidence, we provide a two-year warranty for all of our watches, as well as comprehensive after sales services. For further details, please refer to the paragraph headed “— After sales services and Warranties” in this section.

As a testament to the high quality of our watches, we ranked ninth, 12th and 11th among all Swiss-made watch brands in terms of number of chronometers that received certification (天文台認證) from COSC in 2011, 2012 and 2013, respectively. COSC is the institute responsible for certifying the accuracy and precision of watches manufactured or assembled in Switzerland in order to grant them official chronometer status. A total of 8,372, and 8,505 and 9,996 of our chronometers have received COSC certification in 2011, 2012 and 2013, respectively.

Globally recognised Swiss watch brand with leading market position in the PRC to capture the fast-growing premium watch market in the PRC

Our Group's history dates back to 1856, when our Ernest Borel (依波路) brand was created in Switzerland. Through nearly 158 years of development, Ernest Borel (依波路) has become a globally recognised Swiss watch brand and one of the best-selling brands in the premium watch market in the PRC. According to the Frost & Sullivan Report, we were one of the top five brands in the PRC premium watch market and PRC premium couple watch market for three consecutive years from 2011 to 2013, both in terms of total retail sales value and total retail sales volume. We currently offer a portfolio of watches comprising over 30 different collections of Swiss-made mechanical and quartz watches with over 250 models, approximately 70% of the watches we design and manufacture are couple watches, which exemplifies our brand image of "romance and elegance (浪漫優雅)".

According to the Frost & Sullivan Report, since 2010, the PRC has become the third largest luxury goods retail market globally and the total retail sales volume of premium watch market in the PRC is expected to grow at a CAGR of 15.6% from 2013 to 2018. As part of our sales strategy to capture the fast growing premium watch market in the PRC, our watches are sold at a retail price range that we believe is competitive when compared with other Swiss-made watch brands with similar reputation and quality. As at 31 December 2013, the retail price of approximately 54.1% of our watches were priced from RMB3,000 to RMB8,000 each, approximately 41.3% of our watches were priced from RMB8,000 to RMB20,000 each and approximately 4.6% of our watches were priced above RMB20,000 each in the PRC market. We also expanded our distribution network in the PRC by adding 249 POS into new markets in Central China such as Wuhan and Changsha, Southern China such as Guangzhou, Nanning and Shenzhen, Eastern China such as Shanghai, Zhangzhou, Qingdao and Jinan, Western China such as Urumqi, Lanzhou, Xi'an, Chongqing, Chengdu, Kunming, Lhasa and Yinchuan and Northern China such as Beijing, Tianjin, Shijiazhuang, Taiyuan, Hohhot, Dalian, Changchun and Harbin during the Track Record Period. We believe we can leverage our well-established market position and brand reputation to further extend our sales coverage in the PRC premium watch industry.

Well-established brand image through effective branding and marketing strategies

Created in the 19th century, our "dancing couple" trademark has since become a well-recognised trademark which, we believe, exemplifies our brand image of "romance and elegance (浪漫優雅)". The popularity of our brand is widely acknowledged by our end-customers and third-party organisations. We ranked sixth in terms of the most frequently searched premium watch brands in the PRC search engine Baidu.com in 2013, which we believe is a testament to our popularity in the PRC. We have won various awards over the years, such as the 2013 Supreme Brand Award for Couple Watches, 2013 Fashion Power Award for Fashion Brands, 2013 COSMO Bride Wedding Award for Artistic Watches, 2013 Prime Award for the Best Brand Enterprise in Greater China, 2012 Well-Known Trademark in China and the 2009 Best Service Brand Award. We continue to cultivate and promote our Ernest Borel (依波路) brand through our effective branding and marketing campaigns in different media outlets, such as television, radio, magazines, newspapers, billboards, sponsorship of various events and engagement of celebrities as our brand ambassadors.

During the Track Record Period, our brand ambassadors included Ms. Angie Chiu (趙雅芝), Mr. Raymond Lam (林峯), Ms. Kelly Chen (陳慧琳), and Mr. Marcel Nguyen (阮馬素) all of whom are well-known celebrities. We believe that, by leveraging the popularity of our brand ambassadors, we can further attract potential end-customers in different age and income groups and increase our brand recognition. For further details, please refer to the paragraph headed “— Sales and Marketing — Marketing and Promotion” in this section.

Extensive distribution network with strong focus on the PRC, Hong Kong, Macau and Southeast Asia market

We distribute our watches through watch retailers and authorised distributors, who in turn sell our watches to our end-customers in POS owned and/or operated by them. These POS include individual retail stores, sales counters in department stores and shopping malls, duty free stores and flagship stores which sell our watches exclusively. As at 31 December 2013, we sold our watches in over 815 POS across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS in Hong Kong, Macau and Southeast Asia and in over 15 POS in Other Markets. As at 31 December 2013, we have entered into distribution agreements with all of our existing watch retailers in the PRC and agency agreements with most of our authorised distributors. Our watch retailers and authorised distributors are required to abide by our discount control policy, store layout and decoration and inventory management policy as set out in the distribution agreements or agency agreements. For further details, please refer to the paragraph headed “— Distribution” in this section.

We have built strong relationships with our watch retailers and authorised distributors through our continuous support and our marketing activities, such as visits by our brand ambassadors to the POS in different cities, our in-store exhibitions, setting up of specialised counters in central areas in department stores and shopping malls where our POS are located. We intend to leverage our strong relationship with our existing watch retailers and authorised distributors to promote and further increase sales of our watches and to secure new POS in locations compatible with our brand-building strategy.

Vertically integrated business model giving us effective operation control and efficiencies

Through our years of accumulated industry experience and know-how, we have built a vertically integrated business model that gives us effective control over our operation chain from product design and development, procurement of watch movements and components, production, sales to after sales services. Our vertically integrated business model allows us to control our production capacity, the quality of our watches and our inventory level, and gives us the ability to respond quickly to the changing tastes and preferences of our end-customers. We also benefit from operational efficiencies that often translate into more competitive pricing of our watches, which benefits our end-customers as well as attracts more end-customers to buy our watches.

Our design and development team and sales and marketing team work closely to create new watch designs which are consistent with our brand image as well as in line with market trends. For further details, please refer to the paragraph headed “— Product Design and Development” in this section. In order to stay ahead of the latest market trends, we require our watch retailers and authorised distributors to submit sales reports on a monthly basis. We periodically analyse these sales reports to obtain important market information on the changing tastes and preferences of our end-customers. We believe such market research is important to the formulation of our design, sales and marketing strategies.

Experienced, dedicated and dynamic management team

We have a highly dedicated management team with extensive experience in the premium watch industry. Some of our management team members have been with us for over 10 years, and have overseen the successful promotion of our brand and the expansion of our business to different regions of the world. Our Director and Chief Executive Officer of EB (Far East), Mr. Su Da, has over 30 years of experience in the watch industry, possesses in-depth knowledge of the watch industry and insightful understanding of the tastes and preferences of our target end-customers in the PRC. Our operation in Switzerland is led by Mr. Renaud de Retz and production team is led by Mr. Jean-François Bodard, both of whom have extensive experience in the watch industry.

We believe that our management team’s knowledge and market experience will continue to serve as a strong pillar for our Group’s success and future development. For further details of the biographies and relevant industry experience of our key management team, please refer to “Directors, Senior Management and Employees” in this prospectus.

STRATEGIES

Our goals are to strengthen our overall competitiveness and business growth in the premium watch market in the PRC, expand and increase our market share outside the PRC and become the brand of choice for couple watches in the premium watch market. We aim to achieve these goals by implementing the following strategies:

Enhance brand image of Ernest Borel (依波路) in other markets outside the PRC, particularly in Southeast Asia

We have successfully built recognition and brand image of our Ernest Borel (依波路) brand, which is fundamental to our continued success. We intend to enhance our marketing strategy to further promote brand awareness and brand image in other countries outside the PRC, particularly in Southeast Asia. We plan to increase our brand awareness through various means, including advertising in different media outlets, implementing marketing initiatives, sponsorship of events, engaging celebrities as brand ambassadors, conducting promotional activities at the department stores or shopping malls where our POS are located and participating in watch exhibitions. For the further promotion of our brand in Europe, Middle East and the United States, we plan to launch our upgraded cocktail collection, which remains one of our most successful collections of watches, through various promotional events in 2014.

Solidify our leading position by expanding our sales and distribution network

We plan to further solidify our leading position in the premium watch market through continued expansion of our geographical footprint within the PRC and other countries to capture future growth opportunities. As at 31 December 2013, our watches were sold in over 330 POS in Tier 1 and Tier 2 cities, over 480 POS in Tier 3 and Tier 4 cities in the PRC. As we have only penetrated into fewer than half of the 656 cities in the PRC (including municipalities, provinces and prefecture-level cities), we believe that there is huge potential for growth in the PRC market. We intend to further strengthen our presence in the PRC by adding an aggregate of 300 POS in the PRC and increase our market share outside the PRC by adding an aggregate of 100 POS in the coming three years. We will continue to maintain a good relationship with our watch retailers and authorised distributors by providing additional marketing and training support to them.

We also intend to leverage our brand positioning and effective marketing strategy to develop new markets in select countries in Europe, the Middle East and Southeast Asia. We plan to work with the local watch retailers or authorised distributors who meet our criteria in these targeted markets. To implement our expansion plan, we intend to increase our production capacity by constructing an additional production facility in Le Noirmont, Switzerland. For further details, please refer to the paragraph headed “— Expand our production capacity and design and development capabilities” in this section.

Improve profitability through enhancing our product mix and pricing strategy

We aim to improve our profit margin and profitability by increasing the design capabilities, production capacity and sales of our high-end and medium-high-end watches. Currently, we offer three collections of high-end watches and 14 collections of medium-high-end watches, collectively accounting for approximately 61.5% of our revenue as at 31 December 2013. Our high-end watches are made in 18K rose gold or 18K gold-plated stainless steel gold, or decorated with a greater number of diamonds, or include more functional and complex movements, which usually generate a higher gross profit margin, compared to other watches. We also aim to maintain our profit margin by increasing the average retail price of our watches by 4% to 6% each year in general (except for the watch models ageing more than two years and at the same time, identified as slow-moving inventory). We will continue to carefully devise our pricing strategies, taking into account prevailing market price of watches of our competitors, the overall economy in the PRC, inflation rate and sale performance of different collections of our watches.

We seek to reduce costs through efficient purchasing of alternatively sourced products that allow us to find higher-quality watch components, apart from watch movements, at competitive prices through global sourcing. Finally, as we expand our distribution network, we plan to improve margins through economies of scale, by achieving higher revenues while maintaining the same level of fixed costs.

Expand our production capacity and design and development capabilities

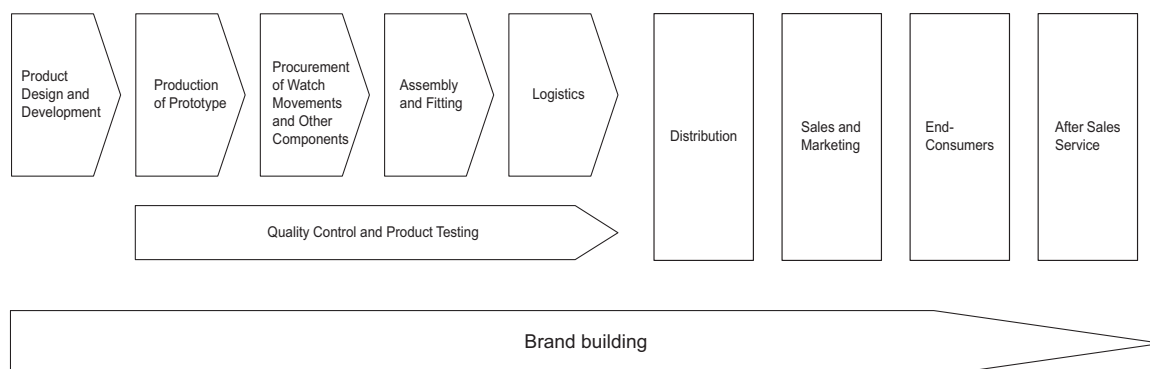
To cope with the increasing demand for our watches, we plan to expand our production capacity by constructing an additional production facility on a parcel of land located adjacent to our existing production facility in Le Noirmont, Switzerland that we have purchased. Our

estimated capital expenditure for the construction of the additional production facility is HK\$29.1 million, which we expect to incur by 2016. As our production mainly involves the manual assembling of watch components, we plan to hire at least eight watchmakers and two quality control staff and additional testing machineries for our additional production facility by 2016. Accordingly, we intend to allocate a portion of our net proceeds from the Global Offering towards our expansion of production. For further details, please see section headed “Future Plans and Use of Proceeds” in this prospectus. As at the Latest Practicable Date, we did not have any specific target for acquisition in the PRC and overseas.

In addition to the expansion of production capacity, we intend to enhance our watch design and development capabilities through expansion of our product design and development department with additional experienced watch designers in Switzerland.

OUR BUSINESS MODEL

We are engaged in the design and development, production, sales and marketing of mechanical and quartz premium watches for men and women with a focus on watches for couples. To maintain a cost-competitive operating structure and benefit from economies of scale, we have adopted a vertically integrated business model that gives us control over the production cycle, comprising product design and development, procurement of watch movements and components, production, logistics, quality control, distribution, sales, branding and marketing and after sales services. We distribute our watches through watch retailers and authorised distributors, who in turn sell our watches to our end-customers in POS owned and/or operated by them. These POS include individual retail stores, sales counters in department stores and shopping malls, duty free stores and flagship stores which sell our watches exclusively. Authorised distributors can also distribute our watches in the regions where they are authorised to distribute our watches. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers in the PRC across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and four authorised distributors in Hong Kong, Macau and Southeast Asia and in over 15 POS through 11 watch retailers and three authorised distributors in Other Markets. For further details, please refer to the paragraph headed “— Distribution — Our distribution network” in this section. Our business model is illustrated in the following diagram:



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OUR WATCH PRODUCTS

We currently offer over 30 different collections of Swiss-made mechanical and quartz premium watches with over 250 models. Each collection of our watches is characterised by different styles and materials, targeting upper-middle-income customers in different age groups, and is sold at different ranges of retail prices. All of our watches are water-resistant with Swiss-made watch movements. According to the Frost & Sullivan Report, the life cycle of premium watches is generally around five to 10 years.

Building on the strength of our “Ernest Borel” (依波路) brand and the success of our existing watch products, we introduced over 20 new models of mechanical watches and over 20 new models of quartz watches in 2013. The following table sets forth the revenue breakdown by watch type for the periods indicated:

	For the years ended 31 December					
	2011*		2012*		2013	
	HK\$('000)	% of total	HK\$('000)	% of total	HK\$('000)	% of total
Mechanical watches	372,183	76.4	360,077	65.4	419,670	69.6
Quartz watches	114,927	23.6	190,279	34.6	183,332	30.4
Total revenue	<u>487,110</u>	<u>100.0</u>	<u>550,356</u>	<u>100.0</u>	<u>603,002</u>	<u>100.0</u>

* Includes sales of watches purchased from West End in the PRC market.





The average selling prices of our watches for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3,381, HK\$3,917 and HK\$4,327, respectively. We typically increase the average retail price of our watches by 4% to 6% each year in general (except for the watch models ageing more than two years and at the same time, identified as slow-moving inventory) based on the cost of procurement from suppliers and the market demand.

Mechanical watches

A mechanical watch is constructed with the following major components: barrel (mainspring providing the power), gear train (transmitting the power), component regulator (balance wheel, hairspring, oscillating and dividing time) and dial train (watch hands and time adjustment parts). There are two types of mechanical watches: manual winding and automatic-winding. As at 31 December 2013, we offered over 15 collections of high-end mechanical watches, with retail prices ranging from RMB8,000 to RMB82,000. Mechanical watches come in a diverse range of designs including classic, fashionable and modern designs and are assembled with Swiss-made

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mechanical movements. The following table sets forth key characteristics, approximate retail price range and representative collections of our mechanical watches:

Class	Price range	Key characteristics of our watches in this price range	Examples of watch collection in this price range
High-end . . .	Above RMB20,000	Watch case: 18K rose gold, or 18K gold-plated stainless steel	Retro Collection (復古系列)
		Watch Strap or Bracelet: genuine leather strap, alligator strap, or 18K rose gold, or 18K gold-plated stainless steel	
		Glass: sapphire crystal	Artist Collection (藝術家系列)
		Ornaments: see-through back, date indication, natural diamond	
		Movements: Swiss-made high-end automatic, rhodium-plated	
Medium-High-end . . .	RMB8,000–20,000	Special features: COSC, Second Time Zones, GMT	
		Watch case: stainless steel or ion plating gold or ion plating rose gold	Cocktail Collection (雞尾酒系列)
		Watch Strap or Bracelet: genuine leather strap or stainless steel or ion plating gold or ion plating rose gold	
		Glass: sapphire crystal	
		Ornaments: see-through back, date indication, natural diamond, blue steel screw	Retro Collection (復古系列)
		Movements: Swiss-made automatic, rhodium-plated	

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<u>Class</u>	<u>Price range</u>	<u>Key characteristics of our watches in this price range</u>	<u>Examples of watch collection in this price range</u>
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Romance Collection III
(傳奇系列3)



From time to time, we offer limited edition high-end mechanical watches. For example, to celebrate the 155th anniversary of our “Ernest Borel” brand, we launched the Jules Borel Collection and Royal Collection in 2011. Some collections offer a limited number of watches with distinctive features, some of which include the 18K rose gold.

Jules Borel Collection

祖爾斯系列





Royal Collection

皇室系列



Quartz watches

A quartz watch can be analogue, digital or mixed type. The power source of quartz watch comes from battery and the vibration of movement. The following table sets forth key characteristics, approximate retail price range and representative collections of our quartz watches:

<u>Class</u>	<u>Price range</u>	<u>Key characteristics of our watches in this price range</u>	<u>Examples of watch series in this price range</u>
Medium-end	RMB3,000–7,999	Watch case: stainless steel Watch Strap or Bracelet: genuine leather strap or stainless steel Glass: sapphire crystal Movements: Swiss-made quartz	Retro Collection II (復古系列2)  Danaus Collection (典雅系列) 

COSC certification

We ranked ninth and 12th and 11th among all Swiss-made watch brands in terms of number of chronometers that received certification (天文台認證) from COSC in 2011, 2012 and 2013, respectively. A total 8,372, 8,505 and 9,996 of our chronometers have received COSC certification in 2011, 2012 and 2013, respectively. We believe it is a testament to the high quality of our watches. Each of our chronometers granted with COSC certificate is identified by a serial number engraved on its movement and case and comes with a certificate.

Our brand

Our logo of a “dancing couple” in 19th century costume was designed by Mr. Ernest Borel, the son of Mr. Jules Borel, who was inspired by a romantic encounter of himself and a beautiful girl at a formal dance party. Since the 20th century, the iconic dancing couple has become our trademark and inspiration, signifying the guarantee of Swiss-made quality and the enduring spirit of elegance and romance (浪漫優雅).

To exemplify our brand image, we focus on couple watches, which constitute approximately 70% of the watches we design and manufacture. We believe the styles of our watches suit the preference of our target end-customers who value quality Swiss-made watches with sophisticated designs.

PRODUCT DESIGN AND DEVELOPMENT

Product design and development is the first stage of our production cycle, which ultimately leads to the creation of either a new collection of watches or modifications to certain designs in existing collections. We place a great emphasis on customising our watch designs in accordance with the prevailing market trends and consumer preferences. Our product design and development process mainly comprises the collection of market information, product design, design review, prototyping and product evaluation. We have a dedicated product design and development team consisting of eight personnel in Switzerland and Hong Kong, collectively. Our designers have undergone relevant training and possess the necessary qualification for designing watches. Our watches are initially designed by our designers in collaboration with product development personnel who review and provide feedback on feasibility, functionality, durability and appearance of the designs.

During the Track Record Period, we introduced five collections of mechanical watches and two collections of quartz watches. Generally, we present our new watch designs at major annual watch exhibitions such as Baselworld to attract new watch retailers and authorised distributors. For the years ended 2011, 2012 and 2013, our product design and development expenses were approximately HK\$1.3 million, HK\$3.3 million and HK\$5.2 million, respectively.

Collection of market information

We strive to offer a wide variety of watches in line with the prevailing market trend and cater to the preferences of our targeted consumer groups. We collect market information through our watch retailers and authorised distributors, industry events and watch fairs, industry reports and publications. Our sales and marketing team first analyses the monthly sales reports submitted by our watch retailers and authorised distributors together with other market information, identifies customer trends and market opportunities, then translates these analyses into ideas for new designs.

Product design and development

Based on the previous steps, our product design and development team prepares sketches of design, which include choice of raw materials, ornaments, straps or bracelets, watch movements and other components. Our sales and marketing team provides feedback on the sketches based on their estimation of the potential popularity and sales performance of the proposed designs. Incorporating the feedback from our sales and marketing team, our designers commence the process of outlook design, which includes design patterns and technical drawings. Our product development personnel produces the relevant production standards, production instructions and technical specifications for raw materials and ornaments to match the design.

Our finished product designs are subject to review by representatives from our design and development and sales and marketing teams, who are responsible for assessing the commercial, technical and production viability.

Prototyping

Once a watch design has received initial approval, it is submitted to our development team to produce a prototype that is structurally and commercially viable. Our product design and development team then matches the prototype against their original design and make necessary technical adjustments to ensure that the prototype adheres to the original design concept and for mass production in a cost-effective manner. The prototyping phase usually takes one to three months. The prototypes are mainly used for determining the types of watch movements and other components to be sourced from our suppliers.

Product evaluation

Our product design and development team collaborates with our sales and marketing department to conduct surveys from our watch retailers and authorised distributors on the market response to our new watches. Results from product evaluation will be used for the next round of product development to improve the popularity of our watches. This process allows us to respond timely to changing consumer tastes and preferences.

PROCUREMENT OF WATCH MOVEMENTS AND OTHER COMPONENTS

The principal components for production of our watches are Swiss-made watch movements, hands, cases, dial, crown and bracelet or strap. We source all of our watch movements from six suppliers in Switzerland and other watch components from over 15 suppliers globally. We select suppliers of our watch movements and components based strictly on the following criteria:

- business scale and reputation of the product quality of the potential suppliers and their ability to timely produce and deliver the required quantity of products;
- production capacity and production lead time of the potential suppliers;
- the quality requirements for each model of our watches; and
- price of individual purchase orders.

Our procurement team works together with our production team to plan procurement of watch movements and other components in accordance with estimated quantities derived from sales campaigns and market demand for the coming season. To ensure quality standards, we have dedicated quality control personnel to conduct on-site due diligence on our suppliers periodically. The quality control for incoming watch movements and other components delivered by our suppliers is performed at our production facility. Any watch movements and other components with quality defects will be returned to our suppliers. We also periodically review the quality and delivery performance of our suppliers. Unsatisfactory suppliers are removed from our approved supplier list.

Our Suppliers

Our major suppliers are manufacturers of watch movements and other components. With years of operating history in the premium watch industry, we have established stable and long-term relationships with many of our major suppliers, which have a track record of providing reliable quality. For the years ended 31 December 2011, 2012 and 2013, our five largest suppliers, primarily comprising suppliers of watch movements, watch cases, stainless steel bracelets or precious stones, situated in Switzerland or Hong Kong and each an Independent Third Party, accounted for 62.0%, 64.0% and 71.1% of our total purchase amount of watch movements and other components, respectively, and our single largest supplier accounted for 22.6%, 27.5% and 31.8% of our total purchase amount of watch movements and other components during the same periods, respectively. We only procure watch movements directly from the manufacturers of watch movements in Switzerland. As at the Latest Practicable Date, we had business relationships with our five largest suppliers for periods ranging from two to 17 years.

We generally do not, and we do not intend to, enter into long term supply contracts with suppliers of watch movements and components, which we believe is a common practice in the watch industry. We procure watch movements and other components by purchase orders, which include pricing terms, quality and quantity requirements, delivery time and penalties for delayed delivery. Based on our on-going requirements, we generally place orders approximately two to four months ahead of production. Our purchases of watch movements and other components are typically paid by cheques and bank transfer and subject to an average payment term of 30 days. We believe that these arrangements give us the flexibility to adjust the purchase quantity of watch movements and other components in accordance with the demand for our watches.

In 2011, the Watch Group, one of our watch movement suppliers decided to withdraw the supply of mechanical movements to third parties so as to better cater to its internal need. In 2013, COMCO has approved a phasing-out agreement which allows the Watch Group to reduce its sales of mechanical movements to the respective third parties progressively over the next six years, and to halt sales completely after 2019. Using the average number of mechanical movements supplied per year by the Watch Group to the respective third parties in 2009 to 2011 as baseline, the phasing-out agreement specifies that the Watch Group will supply 75% of those mechanical movements in 2014 and 2015, 65% in 2016 and 2017, and 55% in 2018 and 2019 to the respective third parties. After that, there will no obligation for the Watch Group to deliver mechanical movements to any third parties. For further details, please refer to the paragraph headed “Risk Factors — Significant decrease in the supply of mechanical movements in Switzerland” in this prospectus. Our Directors do not expect the proposed reduction in supply of mechanical movements by this supplier will have a material adverse impact on our Group's business, as our procurement from this supplier has gradually decreased during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, our procurement quantity from the Watch Group as a percentage of our total procurement of mechanical movements were approximately 31.8%, 23.5% and 18.1%, respectively. Furthermore, to ensure we have sufficient mechanical movements for our future production we plan to (i) increase the procurement volume of mechanical movements from our existing movement suppliers other than the Watch Group, (ii) procure extra mechanical movements than we need for the actual production to reserve mechanical movement inventory, and (iii) explore cooperative relationships

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with alternative movement suppliers. In connection, we conducted a sensitivity analysis to determine our exposure to changes in our cost of mechanical movements. For further details, please refer to the paragraph headed “Financial Information — Cost of sales — Sensitivity Analysis” in this prospectus.

During the Track Record Period, we did not encounter any material production disruption resulting from shortage of watch movements and other components. Given our broad supply network and our long-term relationships with our suppliers, our Directors are of the view that we are able to maintain a steady supply of watch movements and other components without a substantial increase in procurement costs in the event that we experience any unexpected disruption in supplies from our major suppliers. Our Directors are also of view in the event of increase in the price of watch movements and other components, we will be able to find alternative suppliers in the market and pass such increases to our customers.

As at the Latest Practicable Date, none of our Directors, their respective associates or any person who, to our Directors’ best knowledge, owns 5% or more of our issued share capital or any of our subsidiaries or any of their respective associates had any interest in any of our five largest suppliers of watch movements and other components.

PRODUCTION

In-house production

Our production facility and capacity

Our production facility is located in Le Noirmont, Switzerland with a GFA of 1,694 sq.m. As at 31 December 2013, 16 watchmakers were involved in the production. The following table sets out the theoretical maximum production capacities (in pieces of watches), actual production volume (in pieces of watches) and utilisation rate (in percentage) of theoretical maximum production capacity during the Track Record Period of our production facility in Switzerland:

	For the year ended 31 December								
	2011			2012			2013		
	217 days of work			217 days of work			217 days of work		
	Theoretical Maximum Production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾	Theoretical Maximum Production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾	Theoretical Maximum Production capacity ⁽¹⁾	Actual production volume ⁽²⁾	Utilisation rate ⁽³⁾
Watches	88,536	51,072	57.7%	88,536	75,968	85.8%	88,536	84,759	95.7%

Notes:

- (1) Production capacity for our watches during any time period refers to the theoretical maximum pieces of watches our production facility can assemble during such period. The estimation of such amount is based on the GFA of the production facility, the number of watchmakers involved in production and other relevant conditions of the production facility, assuming production is carried on eight hours a day and 22 working days per month. Our Directors believe that the production capacity as so defined is in line with the practice in the watch industry.

- (2) Production volume refers only to the total pieces of watches we have actually assembled in our production facility. Our production watchmakers may work overtime beyond eight hours a day and 22 working days per month from time to time, which may result in the production volume surpassing the production capacity. Our Directors believe that the production volume as so defined is in line with the practice in the watch industry.
- (3) Utilisation rate equals actual production volume of watches divided by theoretical maximum production capacity.

The average number of watches assembled by each watchmaker per working day for the years ended 31 December 2011, 2012 and 2013 were approximately 24, 23 and 26, respectively. Our utilisation rate increased substantially from 57.7% in 2011 to 85.8% in 2012 primarily due to the hiring of additional production watchmakers to cope with the increasing market demand.

In view of the relatively high utilisation rates of our production in 2012 and 2013 and the expected increase in demand for our watches, we plan to expand our production capacity by constructing an additional production facility on another parcel of land located adjacent to our existing production facility in Le Noirmont, Switzerland that we have purchased. At the Latest Practicable Date, we have paid all the instalments for the land purchase. For further details, please refer to paragraph headed “— Expansion plan” in this section.

Machinery

As our production mainly involves the manual assembling of watch components for our watches, we do not utilise machinery to any substantial extent, except for certain quality control processes such as movement rating and water-resistance testing. We do not lease or own any major asset or equipment.

Production Process

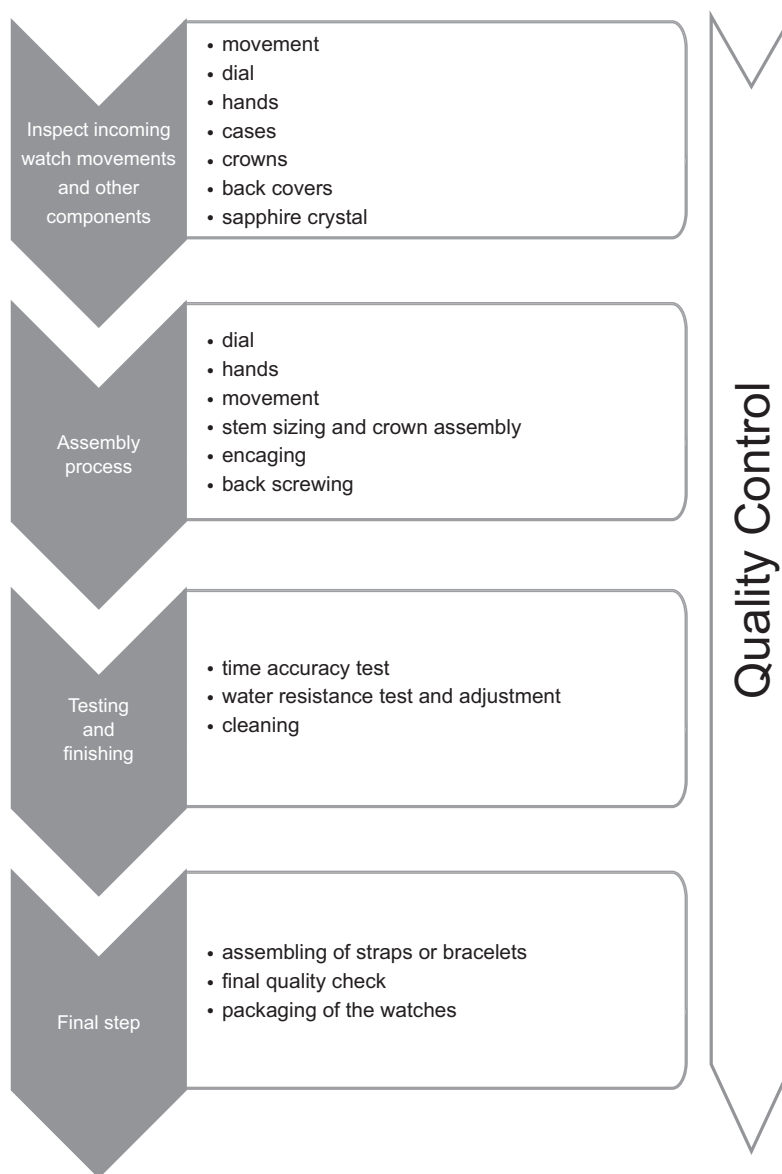
Our production process mainly involves the manual assembling of watch components of our watches. We are not involved in manufacturing of watch movements and other components, but source all of our watch movements from suppliers in Switzerland and other watch components from suppliers globally. Upon the receipt of watch movements and other components, our production team in Switzerland will first inspect the quality of these watch movements and other components, before proceeding to production. For further details on the steps involved in quality control of our watches, please refer to the paragraph headed “— Quality Control” in this section.

The assembly procedure of each watch involved locating the movement, assembling the watch dial and the watch hands, followed by fine adjustment of hand set, the encasing of the movement, watch glass and watch case. All steps are carried out manually by production team in Switzerland to ensure maximum quality of our watches.

Once the assembly procedure is completed, our production team will conduct another round of quality inspection to ensure time accuracy, cleanliness and water-resistant properties of each watch head. Before the watches are delivered to different parts of the world, we install either the watch bracelet or watch strap to each watch head. As a final finishing procedure, the model of watches and production serial number will be noted, and production schedules will be recorded in our ERP system for inventory traceability.

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Our product moves through the value chain from design and development, procurement of watch movements and other components, production to marketing and sale of premium watches often take one year or more. The following diagram sets out the principal stages of the production process of our watches:



Outsourced production

Depending on the market demand for our watches and our production capacity, we may outsource a portion of the manufacture of our semi-finished watches to select external watch manufacturers in Switzerland. As at 31 December 2013, we had a portfolio of six external watch manufacturers principally engaged in the watch assembly business in the Jura region of Switzerland, to assemble semi-finished watches for us. We believe that we have maintained good business relationships with our external watch manufacturers, with whom we have worked for several years. We choose our external watch manufacturers carefully based on their quality of work, pricing, ability to fulfil our contracted volume, experience and relationship with us, among other factors.

Given the flexibility required by our production needs, we have not entered into long-term contracts with any of our external watch manufacturers. We entered into individual purchase orders with them, specifying the quantity, quality specifications, cost, delivery arrangement and penalties for delayed delivery. We provide watch movements and other components, design and technical specifications to our external watch manufacturers. The watch movements and other components that we provide to our external watch manufacturers are limited to the quantity required to meet the orders for our watch products. We believe such arrangement is a common practice in the Swiss watch industry.

The outsourced processing and service fees are determined based on the prevailing market price. The subcontracting service fees that we paid to our external watch manufacturers were HK\$6.8 million, HK\$11.1 million and HK\$8.0 million for the years ended 31 December 2011, 2012 and 2013, respectively, accounting for approximately 3.3%, 5.1% and 3.6%, respectively, of our total costs of sales incurred for our operations during the corresponding periods. During the Track Record Period and as at the Latest Practicable Date, we were not aware of any violation of laws or regulations by our external watch manufacturers that would have a material adverse effect on our operation and financial position. During the Track Record Period, we did not encounter any material interruption of our business due to our arrangement with external watch manufacturers.

We confirm that all of our external watch manufacturers during the Track Record Period are Independent Third Parties, none of them were our connected persons and none of our Directors, or their respective associates, or any Shareholder holding more than 5% of our Shares had any interests in any of our external watch manufacturers throughout the Track Record Period.

Expansion plan

We plan to expand our production capacity by constructing an additional production facility on a parcel of land located adjacent to our existing production facility in Le Noirmont, Switzerland that we have purchased. The estimated theoretical maximum production capacities (in number of watches) will increase from 88,536 pieces to 192,696 pieces, assuming the additional production facility is fully utilised with 17 watchmakers directly involved in production.

Our estimated capital expenditure for the construction of the additional production facility is HK\$29.1 million, which will be incurred by 2016. We plan to increase our production capacity progressively over the next few years. As our production mainly involves manual assembling

process of watch components, we plan to hire at least eight watchmakers who will directly be involved in production and two quality control staff and add testing machineries for our additional production facility by the end of 2016. Accordingly, we intend to expand our production by utilising partial net proceeds from Global Offering.

QUALITY CONTROL

We believe that our commitment to quality control is one of the principal factors contributing to our success. To ensure that our watches are of consistently high quality in terms of technical specifications and aesthetic appeal, we have implemented multiple points of quality control and inspection throughout our in-house production process and production outsourced to our external Swiss watch manufacturers.

Suppliers

We evaluate our suppliers from time to time and conduct on site assessment at the premises of our main suppliers. For further details, please refer to the paragraph headed “— Our suppliers” and the paragraph headed “— Procurement of watch movements and other components” in this section.

Purchase of watch movements and other components

Prior to placing our orders with suppliers, we conduct sample tests of watch movements and other components provided to us by the suppliers. Upon receipt of watch movements and other components, our quality control team carefully examines the appearance, functionality and specifications, watch movements and other components in accordance with our quality control procedures. Only watch movements and other components meeting our quality requirements enter our production lines. We may return those watch components that do not meet our standards and may also cease procuring watch components from those suppliers who do not meet our requirements.

In-house and outsourced production

Our quality control team carries out spot checks of semi-finished watches at our production facility and the production facility of our external manufacturers regularly to ensure that their quality is satisfactory. We require the semi-finished watches manufactured by our external watch manufacturers to meet all the criteria under the relevant quality standard for each watch models, and we conduct sample test on semi-finished watches for each watch model. If more than a certain number of defective products were found, we will return the entire order to the external watch manufacturers for rectification. For further details on our outsourced production, please refer to the paragraph headed “— Production — Outsourced Production” in this section.

Finished products

After the manufacturing process, our quality control team conducts sample testing on aesthetic appeal and technical specification such as water resistance, accuracy and watch mechanism on the finished watches. Any watch with quality issues will not be sold to our watch retailers and authorised distributors.

As at 31 December 2013, our quality control team consisted of 16 skilled employees who have on average nine years of experience in examining different quality aspects of watches. We confirm that, during the Track Record Period, we have complied with the product quality standards as required under Swiss law in all material aspects. During the Track Record Period, we did not experience any significant problem with respect to quality defects or product returns from our customers.

“Swiss-made” label

Recently, the Swiss Parliament approved an amendment to the Swissness Act to reinforce the conditions for the use of the “Swiss-made” appellation, which will enter into force most likely by the end of 2015. According to the revised rules of the Swissness Act, for an industrial product (e.g. watches) is to be deemed of Swiss origin, at least 60% of its manufacturing costs must be incurred in Switzerland. For further details on the revised Swissness Act, please refer to the paragraph headed “Regulatory Overview — Qualifying for the “Swiss-made” label” in this prospectus. Currently, we monitor our production costs incurred in Switzerland by conducting cost analysis regularly to ensure the compliance with the existing Swissness Act. This analysis involves examining the origin and costs of each watch components, reviewing the management account regularly and calculating the production costs incurred in Switzerland for each watch model. Based on our cost analysis, as at the Latest Practicable Date, approximately 60% of production costs for the majority of our watches was incurred in Switzerland. We will continue to conduct the cost analysis on periodic basis and fine-tuning our sourcing strategy if necessary. We do not foresee the revised Swissness Act will have any material effect on our business.

LOGISTICS

Our watch movements, other watch components and finished watches are stored mainly at our central warehouse located in Switzerland, Hong Kong and the PRC. In our warehouses, we regulate the humidity and temperature to ensure our watch components and finished watches are stored under appropriate conditions, with humidity generally maintained below 70%.

We do not own any delivery vehicles or delivery staff as we outsource the delivery of our watches to third party logistics service providers at our cost. We are responsible for the delivery of our finished watches to our watch retailers, authorised distributors or designated POS for sales. We typically enter into delivery orders with logistics companies for the transportation of our finished watches. The fees we pay the logistic companies typically cover the expenses to be incurred by the logistics companies, such as tolls and any handling fees. The delivery and transfer risks are covered by product insurance that we purchased. This arrangement enables us to avoid capital investment in logistics and avoid the risks associated with losing or damaging our watches during the delivery process. Watch movements and other watch components from our suppliers are generally delivered to our production facility at the suppliers’ own cost and risk. During the Track Record Period, we did not experience any material disruption to our delivery arrangements and we did not suffer any material loss or pay any compensation as a result of delays in delivery of our products by the logistics companies engaged by us in the delivery of our products.

OUR CUSTOMERS

Our customers are watch retailers and authorised distributors which were all primarily engaged in the sales of watches. We have maintained good relationships with our major customer, with whom we have worked for several years, some through Guangzhou Shihengbao and Shenzhen Rushi prior to 31 March 2012. For the years ended 31 December 2011, 2012 and 2013, our five largest customers situated in the PRC, Hong Kong and Macau accounted for 88.6%, 32.6% and 32.2% of our total revenue, respectively, and our single largest customer accounted for 41.9%, 11.6% and 11.2% of our total revenue during the same periods, respectively. Our customers typically paid us by bank transfer upon the receipt of our watches.

We have entered into distribution agreements or agency agreements with all of our watch retailers and authorised distributors. These agreements include pricing terms, acceptance of delivery, minimum purchase amount, requirements of opening new POS, payment terms, provision of sales report and other responsibilities of watch retailers and authorised distributors. For further details, please refer to the paragraph headed “— Distribution — Our watch retailers and — Our authorised distributors” in this section.

During the Track Record Period, save for Mr. Su Da's interest in Guangzhou Shihengbao and Su Ran's interest in Shenzhen Ruishi, none of our Directors, their respective associates or any Shareholders (who to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers during the Track Record Period. We have ceased our sales of watches to Guangzhou Shihengbao and Shenzhen Ruishi since 31 March 2012.

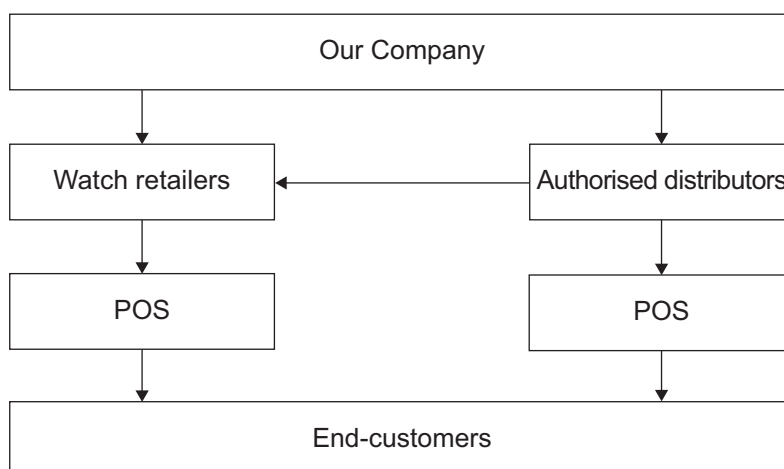
DISTRIBUTION

Our distribution model

We distribute our watches through watch retailers and authorised distributors, which in turn sell our watches to our end-customers in POS owned and/or operated by them. These POS include individual retail stores, sales counters in department stores and shopping malls, duty free stores and flagship stores which sell our watches exclusively. Our authorised distributors can also distribute our watches in the regions where they are authorised to distribute our watches.

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The following chart illustrates our current distribution model:



We believe that our distributorship business model, which allows us to allocate more resources to our core competitive strengths, product design and development and brand management, is commonly adopted by brand owners in the watch industry. It enables us to expand our distribution network to a wide geographical area by leveraging the local market knowledge of our watch retailers and authorised distributors. The revenue generated from the sales to our watch retailers and authorised distributors is recognised upon their receipt of our watches and we have not provided any return policy for unsold goods. As at 31 December 2013, we have over 220 watch retailers and seven authorised distributors in all markets. The following table sets forth the total revenue and percentage by distribution channel for the years ended 31 December 2011, 2012 and 2013:

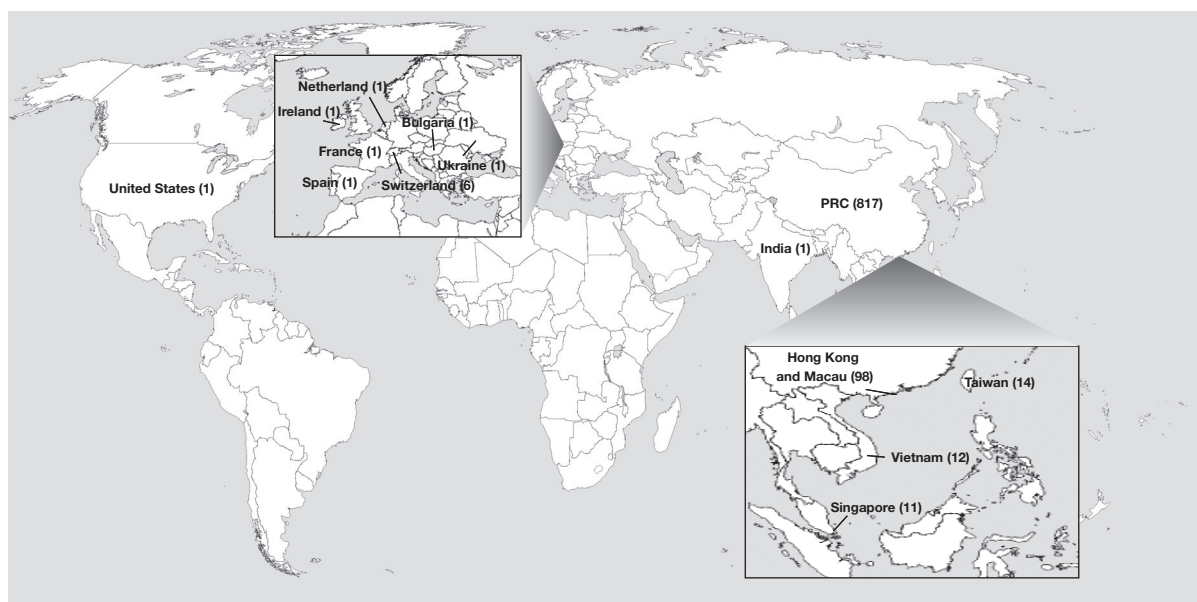
	For the years ended 31 December					
	2011 ⁽²⁾		2012 ⁽²⁾		2013	
	HK\$('000)	% of total	HK\$('000)	% of total	HK\$('000)	% of total
Watch Retailers	84,292	17.2	476,038	86.4	577,599	95.6
Authorised Distributors ⁽¹⁾ . . .	404,797	82.8	74,842	13.6	26,414	4.4
Total Revenue	<u>489,089</u>	<u>100.0</u>	<u>550,880</u>	<u>100.0</u>	<u>604,013</u>	<u>100.0</u>

Notes:

- (1) Includes sales to Guangzhou Shihengbao and Shenzhen Ruishi, which arrangement was terminated on 31 March 2012.
- (2) Includes sales of watches purchased from West End in the PRC market.
- (3) During the Track Record Period, we did not record any unsold goods returned from our watch retailers and authorised distributors.

Our distribution network

Our watches are sold through an extensive distribution network in the PRC, Hong Kong, Macau and Southeast Asia market and Other Markets. Our Other Markets primarily include Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands, Spain and Switzerland. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and four authorised distributors in Hong Kong, Macau and Southeast Asia and in over 15 POS through 11 watch retailers and three authorised distributors in Other Markets.



Remark: Quantity marked on the United States, India and Netherland indicates the number of our authorised distributors.

BUSINESS

The PRC is our largest market in terms of revenue contribution. The following table sets forth total sales in the PRC by sales region during the Track Record Period:

Sales region ⁽¹⁾	Total sales to POS in the PRC ⁽²⁾⁽³⁾		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Northern PRC	96,854	80,343	61,303
Central PRC	15,675	22,193	20,235
Eastern PRC	117,298	139,143	120,018
Southern PRC	84,397	74,472	67,263
Western PRC	70,249	84,648	97,105

Notes:

(1) We define the geographical regions as follows:

Northern China: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin and Heilongjiang

Central China: Henan, Hebei and Hunan

Eastern China: Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi and Fujian

Southern China: Guangdong, Guangxi and Hainan

Western China: Xinjiang, Shaanxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Ningxia and Gansu

The categorisation above is for illustrative purpose in this prospectus only.

(2) Includes sales of Guangzhou Shihengbao and Shenzhen Ruishi, which arrangement was terminated on 31 March 2012.

(3) Includes sales of watches purchased from West End in the PRC market.

The following sets forth the revenue breakdown by geographical market during the Track Record Period:

	For the year ended 31 December					
	2011 ^{(1), (2)}		2012 ^{(1), (2)}		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
PRC	402,350	82.3	431,713	78.4	463,401	76.7
Hong Kong, Macau and Southeast Asia Market	83,831	17.1	112,689	20.4	131,071	21.7
Other Markets ⁽³⁾	2,908	0.6	6,478	1.2	9,541	1.6
Total	489,089	100.0	550,880	100.0	604,013	100.0

Notes:

- (1) Includes sales to Guangzhou Shihengbao and Shenzhen Ruishi, which arrangement was terminated on 31 March 2012.
- (2) Includes sales of watches purchased from West End in the PRC market.
- (3) Includes Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands and Spain.

The revenue growth during the Track Record Period was mainly attributable to the rapid increase in the number of watch retailers and authorised distributors. In order to efficiently control the expansion of our POS, we require our watch retailers and authorised distributors to obtain our prior approval before they sell our watches in any new POS. We typically grant our approval for new POS based on a number of factors such as location of POS, the premium watch market conditions, historical performance of existing POS and our relationship with the particular watch retailer or authorised distributor. To ensure all of our POS present a consistent and distinctive brand image of our watches, we require our watch retailers and authorised distributors to adopt our standardised counters/stores layout, design and display of our watches in their POS.

Our Directors believe that our Group's success is principally attributable to our heritage, premium quality products, corporate culture, brand management expertise, extensive and well-established distribution network and in-depth knowledge of the premium watch market and consumers' expectation and preference for premium watches.

Previous direct sale of watches by Guangzhou Shihengbao and Shenzhen Ruishi during the Track Record Period

As part of our strategic plan to distribute our watches in the PRC, during the year ended 31 December 2011 and the three months ended 31 March 2012, we sold our watches primarily through two authorised distributors, Guangzhou Shihengbao and Shenzhen Ruishi in the PRC. To pay for the distribution services provided by Guangzhou Shihengbao and Shenzhen Ruishi, we offer a moderate discount to them as compared to our third party customers. The sales volume of watches to Guangzhou Shihengbao and Shenzhen Ruishi was 66,052 pieces and 69,394 pieces during the corresponding period, respectively. For the year ended 31 December 2011 and the three months ended 31 March 2012, prior to the deregistration of Guangzhou Shihengbao and Shenzhen Ruishi, they were wholly owned by Mr. Su Da and Su Ran, respectively.

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Set out below is a summary of amount of key financial information of Guangzhou Shihengbao and Shenzhen Ruishi during the relevant period:

Guangzhou Shihengbao⁽²⁾

	For the year ended 31 December 2011	For the three months ended 2012	For the nine months ended 2012	For the year ended 31 December 2012	From 1 January 2013 to date of liquidation
	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)
Revenue	191,583	47,830	27,948	75,779	—
Gross Profit	20,943	4,961	1,646	6,607	—
Net Assets (Liabilities)	10,619	4,892	(64)	(64)	(68)
Net Profit (Loss)	2,150	(3,129)	(4,956)	(8,085) ⁽¹⁾	(1)

Shenzhen Ruishi⁽²⁾

	For the year ended 31 December 2011	For the three months ended 2012	For the nine months ended 2012	For the year ended 31 December 2012	From 1 January 2013 to date of liquidation
	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)	RMB('000) (unaudited)
Revenue	192,970	49,080	48,856	97,935	—
Gross Profit	27,867	7,928	3,155	11,083	—
Net Assets	10,538	7,709	3,649	3,649	3,629
Net Profit (Loss)	1,832	408	(4,059)	(3,651) ⁽¹⁾	(20)

Note:

- (1) Each of Guangzhou Shihengbao and Shenzhen Ruishi recorded net losses for the year ended 31 December 2012 primarily due to the fact that they have ceased selling watches to watch retailers in PRC since March 2012 and instead, they subsequently sold the inventory of watches to EB(GZ) at a relatively lower margin (cost of sales plus approximately 5% of handling charge). Meanwhile, Guangzhou Shihengbao and Shenzhen Ruishi continued to incur operating expenses such as staff cost and office rental etc. of a similar level as before until the acquisition of their assets by EB(GZ) was completed in July 2012. Their obligation to pay severance payment for employees made redundant occasioned by the liquidation also added to such losses.
- (2) Assuming the Related Companies have been injected into our Group, the relevant pro forma adjustments on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011 to be made are: (i) approximately HK\$13.0 million on cost of sales, being the elimination of unrealized profit effects of opening and closing inventory held by Related Companies, and approximately HK\$2.1 million on income tax expense, being the associated deferred tax effect; (ii) approximately HK\$402.3 million on revenue and cost of sales, being the elimination of sales of watches from our Group to the Related Companies for the year. The relevant pro forma adjustments on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 to be made are: (i) approximately HK\$31.3 million on cost of sales, being the elimination of unrealized profit of opening inventory held by Related Companies, and approximately HK\$5.2 million on income tax expense, being the associated deferred tax effect; (ii) approximately HK\$59.8 million on revenue and cost of sales, being the elimination of sales of watches from our Company to the Related Companies for the year; and (iv) approximately HK\$92.7 million on revenue and cost of sales, being the elimination of sales of unsold watches from Related Companies to our Company for the year. No pro forma adjustments on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 are to be required as there was no transaction between our Group and the Related Companies for the year.

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To improve the efficiency of our operation, in 2012, EB (GZ), our wholly owned subsidiary acquired all of the fixed and intangible assets of Guangzhou Shihengbao and Shenzhen Ruishi (other than the inventory of West End watches), including inventory of our watches, motor vehicles and intellectual properties at the consideration of approximately RMB37.3 million and RMB51.1 million, respectively after arm's length negotiation and on normal commercial terms. We believe it is to our best interest to only acquire assets that are strategically aligned with our Company's business. We elected to acquire specific assets of Guangzhou Shihengbao and Shenzhen Ruishi instead of injecting them into our Group, primarily because (i) asset transfer can expedite the transition process, and thus avoid unnecessary administrative procedures and expense; (ii) the integration of the Related Companies can bring a number of difficulties that could divert managerial focus from our Company's internal development and daily operations, and thus may have an adverse effect on our business; and (iii) Shenzhen Ruishi had business involved in the distribution of our watches as well as watches from an other brand. The transfer of assets by Guangzhou Shihengbao and Shenzhen Ruishi to EB (GZ) has been completed in July 2012. EB (GZ) has entered into new distribution agreements and supplemental distribution agreements with all of the watch retailers in the PRC who procured our watches from Guangzhou Shihengbao and Shenzhen Ruishi prior to the completion of the transfer of assets (collectively the "New Distribution Agreements"). Guangzhou Shihengbao and Shenzhen Ruishi were deregistered on 13 March 2013 and 28 January 2013, respectively. As confirmed by Mr. Su Da and Su Ran, who held the entire interest in Guangzhou Shihengbao and Shenzhen Ruishi, respectively, Guangzhou Shihengbao and Shenzhen Ruishi had not been involved in any litigation or claims or otherwise exposed to any actual or contingent liabilities immediately prior to their deregistration.

During the relevant period, we typically offered around 61.0% to 62.0% of discount, not including VAT, on PRC retail price of our watches to Guangzhou Shihengbao and Shenzhen Ruishi. Since we brought the distribution operation in-house in 2012, we have typically offered around 50.0% of discount, not including VAT, on PRC retail price to the independent watch retailers in the PRC. Set out below is a summary of the amount of gross profit and gross profit margin for the sales to Guangzhou Shihengbao and Shenzhen Ruishi during the relevant period:

	Gross profit	Gross profit
	<i>HK\$('000)</i>	<i>%</i>
	(unaudited)	(unaudited)
2011	232,889	57.9
2012	<u>40,338</u>	<u>67.5</u>
Total/Average	<u>273,227</u>	<u>59.1</u>

Our transition to sell our watches directly to watch retailers in the PRC instead of selling through the Guangzhou Shihengbao and Shenzhen Ruishi resulted in an increase of our gross profit margin of 13.4% related to sales in the PRC, excluding the sales of watches that we purchased from Guangzhou Shihengbao and Shenzhen Ruishi ("**Unsold Watches**"). In 2012, a total of 19,394 pieces of Unsold Watches were acquired by our Company for a consideration of

BUSINESS

approximately HK\$92.7 million. The purchase price was determined by the cost of sales plus approximately 5% of handling fee after arm's length negotiation and on normal commercial terms.

Most of Unsold Watches were subsequently sold by us. Set out below is a summary of the revenue, gross profit and gross profit margin for sales to the independent watch retailers in the PRC:

	QTY	Revenue	Gross profit	Gross profit
	<i>(pieces of</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>%</i>
	<i>watches)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
For the year ended				
31 December 2012	18,108	90,421	8,465	9.4
For the year ended				
31 December 2013	602	4,627	390	8.4
Total/Average	18,710	95,048	8,855	9.3

During the year ended 31 December 2011, other than distribution of our own brand of watches, we also purchased Swiss-made watches from West End, an Independent Third Party, and subsequently sold these watches to Shenzhen Ruishi for distribution in the PRC. This arrangement started in 2006 when West End attempted to tap into the PRC market by leveraging our wide distribution coverage and approached us for our distribution of their watches in the PRC. The prices of West End watches procured by us were determined after arm's length negotiation and on normal commercial terms. We ceased procuring West End watches since 6 February 2012.

The revenue generated from our sale of West End watches to Shenzhen Ruishi for the year ended 31 December 2011 and one month ended 6 February 2012 accounted for 0.7% and 0.4% of our total revenue for the corresponding periods, respectively. As at the Latest Practicable Date, Shenzhen Ruishi had disposed of its inventory of West End watches to Independent Third Parties.

Our sale of watches to Guangzhou Shihengbao and Shenzhen Ruishi for distribution in the PRC was terminated on 31 March 2012. We now sell our watches to watch retailers in the PRC directly through EB (GZ). Our transition to sell our watches directly to our watch retailers in the PRC without selling through Guangzhou Shihengbao and Shenzhen Ruishi resulted in a small increase of our gross profit margin related to sales in the PRC, as we no longer sell watches to Guangzhou Shihengbao and Shenzhen Ruishi at discounted prices. The financial results related to the sale of our watches to Guangzhou Shihengbao and Shenzhen Ruishi during the year ended 31 December 2011 and the three months ended 31 March 2012 are included in our consolidated financial information during the Track Record Period.

Our watch retailers

In connection with EB (GZ)'s taking over the business of distributing our watches to our watch retailers in the PRC from Guangzhou Shihengbao and Shenzhen Ruishi, we, as seller, have entered into the New Distribution Agreements with all of our existing watch retailers, as buyers, in the PRC. The New Distribution Agreements generally have a duration of two years, subject to automatic renewal for one year upon expiration if there is no objection from both parties and may be terminated with two months' notice. Major terms of the New Distribution Agreements are as follows:

- Geographical scope — Each watch retailer is designated a specific retail outlet(s) in which that distributor is authorised to sell our watches to minimise the likelihood of competition.
- Pricing and discount — We sell our watches to our watch retailers at a discount to the nationwide suggested retail price. Our watch retailers should refer to our nationwide suggested retail price policy and abide by our discount control policy for their sales to end-customers.
- Acceptance of delivery — Our watch retailers are required to notify us in writing within two days of delivery if there are any inconsistencies with the quantity being ordered or defects in our watches, failing which they would be deemed to have accepted delivery of our watches.
- Minimum purchase amount — In the case of sale of our watches at a new POS, the watch retailers shall make orders according to our standard showcase for new POS or to make additional orders to that. In other cases, watch retailers may make orders according to their needs but they also have the responsibility to maintain a sufficient quantity of inventories which is to our satisfaction.
- Sale of our watches in new POS — Our watch retailers are required to seek our prior written approval before they sell our watches in a new POS.
- Payment terms — Our watch retailers shall make payment prior to our delivery of watches for their first order. Payment for subsequent orders shall be made within 30 days upon receiving the invoice from us.
- Provision of sales report — We require our watch retailers to submit monthly reports on the sales level of our watches.
- Other responsibilities of watch retailers — Our watch retailers should strictly cooperate in maintaining the image of our brand and shall not engage in any activity that may be detrimental to the reputation of us and of our watches.

We have also entered into distribution agreements with the watch retailers in Hong Kong and Macau with terms similar to the New Distribution Agreements. Watch retailers with which we do not have formal written agreements are mainly located in the Other Markets. We work with them by way of purchase orders, which set forth terms on purchase quantity, watch model, pricing, amongst others.

Our authorised distributors

We sell our watches to our authorised distributors as buyers who in turn sell our watches in POS operated by them or distribute as our agents our watches in the regions where they are authorised to do so. As at 31 December 2013, we have a total of seven authorised distributors in Hong Kong, Macau, Southeast Asia and Other Markets.

We have entered into agreements with most of our authorised distributors, which generally include the following principal terms:

Location Scope — We require our authorised distributors to sell our watches in certain POS operated by them or distribute our watches in POS approved by us in order to manage and minimise the likelihood of competition.

Sale of our watches in new POS — Our authorised distributors are required to seek our prior approval or notify us before they sell our watches in new POS.

Pricing — We sell our watches to our authorised distributors at a discount to the suggested retail price and our authorised distributors shall abide by our discount control policy for their sales to end-customers.

Display — We shall provide our authorised distributors with the image counters and display items to be displayed in the POS.

Acceptance of delivery — Our authorised distributors are required to notify us in writing between two to 14 days of delivery if there are any inconsistencies with the quantity being ordered or defects in our watches, failing which they would be deemed to have accepted delivery of our watches.

Payment terms — Our authorised distributors shall make the payment within 30 to 60 days upon our delivery of watches.

Term and termination — We generally enter into agreement with our authorised distributors for a term of 60 months subject to optional renewal and we or our authorised distributors may terminate the agreements with six months' notice.

Management of watch retailers and authorised distributors

To maintain the image and reputation of our brand, we place great emphasis on the selection of our watch retailers and authorised distributors. We select watch retailers and authorised distributors based on a number of criteria, including relevant distribution and managerial experience in the premium watch industry, the classes of other watch brands they distribute, sales and marketing know-how in retail sales of watches, the location and size of the POS they own/operate or intend to develop, reputation in the premium watch industry, the ability to develop and operate new POS in a designated location/market and a proven track record and adequate capital resources.

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Our sales and marketing team monitors the performance of our watch retailers and authorised distributors through the following measures:

- (1) carry out scheduled and ad-hoc on-site inspections of the POS owned/operated by our watch retailers and our authorised distributors to ensure that they comply with our pricing and discounting policies, counters/store layout and design as well as display of our watches;
- (2) review the sales and inventory reports submitted by our watch retailers and authorised distributors on a monthly basis to monitor and analyse their sales performance; and
- (3) assess the operation strategies of our watch retailers and authorised distributors such as advertising plans or product mix.

We may suggest appropriate adjustment measures such as changing the displays of our watches and purchasing certain models of our watches, to increase the sales volume of our watches in their POS.

We assess the retail expansion capacity of our watch retailers and authorised distributors by reviewing their performance in opening and operating new POS. If we determine that the sales performance of new POS do not meet our expectations, we may require the withdrawal of sale of our watches from such POS.

Turnover of watch retailers and authorised distributors

The following table sets forth the turnover of our watch retailers and authorised distributors during the Track Record Period.

	As of/For the year ended 31 December									
	2010	2011			2012			2013		
	Total	Appointed	Terminated	Total	Appointed	Terminated	Total	Appointed	Terminated	Total
Watch retailers	51	11	10	52	159	14	197	48	24	221
Authorised distributors	4	1	0	5	5	2	8	—	1	7

The number of our watch retailers increased significantly in 2012 primarily because we began distributing watch products ourselves instead of through Guangzhou Shihengbao and Shenzhen Ruishi in the PRC during the year.

It is our policy to maintain the inventory level of our watches at an average of 110 pieces per POS. Our sales personnel monitors the inventory level of our watch retailers and authorised distributors by carrying out on-site stock counts at POS monthly. We also require our watch retailers and authorised distributors to submit monthly inventory reports for our review and analysis. To avoid channel stuffing, most of our distribution agreements do not contain minimum purchase requirements or sales target policies for watch retailers or authorised distributors and, thus watch retailers and authorised distributors typically place their orders according to their needs. Furthermore, our distributorship agreements do not provide watch retailers or authorised

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distributors with the contractual rights to return products after sale, unless the products are defective. In this regard, distributors are required to conduct quality checks upon receipt of our watches, and may exchange defective watches within two to 14 days of receipt at no cost. We believe our measures to control channel stuffing are effective because nothing has come to our attention that there was channel stuffing, for example, excessive amount of inventory build-up of our watches by watch retailers and authorised distributors during the Track Record Period.

Opening or withdrawal from an existing POS

In deciding whether to sell our watches in a new POS, which may arise either through proposals by our watch retailers or authorised distributors or through sourcing by our sales and marketing team, we usually take into account factors such as: (i) availability of appropriate locations compatible with our brand image and expansion strategy, (ii) in the case of certain watch retailers and authorised distributors, their ability to meet the sales target we set for them in terms of total number of and value of our watches sold annually, and (iii) composition of brand mix (e.g., whether there are any other brands of premium Swiss watches sold in the vicinity). For the efficient control of the expansion of our POS and to avoid competition between our POS, we require our watch retailers and authorised distributors to obtain our approval before they sell our watches in a new POS.

We may request our watch retailers or authorised distributors to withdraw selling our watches from a particular POS for various reasons including unsatisfactory performance in sales of our watches and unfavourable image. We withdrew our watches from 20, 17 and 83 POS for the years ended 31 December 2011, 2012 and 2013, respectively.

The following table sets forth the changes in the number of POS during the Track Record Period:

	For the years ended 31 December		
	2011	2012	2013
POS at the beginning of the period	668	780	903
Addition of new POS	132	140	149
Termination of existing POS	20	17	83
Net change in POS	<u>112</u>	<u>123</u>	<u>66</u>
POS at the end of the period	<u>780</u>	<u>903</u>	<u>969</u>

Relationship with our watch retailers and authorised distributors

We maintain stable working relationships with most of our watch retailers and authorised distributors, who are Independent Third Parties. We provide support to our watch retailers and authorised distributors by, amongst others, organising or participating in marketing events, exhibitions, special previews and new product launch functions for promotional purpose as well as providing training in sales for their sales staff. On the average, we organise or participate in approximately 300 training sessions annually and organised over 100 marketing events, such as in-store exhibitions, product roadshow and new product launch functions from 2011 to 2013.

We believe our support provided to our watch retailers and authorised distributors increases the incentives for them to provide quality customer service with respect to the sale of our watches which in turn helps us increase our market share in our target markets.

Turnover of our watch retailers and authorised distributors was generally due to the termination for underperformance based on our assessment of their ability to comply with our sales strategies or due to our optimisation and expansion of our sales and distribution network. As at the Latest Practicable Date, we were not aware of any watch retailers or authorised distributors committing any material breach of our written agreements with them or of any material incident where our watches were sold at a price which deviated from our pricing or discount policies by our watch retailers and authorised distributors.

During the Track Record Period, we experienced a progressive decrease in the average trade receivables turnover days primarily due to the shorter credit term granted to our watch retailers and authorised distributors and more efficient collections by our sales personnel.

SALES AND MARKETING

As at the Latest Practicable Date, our sales and marketing team are located in the PRC, Hong Kong and Switzerland, responsible for the overall coordination of local and overseas sales plan, inventory control, replenishment of stocks and maintaining and enhancing our brand image. For the years ended 31 December 2011, 2012 and 2013, our distribution expenses mainly consisted of advertising and marketing expense, salaries and other benefit to sales personnel and depreciation of display counters, amounted to HK\$80.3 million, HK\$151.4 million and HK\$204.7 million, respectively.

Orders initiated from watch retailers and authorised distributors

Our watch retailers and authorised distributors may either place purchase orders through our representative offices in Hong Kong, the PRC and Switzerland or directly with us at international watch exhibitions.

The watches ordered by our watch retailers and authorised distributors are delivered directly to each POS by third-party logistics service providers. All goods in transit are covered by insurance that we paid to logistics companies as a portion of service fees.

Pricing policies

We set the suggested retail price of our watches based on cost plus premium. Our watch retailers or authorised distributors are allowed to give discounts on the suggested retail price to end-customers within certain limits by our discount control policy. Our watch retailers and authorised distributors have undertaken to us that they will strictly abide by our pricing policies.

To the best knowledge of our Directors, we are not aware of any watch retailers or authorised distributors in material violation of the pricing policies set by us during the Track Record Period. As we recognise our revenue by reference to our selling prices to our watch retailers and authorised distributors, the adjustments to retail prices made by our watch retailers and authorised distributors do not directly affect our revenue.

Cash and Credit Control

Payment for the watches supplied by us to our existing watch retailers and authorised distributors are typically made within 60 days after delivery of their orders, depending on the scale of their operation and purchase volume. For watch retailers or authorised distributors who place orders with us for the first time, we require payment to be made prior to our delivery of watches.

As at 31 December 2013, we made an aggregate provision for bad and doubtful debts of HK\$1.2 million.

Seasonality

Our sales volume may be affected by seasonality. Revenue fluctuations throughout the year are common for the premium watch industry which is subject to the seasonal purchase patterns of consumers. We generally record higher sales revenue during major holidays or festivals, such as Chinese New Year, Valentine's Day, Mid-Autumn Festival, National Day and Christmas, usually in the months of January, June, September, October and December. Further, our revenue flow and periodical financial performance are also influenced by a number of factors, including changes in our product mix, new products, timing and effectiveness of our marketing activities, actions by our existing and new competitors, and employee motivation and effectiveness, among others. As a result of these fluctuations, comparison of sales and operating results from different periods in different financial years may not be relied on as indicators of our performance.

Unsold Watches

As we sell our watches to our watch retailers or authorised distributors directly, in case of termination of our distribution agreements, we do not refund the distributors for their unsold inventory of our watches.

Commission to sales staff

We provide commissions that represent a certain percentage of the relevant sales amounts to sales staff for successful sales as a form of incentive. For the years ended 31 December 2011, 2012 and 2013, our commission to sales staff were HK\$1.6 million, HK\$3.2 million and HK\$8.2 million, respectively, accounted for approximately 2.0%, 2.1% and 4.0% of distribution expenses, respectively.

Marketing and Promotion

We dedicate significant resources to promote our brand and watches. For the years ended 31 December, 2011, 2012 and 2013, our advertising and promotion expenses were HK\$50.0 million, HK\$84.1 million and HK\$111.7 million, respectively, accounting for approximately 10.2%, 15.3% and 18.5% of our revenue, respectively. To enhance our customer loyalty and brand reputation and recognition, our sales and marketing team carried out the following principal marketing activities during the Track Record Period:

(i) Media advertisement

We advertise our watches through a number of different media:

- *Television:* We have produced and developed a three-minute television commercials for our watches.
- *Radio:* We have sponsored the Voice of China News Hour (中國之聲全天整點報時) broadcasted by China National Radio.
- *Print:* We use print advertisements, such as industry magazines, lifestyle magazines, newspapers, as well as at outdoor locations such as light boxes and posters that are strategically placed at areas with high pedestrian traffic.
- *Website:* We market and promote our watches on our websites www.ernestborel.ch and our customers can access information about our brands, watches and POS locations on our websites. Our customers can also access our updated promotion and information of our brands and ambassadors via our official account at www.facebook.com/ErnestBorelHK, <https://www.facebook.com/#!/pages/Ernest-Borel-Watches/178725295525125?fref=ts> and our Chinese microblog at <http://e.weibo.com/ernestborel>.

(ii) Marketing initiatives

We organise marketing events such as in-store exhibitions, product roadshow and new product launch promotional activities such as setting up specialised counters in central areas in department stores and shopping malls, special promotion on major holidays such as Chinese New Year, Valentine's Day, Mid-Autumn Festival, National Day and Christmas, to reach out to our target end-customers. Our brand ambassadors participate in some of these marketing events and their participation have attracted awareness of our brand.

(iii) Sponsorship

We are also involved in sponsorship activities. For example, we sponsored the 2003 National Women Premier League in the PRC, the Miss Chinese Cosmos Pageant from 2003 to 2007, Wai Yin Association's Charity Walk in 2011, Mr Raymond Lam's concert in 2010, 2011 and 2013, HKGCC Free Ride Day in 2012, and the "Third Asian Wedding & Arts Competition 2012" for promotional purposes.

In celebration of the 155th anniversary of the founding of our brand and in furtherance of the spirit of romantic dance, we were the official sponsor of the 2013 USA Dance Nationals and its Third Annual Star Quality Awards which took place in Baltimore, U.S.A. from 30 March 2012 to 1 April 2012.

(iv) Celebrity endorsements

We have historically engaged three well-known celebrities in the Asia-Pacific region, Ms. Angie Chiu (趙雅芝), Mr. Raymond Lam (林峯) and Ms. Kelly Chen (陳慧琳), as our ambassadors for our Watches since 2006, 2008 and 2009. In 2013, we appointed Mr. Marcel Nguyen (阮馬素), an Olympic gymnast medalist, as our ambassador.



(v) Counter/Store display

We provide guidelines to the design of the counter/store display. To ensure the consistency of the design and settings of the flagship stores and display counters in department stores and shopping malls, we require our watch retailers and authorised distributors to install display counters designed by us in the POS.

(vi) Participation in watch exhibitions

We participate in various domestic and international watch exhibitions regularly such as the annual Baselworld and TFWA Asia Pacific held in Singapore in 2012.

AFTER SALES SERVICES AND WARRANTIES

We recognise that the quality of our watches is crucial to the goodwill and image of our brands. We have a dedicated after sales department for processing customers' complaints and providing comprehensive after sales services for our watches. As at the Latest Practicable Date, we maintained a service network of 69 official repair and maintenance centres including POS that are authorised as service centres (the "**Service Centres**"), of which 49 are located in the PRC, one is located in Hong Kong, six are located in Asia (except the PRC and Hong Kong), 12 in Europe and one in the United States. Consumers who purchase our watch(es) can either send their watch(es) to the POS where they purchase our watches or any of our Service Centres for repair or maintenance services. Our repair and maintenance centre in Guangzhou is our largest service centre in the PRC. Most of the watches sent to our Service Centres within the PRC for repair or maintenance are processed at our Service Centre in Guangzhou.

We also maintain a service enquiry hotline for enquiries from end-customers. We have set up standard procedures to ensure responsible and prompt response to customers' enquiries and complaints. According to our procedures, our customer-care personnel are required to immediately complete a customer information form upon receiving a complaint or an enquiry and report to after sales services manager. Our after sales services department then verifies the details of complaint and derives a plan to resolve the issue.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints and product liability claims from our customers and end-customers in relation to the quality of our products or experienced any product recalls.

Warranties

Each of our watches comes with a warranty card that provides two-year warranties effected at the date of purchase. During the warranty period, our end-customers may request for repair of any malfunctioning or manufacturing defects of our watches at any of our 69 Service Centres. Our warranty does not, however, cover the outer casing of our watches such as the watch casing, watch strap, watch bracelet, watch glass or watch crown and damage caused under certain circumstances including self-dismantling of our watches, non-compliance with our recommended ways of wearing and maintaining our watches and normal wear and tear. After the expiry of the warranty period of our watches, consumers can still send our watches to any of the Service Centres for repairs and maintenance subject to relevant charges.

The operators of our POS are authorised to carry out minor repairs and maintenance services on our watches sent in by our end-consumers. For watches which require substantial repairs such as the repair of the movements, the operators of our POS will deliver such watches to our service centres in the PRC, Hong Kong or Switzerland for repair.

Other than the repair and maintenance services carried out by our Service Centres in respect of the movements within the warranty period, costs of all repair and maintenance services related to damages caused by improper use of our watches are borne by the end-customers. For the years ended 31 December 2011, 2012 and 2013, the warranty expenses were approximately HK\$0.9 million, HK\$0.2 million and HK\$0.7 million, respectively.

Exchange

Our watch retailers and authorised distributors are required to conduct checks upon receipt of our watches and may exchange defective watches within two to 14 days of receipt at no cost, failing which they would be deemed to have accepted delivery of our watches. Our retailers and authorised distributors are, otherwise not allowed to return or exchange watches sold by us. Given we have stringent quality control measures and experienced quality control team, the number of exchanged watches were negligible during the Track Record Period.

MANAGEMENT AND INFORMATION SYSTEM

We utilise the enterprise resource planning system, or ERP system to support our business. The ERP system allows our management to, amongst other things, track and analyse shipment of our watches and inventory management. We began using the ERP system in 2010 and have since then continuously improved the operational performance and effectiveness of our ERP system.

INVENTORY CONTROL

Our inventory control personnel are primarily responsible for monitoring our inventory level of watch movements, other components and finished watches. The level of our inventory that we maintain depends on a number of factors, including our anticipated inventory turnover, production leadtime, sales volume, distribution expansion plan and market demand.

Each item starting from raw materials is assigned an identification number. The identification number, along with the details of each item, is recorded in our ERP system and is tracked and monitored throughout the lifespan of item with us, from inspection, production and sale to the watch retailers and authorised distributors. For details of an analysis on the historical inventory levels, please refer to the section headed “Financial Information — Description of Selected Consolidated Statements of Financial Positions Items — Inventories” in this prospectus.

Watch movements and other components inventory

Our purchase of watch movements and other components are driven by typical commercial considerations and determined by market demand and the actual number of watches we assemble in our production facilities as well as the price and availability of certain components. We establish monthly purchase plan of watch movements and other component, taking into consideration of (i) the actual purchasing statistics and trends of different watch components for the previous year, (ii) the inventory level at the beginning of that particular year, and (iii) the estimated demand of our watches for each month of the year and our production schedule to meet the demand. To avoid the shortage of supply of watch movements, from time to time, we

purchase extra watch movements than we need for the actual production to reserve movement inventory. As a result, we maintain an appropriate stock level of watch movements and other components for contingency purposes. As at 31 December 2011, 2012 and 2013, our inventory of raw materials, such as watch movements and other components were approximately HK\$108.5 million, HK\$147.2 million and HK\$172.6 million, respectively.

We continuously monitor our inventory of watch movements and other components. For watch components that are unused for a period exceeding two years, we will transfer them to our maintenance centres as spare parts. For unused watch components that are unsuitable for our maintenance centres, we would make appropriate provisions for them. As at 31 December 2011, 2012 and 2013, the amount of provisions we made for such inventory were approximately HK\$6.3 million, HK\$9.5 million and HK\$8.5 million, respectively.

Finished watches inventory

Our inventory of finished watches that we maintain depends on the inventory turnover and anticipated sales forecast. We monitor the optional level of finished watches inventory by using internal classification:

- Class A products, the average monthly sales volume of which are 100 or more pieces. The minimum inventory level of such products shall be of its average monthly sales and the maximum inventory level of such products shall be 10 times of its average monthly sales of the previous 12 months;
- Class B products, the average monthly sales volume of which are 50 or more but less than 99 pieces. The minimum inventory level of such product shall be of its average monthly sales and the maximum inventory level of such product shall be 6 times of its average monthly sales of the previous 12 months;
- Class C products, the average monthly sales volume of which are 30 or more but less than 49 pieces. The minimum inventory level of such product shall be of its average monthly sales and the maximum inventory level of such product shall be 4 times of its average monthly sales of the previous 12 months; and
- Class D products, which are less than 29 pieces. The minimum inventory level of such product shall be of its average monthly sales and the maximum inventory level of such product shall be 4 times of its average monthly sales of the previous 12 months;

The product classification will be revisited every month with reference to the sales performance of the previous 12 months and expected demand of the coming four to 10 months. We try to maintain an optimal inventory level at all times to satisfy the needs of our customers without over-stocking. If our inventory level rises significantly above the optimal level or this is anticipated to happen, we will (i) promote the sales of slow-moving models at designated regions; (ii) adjust the sales price of slow-moving models by offering additional 1% or 2% discount to our watch retailers and authorised distributors; and (iii) decrease the production of the slow-moving models of watches; and if the inventory level falls substantially below the optimal level, or this is anticipated to happen, we will immediately increase our production at our

own production facilities. As at 31 December 2011, 2012 and 2013, the amount of provisions we made for work-in-progress and finished watches were approximately nil, HK\$0.7 million and HK\$1.7 million, respectively.

For new products which do not have a reliable track record for its sales, we will make an estimate for its appropriate inventory level based on market conditions, and will make necessary adjustment according to the change in market conditions.

Provision for inventories

We identify and make provision for obsolete and slow-moving inventory of raw materials and finished goods that are no longer suitable for use in production or sale regularly. A number of factors including historical and forecast consumption of our raw materials, marketability of our watches, anticipated renewal of our watch offering, are taken into account when we consider whether to make appropriate provision. We normally make provision for inventories that are aged over two years and at the same time, have also been identified with slower or no usage or sale and deteriorated marketability.

FOREIGN EXCHANGE CONTRACTS

As our functional currency is in Hong Kong dollars and a portion of our expenses and costs are denominated in CHF, we are exposed to foreign exchange fluctuations. To reduce our exposure to foreign exchange fluctuations of CHF against Hong Kong dollars, we entered into foreign exchange contracts with certain banks in Hong Kong during the Track Record Period. Under these contracts, we generally agreed to exchange specified amounts of CHF for Hong Kong dollars at a given exchange rate between CHF and Hong Kong dollars, at a regular interval, usually monthly. These foreign exchange contracts have a duration ranging from one to six months. We confirm that we have not engaged and/or will engage in speculative activities.

As at 31 December 2011, 2012 and 2013, the notional amount of CHF/Hong Kong dollars foreign exchange contracts were CHF8.9 million, CHF15.5 million and CHF17.1 million, respectively, representing 49.4%, 86.1% and 95.0% of foreign exchange risks respectively. The fair values of these foreign contracts are determined based on the valuation carried out by banks using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates as at end of each reporting period. We recognised fair value gains on derivative financial instruments of HK\$0.7 million, HK\$1.0 million and HK\$1.0 million for the years ended 31 December 2011, 2012 and 2013, respectively. As at the Latest Practicable Date, we did not have any net hedging position. Our management closely monitors the movement of exchange rate between CHF and Hong Kong dollars to ensure appropriate hedging is made on a timely basis. In the event that the total outstanding amount of foreign exchange contracts of our Company exceeds CHF7.5 million, any additional foreign exchange contracts to be entered into by any member of our Group will be subject to the approval of the board of directors of our Company.

For further details on the risks associated with our foreign exchange contracts, please refer to the section headed “Risk Factors — Risks Related to our Business” in this prospectus.

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AWARDS, RECOGNITIONS AND CERTIFICATIONS

In recognition of our watches, we have obtained the following awards, recognitions and certificates:

<u>Name of awarding organisation/entity</u>	<u>Description of award/accolade</u>
South China Media — (CAPITAL CEO)	“2013 Supreme Brand Award for Couple Watches” (非凡品牌大賞2013 — 非凡情侶手錶品牌大獎)
MetroBox (a magazine in Hong Kong)	“2013 Prime Award for the Best Brand Enterprise in Greater China (2013大中華超卓商譽品牌)”
COSMOBride magazine	“2013 COSMO Bride Wedding Award for Artistic Watches” (2013時尚新娘婚尚盛典「風尚藝術腕錶獎」)
Style Weekly	“2013 Fashion Power Award for Fashion Brands” (2013年風尚權力榜之風尚品牌)
Trademark Office of The State Administration for Industry & Commerce of the People's Republic of China	“2012 Well-known Trademark in China” (2012中國馳名商標)
PRC Watchmaker Conference	“2009 Best Service Brand Award” (2009品牌最佳服務品牌獎)
Southern Weekend newspaper (a weekend newspaper in Guangdong)	“Media Choice Award in 2006” (2006年度中國金擺輪獎媒體推薦大獎)
Guangzhou Daily (a newspaper in the PRC)	“2004 Fashion Consumer Brands (Watches) Award in Guangdong District” (2004時尚百花獎廣東地區時尚消費品牌推選手錶類消費者最愛品牌)

COMPETITION

We believe the premium watch market in the PRC demonstrates a high level of dominance by leading brands. According to the Frost & Sullivan Report, the top five brands accounted for approximately 79.7% of the total market share by retail sales value of the premium watch market in the PRC in 2013. Our Group ranked fourth in terms of retail sales value and retail sales volume in the PRC in 2013. Our primary competitors are other suppliers of Swiss-made premium watches in our principal markets with the retail price range from RMB6,000 to RMB20,000.

There are barriers to entry in the premium watch market which include: (i) considerable capital investments and time required to build a strong brand; (ii) ability to supply quality watches in line with market trends and (iii) the ownership of production facility in Switzerland. For further details, please refer to section headed “Industry Overview” in this prospectus.

Our Directors believe that our key competitive advantages over our competitors are our globally recognised Swiss watch brand with a leading market position in the PRC, well-established brand image, Swiss manufacturing quality, our well-established distribution network with strong focus in the PRC, our vertically integrated business model and our experienced management team.

INTELLECTUAL PROPERTY

We believe that intellectual property rights associated with our brand and watches are important to our business development. We currently sell our watches under our Ernest Borel (依波路) brand. As at the Latest Practicable Date, we registered 237 trademarks in various countries for our brand and watches. We are in the process of applying for one trademark in each of Brazil, Vietnam and Argentina. For details of such trademarks, please refer to the paragraph headed “Our Intellectual Property Rights — Trademarks” in Appendix IV of this prospectus.

As at the Latest Practicable Date, we have registered 14 design patents in the PRC for our brand and watches. For details of such design patents, please refer to the paragraph headed “Our Intellectual Property Rights — Patents” in Appendix IV of this prospectus. Other than trademarks and patents, as at the Latest Practicable Date, we were also the registered proprietor of the domain www.ernestborel.ch, which was registered on October 2010 and will expire in December 2016.

As part of the transfer of all assets held by Guangzhou Shihengbao to EB (GZ), all legal titles and/or ownership of the three patents held by Guangzhou Shihengbao were also transferred to EB (GZ). The PRC State Intellectual Property Office has approved the transfer of these three patents.

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EMPLOYEES

As at the Latest Practicable Date, we had 318 full-time employees, of which 217 are in the PRC, 40 are in Switzerland and 61 are in Hong Kong. The following table sets forth a breakdown of our employees by function:

<u>Function</u>	<u>Number of employees</u>
Management and office administration	31
Procurement and logistics	30
Sales and marketing	178
Production and quality control	56
Finance and accounting	14
Product design and development	<u>9</u>
Total	<u>318</u>

We believe that our employees are among the most valuable assets of our Group and have contributed to the success of our Group. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy need. We provide both in-house and external training to our employees to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards. We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination.

We have contracted a number of workers from a staffing company based on our business needs in the PRC. The relevant costs of social insurance and housing funds or employee benefits are borne by the staffing company.

Staff remuneration

We incurred staff costs of approximately HK\$31.5 million, HK\$56.9 million and HK\$72.3 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing 6.4%, 10.3% and 12.0% of our revenue for the corresponding periods.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their position. Members of our sales staff are also eligible for commissions based on their ability to meet sales targets. In addition, year-end bonuses may also be awarded to our employees, at our discretion and based on employee performance. Yearly performance appraisals are conducted to ensure that our employees receive feedback on their performance.

We have maintained good working relationships with our employees. Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. As at the Latest Practicable Date, no significant labour disputes occurred which adversely affected or were likely to have an adverse effect on our business.

Welfare Contribution

Pursuant to the applicable PRC laws and regulations, we are required to contribute to various social security insurance including pension contributing plans, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and housing provident fund for our employees in the PRC.

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

In Switzerland, our Company contributes to a mandatory post-employment plan, funded by contribution of both employees and employer. The plan is operated by an insurance company in the form of a multi-employer scheme under the Swiss Life Collective BVG Foundation.

During the Track Record Period, our contribution to all social insurance plans for our employees for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$0.7 million, HK\$3.3 million and HK\$4.4 million, respectively.

Employee relationship

We believe we have maintained a good relationship with our employees and our management policies, working environment, development opportunities and employee benefits have contributed to maintenance of good employee relations and employee retention.

During the Track Record Period, we have not experienced any work stoppage or labour strike in the past and have not experienced any significant difficulty in recruiting or retaining qualified staff.

INSURANCE

We carry insurance to protect against a range of contingencies, including, among others, loss or theft of, and damage to, property, plants and equipments, machinery and inventory in our production facility in Switzerland and property and inventory in our principal place of business in Hong Kong. We are not required under PRC law to maintain, and we do not maintain, any product liability insurance. We believe that it is not the usual industry practice in the PRC to maintain such insurance.

The premiums that we paid for our insurance were approximately HK\$0.2 million, HK\$0.4 million and HK\$0.3 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing 0.04%, 0.08% and 0.05% of our revenues for those periods.

We believe that our insurance coverage is adequate and in line with industry norm. We have not experienced any material claims on our insurance policies during the past five years. During the Track Record Period, we had not make nor been the subject of any material insurance claim.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

As at the Latest Practicable Date, there were no litigation or arbitration bankruptcy or receivership proceedings pending or, to our knowledge, threatened against us or any of our Directors which could have a material adverse effect on our business or operations.

Licences, Approvals and Permits

PRC

As advised by our PRC Legal Adviser, EB (GZ) has obtained all requisite permits, licenses and approvals from relevant regulatory authorities for our operations in the PRC. EB (GZ) has not violated the PRC laws nor operated beyond its business scope set out in its business license.

Switzerland

As advised by our Swiss legal adviser, we have obtained all requisite permits, licenses and approvals from relevant regulatory authorities for our operation in Switzerland. We are in compliance with all relevant laws and regulations of Switzerland in all material respects.

Non-compliance records

Except as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The table below sets out summaries of certain incidents of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us. Taking into account (i) the rectification actions taken by us and the status of these non-compliance incidents; (ii) the potential legal consequences arising from these non-compliance incidents; and (iii) the materiality of the potential fines, if any, we have not made any provision in relation to these non-compliance incidents other than the HK\$7.75 million provision made for additional profit tax payable as detailed in the table below.

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During the Track Record Period, our Group has failed to comply with certain applicable laws and regulations in Hong Kong and in the PRC, a summary of which is set out as follows:

Name of our subsidiaries	Event(s) of non-compliance	Remedial action(s) taken and to be taken	Legal consequence(s) and maximum potential penalty	Measures in place to prevent recurrence of the non-compliant incidences
Hong Kong non-compliance				
EB (Far East)	EB (Far East) failed to hold its first annual general meeting within 18 months after the date of incorporation as required under section 111 of the Predecessor Companies Ordinance. Further, EB (Far East) held the annual general meeting of 1995 one day beyond the 15 months permitted by section 111(1) of the Predecessor Companies Ordinance.	<p>EB (Far East) has applied to the High Court of Hong Kong for an order to convene its first general meeting and such general meeting shall constitute the annual general meeting of our Company for the year 1981 and the relevant court orders have been made by the High Court of Hong Kong on 14 September 2012 and 18 July 2013 accordingly.</p> <p>As for the annual general meeting of 1995, though as advised by the litigation counsel of EB (Far East) that no application could be made to the High Court of Hong Kong to ratify such breach, the fact has been presented to the court together with the application made to the High Court of Hong Kong for an order to convene its first general meeting.</p>	Pursuant to section 111 of the Predecessor Companies Ordinance, the company and every officer of the company who is in default is liable to a fine of HK\$50,000.	<ol style="list-style-type: none"> 1. Mr. Lau Fan Yu, the company secretary of our Company, will assist EB (Far East) in ensuring compliance with section 429 (directors must lay financial statements etc. before company in general meeting) and section 610 (requirement to hold annual general meeting of the Companies Ordinance). 2. Our audit committee will oversee our financial reporting and internal control procedures. 3. Our Directors have attended training as to the relevant requirements of the Companies Ordinance on 24 January 2014 provided by our Hong Kong legal adviser to our Company. 4. We intend to engage Hong Kong legal adviser to continue to provide legal advice and training on various compliance matters from time to time, as and when needed.
EB (Far East)	EB (Far East) failed to lay the audited accounts for the year ended 30 June 1990, for the period ended 31 December 1990, for the years ended 31 December 1991, 1992 and 1994 before its shareholders at its annual general meeting within nine months since the relevant preceding accounts under section 122 of the Predecessor Companies Ordinance.	EB (Far East) has applied to the High Court of Hong Kong for an order to lay the accounts at the relevant annual general meetings subsequently held and approved the relevant accounts or at an annual general meeting to be convened for the accounts that have never been presented at an annual general meeting. Court orders have been made by the High Court of Hong Kong on 14 September 2012 and 18 July 2013 accordingly.	Pursuant to section 122 of the Predecessor Companies Ordinance, if a director of a company fails to take all reasonable steps to comply with the requirements under the section, such person is liable to a maximum fine of HK\$300,000. Further, if it is proven that the breach was willfully committed, such director could be sentenced to imprisonment for up to 12 months.	

BUSINESS

Name of our subsidiaries	Event(s) of non-compliance	Reason(s) for non-compliance	Remedial action(s) taken and to be taken	Legal consequence(s) and maximum potential penalty	Measures in place to prevent recurrence of the non-compliant incidences
Hong Kong non-compliance					
EB (Far East)	EB (Far East) has understated of tax provision for the years of assessment of 2008/09, 2009/10 and 2010/11 for HK\$2,627,986, HK\$1,810,384 and HK\$3,306,239, respectively, totaling HK\$7,744,609.	Caused by restatement of comparative financial information in audited financial statements of EB (Far East) for the year ended 31 December 2011 due to prior year adjustments made for the year ended 31 December 2008, 2009 and 2010, including for (i) understatement of the unit cost of inventory items held for the three years ended 31 December 2010, (ii) cash accounting used rather than accrual basis for certain expenses such as advertising, warranty and rental expenses for the three years ended 31 December 2010, (iii) understatement of property, plant and equipment and overstatement of expenses due to the recognition of certain display counters as expenses for the three years ended 31 December 2010, and (iv) presentation for certain line items for the year ended 31 December 2010 to conform to presentation for the year ended 31 December 2011.	<ol style="list-style-type: none"> EB (Far East) voluntarily rectified the tax submission for each of the years of assessment 2008/09 to 2010/11 to the Inland Revenue Department on 29 July 2013. EB (Far East) made full provision of HK\$7,745,000 to cover the additional tax payable due to revised tax computation. 	<ol style="list-style-type: none"> Pursuant to section 80(2) of the Inland Revenue Ordinance, EB (Far East) is liable upon conviction to a fine of HK\$10,000 and a penalty of up to three times the tax undercharged for incorrect returns filed without reasonable excuse. Pursuant to section 82A of the Inland Revenue Ordinance, if no prosecution under section 80(2) of the Inland Revenue Ordinance has been instituted in respect of the same fact, EB (Far East) is liable to be assessed under such section to additional tax of an amount not exceeding three times the amount of tax which has been undercharged. The tax adviser to EB (Far East) has advised that based on (i) EB (Far East) has not received any update from the Inland Revenue Department regarding the revised tax submission on 29 July 2013, (ii) the tax adviser is not aware of any notice provided under section 82A of the Inland Revenue Ordinance for assessment of additional tax payable, (iii) verbally confirmed with the assessor in charge at the Inland Revenue Department that in normal case, they would regard these adjustments as technical adjustments instead of incorrect return filed without reasonable cause, and will not impose penalty, the chance for the Inland Revenue Department to impose penalty is very low and thus, the additional provision of HK\$7,745,000 would be sufficient to cover the additional tax payable as a result of the prior year adjustments for the years of assessment 2008/09 to 2011/12. The counsel to our Company and barrister-at-law in Hong Kong, George T.Y. Hui, has advised that the risk of EB (Far East) being prosecuted for, and convicted of, a criminal offence under section 80(2) of the Inland Revenue Ordinance and the risk of its being found liable for additional assessment under section 82A of the Inland Revenue Ordinance is very remote due to (i) in adopting the accounting treatments in the accounts for the years ended 31 December 2008, 2009 and 2010, EB (Far East) has relied on the professional advice and judgment of its then auditors, and its accounting staff in implementing its policy, and (ii) even if any tax return, statement or information submitted to the Inland Revenue Department were incorrect as a result of adoption of accounting treatments in the said accounts, EB (Far East) had, by reason of matters in (i) above, a reasonable excuse. 	<ol style="list-style-type: none"> Engaged Mr. Lau Fan Yu, our Group financial controller, to oversee all accounting matters relating to our Group and EB (Far East). Engaged an independent internal control adviser to undertake an evaluation of internal controls on financial reporting and fully adopted the action plans for improvement in internal controls recommendation including (i) established comprehensive policies and procedures for financial reporting and disclosure processes and related checklists, period-end procedures, adjustment procedures, and maintenance of chart of accounts, (ii) established comprehensive policies and procedures for inventory management process and related accounting treatment and inventory valuation methods, (iii) to conduct independent review of journal vouchers, period-end closing checklists and management accounts; and (iv) established formal corporate planning and budgetary control process. Following the remediation steps implemented, our Directors confirmed that no similar accounting errors were identified or adjustments were made during the audit of the Track Record Period by Deloitte Touche Tohmatsu.

BUSINESS

Name of our subsidiaries	Event(s) of non-compliance	Reason(s) for non-compliance	Remedial action(s) taken and to be taken	Legal consequence(s) and maximum potential penalty	Measures in place to prevent recurrence of the non-compliant incidences
PRC non-compliance					
依波路(廣州)貿易有限公司 (Ernest Borel (Guangzhou) Trading Co., Ltd*)	The labour dispatch of EB (GZ) has breached the requirements under the PRC Labour Contract Law	<ol style="list-style-type: none"> 1. The labour dispatch agreement entered in by and between EB (GZ) and 前錦網絡信息技術(上海)有限公司 (Qianjing Network Information Technology (Shanghai) Co., Ltd.*) has not set out part of explicit substances in accordance with the requirements under the PRC Labour Contract Law. 2. The labour dispatch of EB (GZ) has involved the engagement of, inter alia, regional director and regional sales manager, and such employment has not been compliant with the requirement under the PRC Labour Contract Law that only temporary, auxiliary or substitute positions can engage dispatched workers. 	<ol style="list-style-type: none"> 1. EB (GZ) shall enter into a supplementary agreement to the labour dispatch agreement with and 前錦網絡信息技術(上海)有限公司 (Qianjing Network Information Technology (Shanghai) Co., Ltd.*) with an aim to set out the required explicit substances in full. The supplementary agreement has been executed on 5 April 2014. 2. EB (GZ) shall enter into labour contracts with all workers who are not engaged as temporary, auxiliary or substitute positions with an aim to comply with the requirements of relevant laws and regulations. All labour contracts has been executed on 13 May 2014. 	In the event of breach of legal requirements of labour dispatch by EB (GZ), it may be ordered by the authority-in-charge of labour administration to rectify the breach. Failure to rectify within a stipulated period, a fine in amount between RMB5,000 to RMB10,000 per worker may be imposed. As at 25 February 2014, the number of dispatched workers of EB (GZ) was 109.	<ol style="list-style-type: none"> 1. Review on the crucial contracts, including the labour dispatch agreement, will be conducted by the external retainer legal adviser of EB (GZ); 2. The number and proportion of dispatched workers will be reduced gradually in two years.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental Matters

As advised by our Swiss legal adviser, the relevant Swiss environmental legislation is not applicable to the activities carried on by us in Switzerland, with the exception of the sorting of wastes. As confirmed by our Swiss legal adviser, we are in compliance with the currently valid environmental standards concerning waste management for watchmaking companies.

The operation activities in Switzerland do not involve the use of large quantities of washing water or cutting oil and they do not give rise to emissions of gases of any kind which would necessitate a special authorisation in view of pollution risks or the hazards connected with the activities carried on.

Our Swiss legal adviser confirmed that we are in compliance with all of the environmental protection laws applicable, provided that waste products are properly sorted. Our Directors do not anticipate that our production will produce any material quantities of industrial waste in the future. During the Track Record Period, no fines or penalties were imposed on us for any non-compliance with applicable environmental protection or related laws and regulations.

Social, Health and Work Safety

As indicated by the confirmation produced by The Social Insurance Administration Fund Centre of Tianhe District, Guangzhou on 11 December 2013, EB(GZ) has made the social insurance registration and participated in the schemes of basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance. As at 11 December 2013, the Social Insurance Administration Fund Centre has not discovered any failure by EB(GZ) to pay social insurance premiums payable, nor received any complaint in respect of social insurance from the employees of EB(GZ). Our PRC Legal Adviser is of the view that the Social Insurance Administration Fund Centre is competent to produce such Statement.

Our employees' manual contains policies and procedures regarding work safety and occupational health issues. We provide our employees with annual medical checks and safety training. Our human resources department is responsible for recording and handling work accidents and implementing policies regarding work safety and occupational health issues as well as maintaining relevant compliance records.

During the Track Record Period, we did not encounter any material safety accident, there were no claims for personal or property damages and no compensation was paid to employees in respect of claims for personal or property damages.

PROPERTIES

As at the Latest Practicable Date, we owned two properties at Rue des Perrières, 2340 Le Noirmont, Switzerland, on which one building was constructed for production and another one was for office and ancillary purpose. We have also entered into a purchase agreement to buy a parcel of land at Rue de l'Ouest, 2340 Le Noirmont, on 31 March 2012. We have leased five properties in Hong Kong, three properties in Guangzhou and one property in Shanghai, Beijing and Chengdu. The majority of the leased properties were used as warehouse and office premises. The total carrying amounts of our property interests and of our total assets as at 31 December 2013 were HK\$30.9 million and HK\$745.1 million, respectively.

As of 31 December 2013, each of our owned properties had a carrying value of below 15% of our combined total assets. On this basis, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. Furthermore, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings.

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Owned properties

As at the Latest Practicable Date, we owned one properties in Switzerland for our production in Switzerland.

No.	Description/Location	Gross	Nature of interest	Existing usage
		Floor Area (sq. m.)		
1.	8 Rue des Perrières, 2340 Le Noirmont Switzerland	1,450	owned by EB (Switzerland)	One building on this land is for the office and ancillary purpose and another building is for production purpose. Car park for the property at 8 Rue des Perrières, 2340 Le Noirmont Switzerland.

Property to be purchased

On 21 May 2008, EB (Switzerland) as purchaser and a vendor who is an independent third party in Switzerland entered into a promise to contract pursuant to which the vendor agrees to sell and EB (Switzerland) agrees to purchase the piece of land with the particular as follows:

No.	Description/Location	Gross	Intended usage
		Floor Area (sq. m.)	
1.	7 Rue de l'Ouest, 2340 Le Noirmont Switzerland	1,694	This property is intended for the expansion of the factory and offices located in 8, Rue des Perrières.

The consideration of the abovementioned property is CHF1,350,000 which has been fully paid by EB (Switzerland).

Leased properties

As at the Latest Practicable Date, we leased five properties in Hong Kong and six properties in the PRC, respectively in Guangzhou, Shanghai, Beijing and Chengdu for our business activities and operations. As at the Latest Practicable Date, five of our lease agreements have not been registered with the relevant PRC authorities by the landlords. As advised by our PRC Legal Adviser, the non-registration of the lease agreements would not affect the possession and use of the leased properties by us according to the lease agreements and PRC laws and regulations. For further details, please refer to the paragraph headed "Risk Factors — Our rights to use certain of our leased premises could be challenged and we may be subject to fines as a result of unregistered leases".

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No.	Description/Location	Gross Floor Area	Lessee	Existing Usage	Lease Term
		(sq.m.)			
1.	Suits 1101–3 and 1112–14 on Level 11 of Tower 6 of The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Hong Kong	1,120.0	EB (Far East)	Office	1 November 2013 to 31 October 2016
2.	Duplex Shop C on Ground Floor and First floor of Burlington House Nos. 90, 90A, 90B, 92, 94, 94A, 94B & 94C, Nathan Road Kowloon Hong Kong	120.0	EB (Far East)	Flagship store	16 April 2014 to 15 April 2017
3.	Unit A03 on Level 14 of Mai Wo Industrial Building No. 90–98 Kwai Cheong Road Kwai Chung Hong Kong	100.0	EB (Far East)	Warehouse	1 May 2014 to 30 April 2016
4.	Flat 4 on 5/F Man Shing Building No. 45 Kwong Fai Circuit Kwai Chung Hong Kong	29.1	EB (Far East)	Staff quarter	1 June 2014 to 31 May 2016
5.	Unit 26D of Block 2 Kwai Chung Plaza No. 7 Kwai Foo Road Kwai Fong Hong Kong	29.5	EB (Far East)	Staff quarter	1 August 2012 to 31 July 2014
6.	Unit 701 on Level 7 of Taikoo Hui Tower 1 No. 385 Tianhe Road Tianhe District Guangzhou The PRC	976.0	EB (GZ)	Office	18 October 2011 to 17 October 2016
7.	Unit 1702 on Level 17 of an office building No. 400 Zhejiang Middle Road Huangpu District Shanghai The PRC	136.2	EB (GZ)	Office	1 May 2014 to 30 April 2016

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No.	Description/Location	Gross	Lessee	Existing Usage	Lease Term
		Floor Area (sq.m.)			
8.	Unit 805 on Level 8 No. 11 Chongwenmenwai Street Dongcheng District Beijing The PRC	157.7	EB (GZ)	Office	15 April 2012 to 14 April 2015
9.	Unit 11 on Level 14 of Huamin Empire Plaza No. 1 Fuxing Street Jinjiang District Chengdu The PRC	93.5	EB (GZ)	Office	1 January 2014 to 31 December 2014
10.	Room 1106 No. 194 Longkou West Road Tianhe District Guangzhou The PRC	59.6	EB (GZ)	Staff quarter	16 September 2013 to 15 September 2014
11.	Room 2203 No. 79 Tianhe East Road Tianhe District Guangzhou The PRC	137.1	EB (GZ)	Staff quarter	11 May 2014 to 10 May 2016
Total:		<u>2,958.7</u>			

Except for the leases in Beijing, which we entered into with Su Ran, all of the above leases were entered into with lessors who are Independent Third Parties. Please refer to the section on “Connected Transactions — exempted continuing connected transaction” of this prospectus for details.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Leasing of Premises by Mr. Su Ran to EB (GZ)

On 19 April 2012, Mr. Su Ran as landlord entered into a tenancy agreement (the “Tenancy Agreement”) with EB (GZ), one of our subsidiaries, as tenant. Under the Tenancy Agreement, Mr. Su Ran leased to EB (GZ) the premises on Room 805, 8th Floor, 11 Chongwenmenwai Road, Dongcheng District, Beijing, PRC with a gross floor area of 157.69 sq.m for commercial use as an office for a term commencing from 15 April 2012 to 14 April 2015 at the annual rent of RMB192,000.

Mr. Su Ran is a substantial shareholder of our Company under the Listing Rules. Accordingly, Mr. Su Ran is a connected person of our Company under Chapter 14A of the Listing Rules. The lease under the Tenancy Agreement will therefore constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules following the Listing.

Listing Rules Implications

Our Directors have confirmed that the lease under the Tenancy Agreement is on normal commercial terms or on terms more favourable to our Group. The aggregate annual rent payable to Mr. Su Ran by our Group under the Tenancy Agreement is RMB192,000. Given that (i) the terms of the Tenancy Agreement is on normal commercial terms, and (ii) each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000, the lease under the Tenancy Agreement is a *de minimis* transaction and will be exempted from reporting, annual review, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules as amend and to come into effect on 1 July 2014.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SUMMARY INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information regarding members of our Board and our senior management:

Directors

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship among Directors and senior management</u>	<u>Date of joining our Group</u>	<u>Date of appointment as a Director</u>
Mr. Su Da (蘇大)	49	Executive Director and Chairman of our Board, and chairman of our nomination committee	Strategic sales, marketing planning and overall business development	Elder brother of Mr. Su Ran	1993	6 April 2012
Mr. Wong Pong Chun James (黃邦俊)	55	Executive Director and member of our remuneration committee	operations, internal controls and risk management, investors' relationship and external affairs	No	1993	16 September 1993
Ms. Liu Libing (劉麗冰)	45	Executive Director	Financial affairs, administrative and human resource management of the PRC market	No	January 2012	18 June 2012
Mr. Chan Kwan Pak Gilbert (陳君珀)	37	Non-executive Director	providing strategic advice to our Company, attending meetings of the Board to perform duties, but not participating in the day to day management of our business operations	No	June 2012	19 June 2012
Mr. Pan Di (潘迪)	32	Non-executive Director	providing strategic advice to our Company, attending meetings of the Board to perform duties, but not participating in the day to day management of our business operations	No	December 2013	31 December 2013
Mr. Zhang Huaqiao (張化橋)	51	Independent non-executive Director and member of our audit committee, remuneration committee and nomination committee	attending meetings of the Board to perform duties, but not participating in the day to day management of our business operations	No	June 2014	24 June 2014

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship among Directors and senior management</u>	<u>Date of joining our Group</u>	<u>Date of appointment as a Director</u>
Mr. Lo Chi Chiu.	40	Independent non-executive Director, chairman of our audit committee and remuneration committee, and member of our nomination committee	attending meetings of the Board to perform duties, but not participating in the day to day management of our business operations	No	June 2014	24 June 2014
Mr. Cheung Kam Min Mickey (張錦麟).	44	Independent non-executive Director and member of our audit committee, remuneration committee and nomination committee	attending meetings of the Board to perform duties, but not participating in the day to day management of our business operations	No	June 2014	24 June 2014

Senior Management

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship among Directors and senior management</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>
Mr. Renaud de Retz	40	Chief executive officer of EB (Switzerland)	Overall management of EB (Switzerland)	No	April 2013	April 2013
Mr. Jean-François Bodard	41	Production manager of EB (Switzerland)	Management of watch makers and technical and quality control of products	No	January 2012	January 2012
Mr. Lau Fan Yu (劉範儒)	46	Company secretary, group financial controller of our Company and finance controller of EB (Far East)	Management of overall financial and accounting affairs of our Group	No	February 2012	May 2012
Ms. Chu Yuen Ling Teresa (朱婉玲)	36	Marketing communications director of EB (Far East)	Overall advertising and public relations management of EB (Far East)	No	July 2006	September 2011
Ms. Song Yi (宋怡)	38	Operations director of EB (Far East)	Overall operational management of EB (Far East)	No	September 2010	January 2013
Mr. Su Ran (蘇然)	46	Logistics director of EB (Far East)	Custom declaration control and logistics management of EB (Far East)	Younger brother of Mr. Su Da	August 2010	August 2010

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship among Directors and senior management</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>
Mr. Wong Fung (王峰)	32	Sales and marketing director of EB (Far East)	Overall sales and marketing management of Hong Kong, Macau and south east Asia area for EB (Far East)	No	August 2013	August 2013
Mr. Xu Xuexin (徐學新)	45	Sales director of Eastern China area of EB (GZ)	Overall marketing and sales management of eastern China area for EB (GZ)	No	June 2012	June 2012

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of eight Directors, of whom three are executive Directors, two are non-executive Directors, and three are independent non-executive Directors.

Executive Directors

Mr. Su Da (蘇大), aged 49, is one of our executive Directors and Chairman of our Board. Mr. Su has been appointed as a Director on 6 April 2012. Mr. Su is also the chairman of our nomination committee. In addition, Mr. Su is a director of EB Investment, EB (HK) and EB (Far East). Mr. Su has over 30 years of experience in the watch industry and is primarily responsible for the strategic sales, marketing planning and overall business development of our brand. From 1993 to 2002, Mr. Su was the managing director of EB (Far East) and was primarily engaged in the distribution of our watches in the PRC and had assisted our Group in developing sales channels and devising marketing strategies for our brand in the PRC market. From December 2002 to December 2005, he was the managing director of Guangzhou Shihengbao responsible for development and implementing business development strategies and overseeing the overall administrative and business activities. Since 1 January 2003, he has been the chief executive officer of EB (Far East) and is primarily responsible for overlooking the business operation, strategic planning, estimating productivity and profitability of business arrangements and establishing company goals in the south Asia Pacific area. Since 2012, Mr. Su has been the vice-president of the management committee for watch enterprises of the China Business Enterprise Management Association (中國商業企業管理協會) and a member of Hong Kong General Chamber of Commerce (香港總商會). Mr. Su received his college diploma in e-commerce from South China Normal University (華南師範大學) in August 2006.

Mr. Su has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Su has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Wong Pong Chun James (黃邦俊), aged 55, is one of our executive Directors. Mr. Wong was appointed as a Director on 16 September 1993. Mr. Wong is also a member of our remuneration committee. In addition, Mr. Wong is a director of EB Investment, EB (HK) and EB (Far East). Mr. Wong has over 20 years of experience in the general management of our

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Group's operations. Mr. Wong is an executive director of Truly International Holdings Limited, which is a publicly listed company on the Stock Exchange (stock code: 732) where he has been primarily responsible for the operations, internal controls and risk management, investors' relationship and external affairs. Mr. Wong received a doctor's degree of dental medicine from the Centro Escolar University, Philippines in May 1983.

Save as disclosed above, Mr. Wong has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Wong has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Ms. Liu Libing (劉麗冰), aged 45, is one of our executive Directors and the general manager and a director of EB (GZ). Ms. Liu was appointed as a Director on 18 June 2012. Ms. Liu has over 12 years of experience in the watch industry and is primarily responsible for the financial affairs, administrative and human resource management of the PRC market. From December 2002 to December 2011, she worked as the human resource manager of Guangzhou Shihengbao and was responsible for human resource management and overall financial affairs. Since January 2012, she has been the general manager of our Group's PRC operations under EB (GZ) and is responsible for the implementing and executing administrative plans and human resource allocation, incentive and remuneration plans for our Group's operation in the PRC. Ms. Liu graduated from Guangdong Shanwei High School (廣東省汕尾中學) in June 1988.

Ms. Liu has not been a director of any company listed in Hong Kong or overseas for the last three years. Ms. Liu has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Non-executive Directors

Mr. Chan Kwan Pak Gilbert (陳君珀), aged 37, is one of our non-executive Directors. Mr. Chan was appointed as a Director on 19 June 2012. Mr. Chan has been the director of GB Autos Ltd. since May 2006, the director of Golden Gate Group Int'l Ltd. since March 2010 and the director of Harvest Finance Ltd. and Harvest Securities Ltd. since November 2011. Mr. Chan received his bachelor's degree of Engineering in Mechanical Engineering Technology from Kingston University, United Kingdom in July 2001.

Mr. Chan has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Chan has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Pan Di (潘迪), aged 32, is one of our non-executive Directors. Mr. Pan was appointed as a Director on 31 December 2013. From 2007 to 2010, he worked as an attorney assistant and trainee solicitor with the securities department of King & Wood in Shanghai, PRC. Since 2010, Mr. Pan has worked at Greenwoods Private Equity Funds (景林股權投資基金) and currently holds the position of a director with primary focus in investments in consumer and telecommunications, media and technology industries. Mr. Pan received his bachelor's degree in law from Fudan University (復旦大學) in the PRC in July 2004. Mr. Pan is an attorney admitted to practise law in the PRC.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Pan has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Pan has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Independent non-executive Directors

Mr. Zhang Huaqiao (張化橋), aged 51, is one of our independent non-executive Directors. Mr. Zhang was appointed as a Director on 24 June 2014. Mr. Zhang is also a member of our audit committee, remuneration committee and nomination committee. He has been a director of Nanjing Central Emporium (Group) Co., Ltd. (南京中央商場(集團)股份有限公司) (stock code: 600280), a company listed on the Shanghai Stock Exchange, since March 2013. Mr. Zhang is also an independent non-executive director of Yancoal Australia Limited (stock code: YAL), a company listed on the Australian Securities Exchange, since April 2014. He is also an independent non-executive director of Fosun International Limited (stock code: 656), Zhong An Real Estate Limited (stock code: 672), China Huirong Financial Holdings Limited (stock code: 1290), Fuguiniao Co. Ltd (stock code: 1819) and Logan Property Holdings Company Limited (stock code: 3380), and a non-executive director of Boer Power Holdings Limited (stock code: 1685) and China Smartpay Group Holdings Limited (previously known as Oriental City Group Holdings Limited) (stock code: 8325), all of which are companies listed on the Stock Exchange. Mr. Zhang is also the independent non-executive director of Luye Pharma Group Ltd. since June 2014. From June 1999 to April 2006, Mr. Zhang worked with UBS Securities Asia Limited, ultimately becoming the managing director and co-head of the China research team. Between March 2006 to September 2008, Mr. Zhang worked with Shenzhen Investment Limited (stock code: 604), a company listed on the Stock Exchange, as its chief operating officer. Mr. Zhang was also the executive director of Shenzhen Investment Limited between May 2006 and September 2008. Between April 2006 and September 2008, Mr. Zhang was a non-executive director of Shenzhen International Holdings Limited (stock code: 152), a company listed on the Stock Exchange. From September 2008 to June 2011, Mr. Zhang worked with UBS AG (Hong Kong branch) with his last position as deputy head of the investment banking department of UBS China and managing director of UBS AG (Hong Kong branch). Mr. Zhang was an executive director and chief executive officer of Man Sang International Limited (stock code: 938), a company listed on the Stock Exchange, between September 2011 and April 2012. Mr. Zhang obtained a master's degree in economics from the Graduate School of the People's Bank of China in 1986 and a master's degree in development economics from the Australian National University in 1991.

Save as disclosed above, Mr. Zhang has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Zhang has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Lo Chi Chiu (盧志超), aged 40, is one of our independent non-executive Directors. Mr. Lo was appointed as a Director on 24 June 2014. Mr. Lo is also the chairman of our audit committee and remuneration committee, and a member of our nomination committee. Mr. Lo has over 15 years of accounting experience in international accounting firms and various corporations.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

From August 1995 to October 1997, Mr. Lo worked as a staff accountant in the audit department of Ernst & Young. From December 1997 to June 2001, Mr. Lo worked as a senior associate and later, as a manager, in the business advisory services department at PricewaterhouseCoopers Ltd. From July 2001 to July 2002, Mr. Lo worked as financial controller for Technicon Engineering Limited. From July 2002 to November 2002, Mr. Lo worked as financial controller for Zhejiang Xinfu Biochemical Co., Ltd* (浙江鑫富生化股份有限公司). From December 2002 to June 2003, Mr. Lo worked as financial controller for Shenzhen Glory Medical Co., Ltd* (深圳市尚榮醫療股份有限公司). From June 2004 to August 2006, Mr. Lo worked at Integrated Distribution Services Group Management Limited, a subsidiary of Integrated Distribution Services Group Limited, a company that was listed on the Stock Exchange (stock code: 2387) but was subsequently acquired by Li & Fung Limited by way of privatisation. The last position held by Mr. Lo at Integrated Distribution Services Group Management Limited was as a finance manager. From August 2006 to November 2010, Mr. Lo was the chief financial officer at Haitian International Holdings Limited (stock code: 1882), a company listed on the Stock Exchange. Between November 2010 and January 2011, Mr. Lo was the company secretary and chief financial officer of Truly International Holdings Limited (stock code: 732), a company listed on the Stock Exchange. From February 2011 to August 2011, Mr. Lo was the chief financial officer for VPower Holdings Limited. Mr. Lo rejoined Haitian International Holdings Limited in September 2011 and has been their chief financial officer to present, mainly responsible for handling investor relations, finance and treasury functions, and internal and external financial reporting.

Mr. Lo obtained a bachelor's degree in business administration from the University of Hong Kong in 1995. Mr. Lo is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Lo has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

Mr. Cheung Kam Min Mickey (張錦繇), aged 44, is one of our independent non-executive Directors. Mr. Cheung was appointed as a Director on 24 June 2014. Mr. Cheung is also a member of our audit committee, remuneration committee and nomination committee. From January 1998 to October 2000, Mr. Cheung worked as an assistant solicitor at various law firms, including Yeung & Co., Norman M.K. (楊敏健律師行), Wong & Fok (黃霍律師行) and Ong & Chung (王東昇、鍾金榮律師事務所). From October 2000 to October 2003, he worked as a partner at Wong & Co., T.H. (黃德慶廖瑞彪律師事務所) (formerly known as T.H. Wong & Co. (黃德慶律師事務所)). He worked as a partner at Fung & Liu (廖璧欣律師事務所) and Victor Chiu Tsang & Partners (趙曾律師事務所) from December 2003 to November 2004 and December 2003 to July 2005, respectively. He has been the founding partner of K.M. Cheng & Co., Solicitors, (張錦繇律師事務所) since January 2005. Mr. Cheung obtained a bachelor's degree in business administration from the University of Hong Kong in 1993. He further completed a Common Professional Examination in 1994 and Postgraduate Certificate in Laws in 1995. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in December 1997. Mr. Cheung is currently a practising solicitor of the High Court of Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Cheung has not been a director of any company listed in Hong Kong or overseas for the last three years. Mr. Cheung has no other information to be disclosed pursuant to Rules 13.51(2)(h) to (w) of the Listing Rules.

None of our Directors have any interests in any business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business.

SENIOR MANAGEMENT

Mr. Renaud de Retz, aged 40, was appointed as chief executive officer of EB (Switzerland) in April 2013. Mr. Retz has over 10 years of experience in the watch industry and is primarily responsible for the overall management of EB (Switzerland). From 1998 to 1999, he worked as a sales manager at Longines, The Swatch Group (France). From 2000 to 2001, he worked for La Société, Jaeger-LeCoultre, France S.A. and was mainly responsible for strategic marketing. From 2001 to 2003, he worked as an international project manager for La Société, LVMH Watches & Jewellery. From 2004 to 2009, Mr. Retz co-founded and served as managing director at Hautlence S.A., a company principally engaged in the design and production of watches in Switzerland. In 2010, he co-founded Reglisse Jewellery, a company principally engaged in the design and production of jewellery in Switzerland, and was primarily responsible for the development of international sales network and brand image. Mr. Retz obtained a master's degree in marketing and international strategy from European Business School in March 1997.

Mr. Retz has not been a director of any company listed in Hong Kong or overseas for the last three years.

Mr. Jean-François Bodard, aged 41, was appointed as production manager of EB (Switzerland) in January 2012. Mr. Bodard has over 8 years of experience in the watch industry and is primarily responsible for the management of our watch makers as well as the technical and quality control of our products. From March 2006 to August 2011, he worked as a watch making operator and head of movement assemblage workshop at Société des Montres Paul Picot S.A. From August 2011 to December 2011, he worked as the head watchmaker for Vincent Bérard S.A. in Switzerland. Mr. Bodard received his watchmaker certificate in Switzerland awarded by The Centre for Continuing Education in Watchmaking in March 2006.

Mr. Bodard has not been a director of any company listed in Hong Kong or overseas for the last three years.

Mr. Lau Fan Yu (劉範儒), aged 46, was appointed as the finance controller of EB (Far East) in February 2012, the company secretary of our Company on 16 May 2012 and the group financial controller of our Company in November 2013. Mr. Lau was admitted as a fellow of the Association of Chartered Certified Accountants in October 2004. He has also been a certified accountant of the Hong Kong Institute of Certified Public Accountants since January 2000. Mr. Lau has over 22 years of experience in the field of finance and accounting and is primarily responsible for management of the overall financial and accounting affairs of our Group. From 1992 to 2005, Mr. Lau has worked in various positions at Growth-Link Trade Services Company, Limited, a company primarily engaged in the trading of footwear and related materials, with the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

last position as general manager, operation responsible for all finance and operation affairs. From 2006 to 2011, he worked as the finance director at Right Management, Greater China, a company primarily engaged in the provision of human resources consultancy services.

Mr. Lau received his bachelor's degree of commerce (major in finance) from Concordia University, Canada in May 1991. He further completed the master of business administration from City University of Hong Kong in November 2001.

Mr. Lau has not been a director of any company listed in Hong Kong or overseas for the last three years.

Ms. Chu Yuen Ling Teresa (朱婉玲), aged 36, was appointed as senior advertising and public relations manager of EB (Far East) in July 2006, and was appointed as advertising and public relations director of EB (Far East) in September 2011. In February 2014, Ms. Chu was redesignated as marketing communications director of EB (Far East). Ms. Chu has over 14 years of experience in the field of media, advertising and public relations and is primarily responsible for the overall advertising and public relations management of EB (Far East). From March 2003 to November 2004 she worked as the assistant marketing manager and marketing manager at South China Media. From November 2004 to July 2006, she worked as the marketing manager at Sing Tao Management Services Limited. Ms. Chu received her bachelor's degree of arts in marketing from the Hong Kong Polytechnic University in November 2000. She further completed her master's degree of corporate communications from the Chinese University of Hong Kong in December 2005.

Ms. Chu has not been a director of any company listed in Hong Kong or overseas for the last three years.

Ms. Song Yi (宋怡), aged 38 was appointed as the operations manager of EB (Far East) in September 2010 and as the operations director in January 2013. Ms. Song has over 15 years of experience in the watch industry and is primarily responsible for the overall operational management of EB (Far East). From November 1999 to June 2004, she worked as a secretary to deputy general manager in Time City International Co., Ltd. From February 2005 to June 2010, she worked in various positions at Solomon Watch & Jewellery Co., Ltd (which is a wholly owned subsidiary of Peace Mark Group and acquired by Chow Tai Fook Group since October 2008) as logistics manager, as deputy general manager of Peace Mark (Shanghai) Commercial Co., Ltd, and watch department manager of Chow Tai Fook Watch for its China watch retail operations and management headquarter in Chow Tai Fook Jewellery Co., Ltd.

Ms. Song received her bachelor's degree in business administration from Fudan University (復旦大學) in the PRC in July 2002.

Ms. Song has not been a director of any company listed in Hong Kong or overseas for the last three years.

Su Ran (蘇然), aged 46, was appointed as the logistics director of EB (Far East) in August 2010. In addition, Mr. Su is a director of EB Investment. Su Ran has over 19 years of experience in the watch industry and is primarily responsible for the custom declaration control and logistics management of EB (Far East). From 1992 to 2002, he was a sole proprietor

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

primarily engaged in the distribution of our watches in the PRC and had assisted our Group in developing sales channels and devising marketing strategies for our brand in the PRC market. Su Ran is the younger brother of Mr. Su Da.

Mr. Su has not been a director of any company listed in Hong Kong or overseas for the last three years.

Mr. Wong Fung (王烽), aged 32, was appointed as sales and marketing director of EB (Far East) in August 2013. Mr. Wong is primarily responsible for the sales and marketing management of Hong Kong, Macau and south east Asia area for EB (Far East). From August 2006 to August 2013, he worked for The Swatch Group (Hong Kong) Limited, with the last position as sales and marketing manager of Balmain division. Mr. Wong received a bachelor's degree of engineering from The Chinese University of Hong Kong in July 2004.

Mr. Wong has not been a director of any company listed in Hong Kong or overseas for the last three years.

Mr. Xu Xuexin (徐學新), aged 45, was appointed as the sales director of eastern China area of EB (GZ) in June 2012. Mr. Xu is primarily responsible for the overall marketing and sales management of eastern China area for EB (GZ). From April 1996 to August 2003, Mr. Xu worked as a manager at Seiko China. Mr. Xu received his bachelor's degree in economics and politics majoring in investment economics from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1991.

Mr. Xu has not been a director of any company listed in Hong Kong or overseas for the last three years.

COMPANY SECRETARY

Mr. Lau Fan Yu (劉範儒). Please refer to the sub-section headed "Senior Management" above for Mr. Lau's biography.

BOARD COMMITTEES

Audit Committee

We established an audit committee pursuant to a resolution of our Directors passed on 24 June 2014, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendation to our Board on the appointment and removal of external auditor, and to assist our Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The audit committee of our Company consists of three members, being Mr. Lo Chi Chiu, Mr. Cheung Kam Min Mickey and Mr. Zhang Huaqiao. Mr. Lo Chi Chiu is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee pursuant to a resolution of our Directors passed on 24 June 2014, with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee to evaluate and make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure non of our Directors determine their own remuneration. The remuneration committee consists of four members, being Mr. Lo Chi Chiu, Mr. Zhang Huaqiao, Mr. Cheung Kam Min Mickey and Mr. Wong Pong Chun James. Mr. Lo Chi Chiu is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee pursuant to a resolution of our Directors passed on 24 June 2014, with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board. The nomination committee consists of four members, comprising Mr. Su Da, Mr. Cheung Kam Min Mickey, Mr. Zhang Huaqiao and Mr. Lo Chi Chiu. Mr. Su Da is the chairman of the nomination committee.

REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. The remuneration to our employees includes salaries and allowances. We provide training to our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards. Our Group offers competitive remuneration packages to our Directors, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to our Directors for the financial years ended 31 December 2011, 2012 and 2013 were HK\$4,033,000, HK\$3,094,000 and HK\$4,478,000, respectively.

For the financial years ended 31 December 2011, 2012 and 2013, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to the five highest paid individuals were HK\$6,345,000, HK\$6,867,000 and HK\$7,497,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the financial years ended 31 December 2011, 2012 and 2013. Further, none of our Directors had waived any remuneration during the Track Record Period.

The primary goal of the remuneration policy with regard to the remuneration packages of our Group's Directors is to enable our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our Group's Directors remuneration packages include basic salaries and discretionary bonuses.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries and other benefits, performance related bonus, retirement benefit scheme contribution) payable to our Directors for the financial year ending 31 December 2014 will be approximately HK\$5,135,000.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISER

Our Company has appointed Messis Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

PRE-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme to motivate our employees to optimise their performance, efficiency and future contributions to our Group and to reward them for their past contributions to our Group. The principal terms of this scheme are summarised in the paragraph headed “Statutory and General Information — F. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. Additionally, in the case of the executive Directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The principal terms of this scheme are summarised in the paragraph headed “Statutory and General Information — G. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

Our authorised share capital upon the Listing is as follows:

Authorised share capital:

10,000,000,000 Shares HK\$100,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account of any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and option that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the Global Offering and the Capitalisation Issue will be as follows:

<u>(Shares)</u>		<u>HK\$</u>	<u>Approximate percentage of issued share capital (%)</u>
1,000,000	Shares in issue prior to the Capitalisation Issue	10,000	0.29
280,000,000	Shares to be issued under the Capitalisation Issue	2,800,000	80.69
66,000,000	Shares to be issued under the Global Offering	660,000	19.02
<u>347,000,000</u>	Total	<u>3,470,000</u>	<u>100.0</u>

Assuming the Over-allotment Option is exercised in full, and without taking into account of any Shares to be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and option that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the Global Offering and the Capitalisation Issue will be as follows:

<u>(Shares)</u>		<u>HK\$</u>	<u>Approximate percentage of issued share capital (%)</u>
1,000,000	Shares in issue prior to the Capitalisation Issue	10,000	0.28
280,000,000	Shares to be issued under the Capitalisation Issue	2,800,000	78.45
75,900,000	Shares to be issued under the Global Offering ⁽²⁾	759,000	21.27
<u>356,900,000</u>	Total	<u>3,569,000</u>	<u>100.0</u>

SHARE CAPITAL

Notes:

- (1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.
- (2) Assuming a total of 9,900,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table and the Shares that may be issued pursuant to the exercise of the Over-allotment Option, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

THE PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 24 June 2014. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted with options prior to the Listing Date to subscribe for our Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the sections headed “Statutory and General Information — F. Pre-IPO Share Option Scheme” and “Statutory and General Information — G. Share Option Scheme”, respectively, in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

SHARE CAPITAL

For further details of this general mandate, see the section headed “Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders Passed on 24 June 2014” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about Our Group — 5. Repurchase of Our Shares” in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by law or Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Company’s Shareholders in a general meeting.

For further details of this repurchase mandate, see the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders Passed on 24 June 2014” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/nature of interest	As at the Latest Practicable date of this prospectus		Immediately upon the completion of the Global Offering	
		Number of shares of our Company held	Approximate percentage of shareholding	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Mr. Lam	Beneficial owner	3,550	35.50%	99,755,000	28.75%
Force Field ⁽¹⁾	Beneficial owner	3,150	31.50%	88,515,000	25.51%
Mr. Su Da	Beneficial owner	—	—	1,101,103 ⁽²⁾	0.31% ⁽³⁾
	Interest in controlled corporation	3,150	31.50%	88,515,000	25.51%
Mr. Su Ran	Beneficial owner	—	—	550,552 ⁽²⁾	0.16% ⁽³⁾
	Interest in controlled corporation	3,150	31.50%	88,515,000	25.51%
Surplus Union ⁽⁴⁾ . .	Beneficial owner	1,350	13.50%	37,935,000	10.93%
Chan Kin Sun	Interest in controlled corporation	1,350	13.50%	37,935,000	10.93%
Dragon Cloud ⁽⁵⁾ . .	Beneficial owner	1,200	12.00%	33,720,000	9.72%
Greenwood Bloom Fund, L.P. ⁽⁵⁾	Interest in controlled corporation	1,200	12.00%	33,720,000	9.72%
Greenwood Bloom Limited ⁽⁶⁾	Interest in controlled corporation	1,200	12.00%	33,720,000	9.72%

Notes:

- (1) Force Field is owned as to 70% by Mr. Su Da and 30% by Mr. Su Ran. Each of Mr. Su Da and Mr. Su Ran is therefore deemed to be interested in our Shares held by Force Field.
- (2) Shares subject to options under the Pre-IPO Share Option Scheme.
- (3) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme.
- (4) Surplus Union is wholly owned and controlled by Chan Kin Sun. Chan Kin Sun is therefore deemed to be interested in the shares held by Surplus Union.
- (5) Dragon Cloud is wholly owned by Greenwood Bloom Fund, L.P. Greenwood Bloom Fund, L.P. is therefore deemed to be interested in our Shares held by Dragon Cloud.
- (6) Greenwood Bloom Limited is the general partner of Greenwood Bloom Fund, L.P. Greenwood Bloom Limited is therefore deemed to be interested in our Shares held by Dragon Cloud.

SUBSTANTIAL SHAREHOLDERS

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering and Capitalisation Issue, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

INDEPENDENCE FROM OUR SUBSTANTIAL SHAREHOLDERS

Our Substantial Shareholders, under the Listing Rules, are Mr. Lam, Force Field, Mr. Su Da, Mr. Su Ran, Surplus Union and Mr. Chan Kin Sun. Mr. Su Da and Mr. Su Ran are considered Substantial Shareholders as Mr. Su Da and Mr. Su Ran are shareholders of Force Field with shareholdings of 70% and 30%, respectively. Mr. Chan Kin Sun is considered a Substantial Shareholder as he is the sole shareholder of Surplus Union. We consider Mr. Lam and Mr. Su Da, the majority shareholder of Force Field, to be our key Shareholders (the “**Key Shareholders**”). Our Key Shareholders have entered into the Deed of Non-competition in favour of our Group. Please see the paragraph headed “— Deed of Non-Competition” in this section below for further details.

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Key Shareholders and their respective associates after the Global Offering:

Management Independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Su Da is our executive Director and chairman of the Board.

Save as disclosed above, no other Key Shareholders hold any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Key Shareholders after the Global Offering.

SUBSTANTIAL SHAREHOLDERS

Operational Independence

We have independent access to sources of supplies or raw materials for the production of our products, as well as independent access to our retailers and other customers. We have also established a set of internal controls to facilitate the effective operation of our business. Our Group has our own registered trademarks for which we are able to utilise in marketing our products.

In addition, our Directors consider that our operations do not depend on the operation of the Key Shareholders for the following reasons:

- (i) there is no competing business between our Group and our Key Shareholders;
- (ii) there is no connected transaction between our Key Shareholders or their associates and any member of our Group; and
- (iii) upon the Listing, we will not be relying on any guarantee provided by our Key Shareholders in respect of bank borrowings nor have we been given any guarantee for the benefit of our Key Shareholder.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of the Key Shareholders and their associates. Our Group, the Key Shareholder and their associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, the Key Shareholders has not provided any loans to our Group except for the guarantees provided by each of Mr. Lam and Mr. Su Da amounting to approximately HK\$39,983,000, HK\$99,817,000 and HK\$121,318,000 as at 31 December 2011, 2012 and 2013, respectively. Our Directors confirm that upon the Listing, all of the guarantees provided to our Group by Mr. Lam and Mr. Su Da will be discharged in full and our Group do not intend to obtain any further borrowing or guarantee from any of the Key Shareholders. Therefore, our Group has no financial dependence on any Key Shareholders.

DEED OF NON-COMPETITION

The Key Shareholders have entered into the Deed of Non-competition in favour of our Group, pursuant to which each of them had undertaken with our Company (for itself and for the benefit of each of our subsidiaries) that he would not, and would procure that or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his own account or in conjunction with or on behalf of any person,

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firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “**Restricted Business**”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Group and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which he (or his relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or
- (b) having interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by him and/or his associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and he and/or his associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by him and his associates in aggregate.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) our Shares remain listed and traded on the Stock Exchange; (ii) the Key Shareholders or his associates continue to hold equity interest in our Company and (iii) the Key Shareholders, together with the interests of their respective associates are considered a Substantial Shareholder.

CORPORATE GOVERNANCE MEASURES

Pursuant to the Deed of Non-competition, our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by Mr. Lam and Mr. Su Da under the Deed of Non-competition;
- (b) each of Mr. Lam and Mr. Su Da undertakes to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

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- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of Mr. Lam and Mr. Su Da under the Deed of Non-competition in the annual reports of our Company;
- (d) our Company will disclose, with basis, in our annual and interim reports of all rejection by our Company of new opportunities in the Restricted Business that have been referred from Mr. Lam and Mr. Su Da under the Deed of Non-competition; and
- (e) each of Mr. Lam and Mr. Su Da will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual reports of our Company.

Further, each of our Directors confirms that he or she does not have any competing business with our Group. Moreover, pursuant to their respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

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The following discussion and analysis of our financial condition and results of operations is based on the financial information set forth in the Accountants' Report attached as Appendix I of this prospectus. Accordingly, you should read this section in conjunction with our consolidated financial statements and related notes for the financial years ended 31 December 2011, 2012 and 2013, all of which are included in the Accountants' Report. The Accountants' Report has been prepared in accordance with IFRS which may differ in material respects from generally accepted accounting principles in other jurisdictions. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our future financial condition may differ materially from those discussed in these forward-looking statements as a result of various factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the oldest Swiss premium watch makers, established since 1856 in Switzerland and with 158 years of heritage. We design, manufacture, market and sell Swiss-made mechanical and quartz premium watches for men and women under our own brand, Ernest Borel (依波路), with a focus on watches for couples. Leveraging our long history and reputation for Swiss-made premium watches, we have become one of the best-selling brands in the premium watch market in the PRC. According to the Frost & Sullivan Report, we are one of the top five brands of Swiss-made premium watches in the PRC in terms of total retail sales value and total retail sales volume in 2013. According to the Frost & Sullivan Report, Ernest Borel (依波路) ranked second in the premium couple watch market in the PRC in terms of total retail sales value and total retail sales volume in 2013.

We distribute our watches to our end-customers in POS owned and/or operated by our watch retailers and authorised distributors. We have an extensive distribution network with a strong focus on the PRC, Hong Kong, Macau and Southeast Asia market. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and four authorised distributors in Hong Kong, Macau and Southeast Asia and in over 15 POS through more than 10 watch retailers and three authorised distributors in Other Markets.

Our portfolio of watches comprises over 30 different collections of mechanical and quartz watches with over 250 models, mainly targeting upper-middle-income end-customers in the PRC. The average selling prices of our watches for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3,381, HK\$3,917 and HK\$4,327, respectively. We have achieved overall growth in revenue and gross profit during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, our revenue amounted to approximately

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HK\$489.1 million, HK\$550.9 million and HK\$604.0 million, respectively. We also generated gross profit of HK\$282.6 million, HK\$332.7 million, and HK\$380.1 million for the years ended 31 December 2011, 2012 and 2013.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as a company with limited liability on 18 January 1991. In preparation for the Global Offering, we underwent the Corporate Reorganisation, as detailed in the section headed “History and Corporate Structure” in this prospectus. Following the Corporate Reorganisation, our Company became the holding company of all the companies now comprising Our Group. The principal activities of our subsidiaries are manufacturing and sales of watches.

For more information on the basis of preparation of our financial information included herein, please see the Accountants’ Report included as Appendix I to this prospectus.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set out below.

Economic conditions in the PRC

Our largest market is the PRC. Accordingly, our business is particularly sensitive to the economic developments in the PRC and the purchasing power of consumers in the PRC. Due to the rapid economic growth in the PRC, we experienced significant growth in our revenue during the Track Record Period, and we expect our growth of revenue will continue to come from sales in fast-growing cities in the PRC. Economic growth in the PRC over the past three decades has led to substantial growth in personal disposable income and has resulted an increase in purchasing power and greater demand for luxury goods such as premium watches. The per capita annual disposable income of urban households experienced a strong CAGR of 11.3% from RMB15,781 in 2008 to RMB26,955 in 2013. According to the Frost & Sullivan Report, the retail sales value of the premium watch market in the PRC has achieved a CAGR of 17.9% from 2008 to 2013 and is expected to grow at 20.0% annually from 2013 to 2018. Our total revenue increased by 12.6% to HK\$550.9 million in 2012 from HK\$489.1 million in 2011, with revenue in the PRC increased by 7.3% to HK\$431.7 million from HK\$402.4 million over the same period. Our total revenue increased by 9.6% to HK\$604.0 million 2013 from HK\$550.9 million in 2012, with revenue in the PRC increased by 7.3% to HK\$463.4 million from HK\$431.7 million over the same period. In addition, the luxury goods retail industry in Hong Kong and Macau has benefited from growth in number of high net worth and middle class visitors from the PRC, as a result of the economic growth in the PRC. We believe that the continuing economic growth in the PRC will lead to substantial growth in personal disposable income, which will result in increase in consumer spending and demand for luxury goods, including our products, within the PRC and in Hong Kong and Macau.

Expansion of our distribution network

Growth of our distribution network directly impacts our sales, profitability and working capital requirements. As at 31 December 2013, we sold our watches in over 815 POS through more than 170 watch retailers across 30 provinces, autonomous regions and municipalities in the PRC, in over 135 POS through more than 35 watch retailers and 4 authorised distributors in Hong Kong, Macau and Southeast Asia and in over 15 POS through more than 10 watch retailers and three authorised distributors in Other Markets. The number of our watch retailers and authorised distributors increased over the Track Record Period as we expanded our distribution network. We grew from over 775 POS as at 31 December 2011 to over 900 POS as at 31 December 2012, and further increased to over 960 POS as at 31 December 2013, and expect to continue our expansion by adding approximately 300 new POS in the PRC and approximately 100 new POS overseas in the coming three years.

Our sales and profit growth will continue to depend on our ability to expand through finding suitable watch retailers and authorised distributors and their respective ability to further promote and sell our watches. We select watch retailers and authorised distributors based on their relevant experience in distribution and management in the watch industry, the classes of other watch brands they distribute, sales and marketing knowhow in retail sales of watches, the location and size of the POS, reputation in the premium watch industry and ability to develop and operate a retail network in a designated area. We have created long term and stable relationships with our watch retailers and authorised distributors, and we intend to leverage such strong relationship to promote and further increase sales of our watches in existing POS and to secure new POS in locations compatible with our brand strategy. We anticipate the number of our watch retailers and authorised distributors will continue to grow in the PRC market, Hong Kong, Macau and Southeast Asia and Other Markets, launch of our new products, and increase in brand recognition of our watches. Accordingly, our ability to expand our distribution network in the PRC, Hong Kong, Macau and Southeast Asia and Other Markets will continue to have significant impacts on our results of operations.

Maintaining a strong brand image and reputation for Swiss-made premium watches

Our brand is one of the most valuable assets of our Group. Our revenue depends on the strength of our brand, which is based in part on our long history combined with our reputation for providing Swiss-made premium watches with distinctive product designs to our end-customers. We strive to provide Swiss-made premium watches to our end-customers by maintaining stringent quality control throughout the entire production cycle of our watches, including selection of watch movement and other component suppliers, inspection of watch movements and other components, close monitoring of production cycle, quality function testings and inspection of finished watches.

We continued to promote our brand through a series of advertising and marketing campaigns. For the years ended 31 December 2011, 2012 and 2013, our advertising and marketing expense represented 62.2%, 55.6% and 54.6% of our total distribution expenses, respectively. As part of our branding and marketing strategy, we have engaged well-known celebrities as our brand ambassadors. In sponsored events such as the Miss Chinese Cosmos Pageant from 2003 to 2007, the Asian Wedding Design Competition in 2012 and the 2013 USA

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Dance Nationals, and conducted extensive advertising campaigns through placing advertisements in fashion and lifestyle magazines, watch magazines and media, in-flight magazines, and on billboards in metro stations, near shopping areas and other public relations events to promote awareness of our brand. A significant part of our success has been and will continue to be depending on our ability to maintain our strong brand image and reputation for Swiss-made premium watches.

Cost of watch movements and other components

The cost of movements and other components represents a significant portion of our cost of sales. Our watches are made of watch movements and other components such as watch hand, watch case, watch dial, watch crown, watch straps and watch bracelets, that are subject to changes in market prices. For the years ended 31 December 2011, 2012 and 2013, the cost of watch movements and other components accounted for 86%, 79.8% and 78.8% of our total cost of sales, respectively.

The selling prices of our watches usually reflect the market price of the watch movements and other components used to manufacture our watches. Accordingly, fluctuation in the price of watch movements and other components could impact the selling prices of our watches.

Competition in the PRC premium watch market

The PRC premium watch market is intensely competitive and many of our competitors pursue similar strategies as we do. We believe our competitive advantage over our competitors is our well-recognised Swiss-made premium watch brand with leading market position in the PRC. Our sales and operating performance depend on, among other factors, the overall growth of premium watch market in the PRC. According to the Frost & Sullivan Report, premium watch market in the PRC has experienced a CAGR of 8.3% in terms of total retail sales volume from 2008 to 2013, the total retail sales volume of premium watch in China reached 1.7 million pieces in 2013, rising from 1.1 million in 2008 and the total retail sales volume is expected to keep a CAGR of 15.6% and hit 3.4 million pieces in 2018. We believe that our strong foothold in the PRC allows us to capture the growth in the premium watch retail market in the PRC. Our ability to enhance brand awareness and differentiate our products from our competitors are important factors in maximising our results of operations.

Product mix

The comprehensiveness of our product offerings is one of our competitive strengths. Our revenue and profitability is affected by our product mix as different products have different selling prices and profitability. Our portfolio of watches comprises over 30 different collections of mechanical and quartz watches with over 250 models, approximately 70% of the watches we manufacture are designed as couple watches which exemplifies our image of 'romance and elegance'. In order to stay ahead of current market trends, we collect sales reports from our watch retailers and authorised distributors on a regular basis to conduct market analysis and explore current consumer preferences. We continue to create new watch designs which are consistent with our brand image as well as in line with market trends and customer preferences.

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A significant contribution to our success has been and will continue to be depending on our ability to develop and design new watch collections and modify certain designs in existing collections to suit changing customer preferences.

Interest rates and finance costs

During the Track Record Period, we financed our operations and capital expenditures primarily from cash flow generated from our operating activities and bank borrowings. As commercial banks in the PRC and Hong Kong link the interest rates on their loans to benchmark lending rates published by the their local government authorities and the interest rates of our bank borrowings were floating rates during the Track Record Period, we expect that any increase in the benchmark lending rates will increase our effective interest rate and in turn increase our finance costs. As at 31 December 2011, 2012 and 2013, we had bank borrowings of HK\$40.0 million, HK\$99.8 million and HK\$171.3 million, respectively. During the Track Record Period, the effective interest rates on our borrowings is at 2.88% to 3.50%, 2.85% to 3.96% and 2.21% to 3.22% per annum respectively. Any increase in our finance costs would have a negative impact on our financial results and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results of operations. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with IFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in note 3 to the Accountants' Report in Appendix I to this prospectus.

Our Directors believe the methods, estimates and judgments that we used in applying our accounting policies in the past were largely accurate by comparing with the actual results.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, less returns and net of trade discounts.

Revenue from the sales of good is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

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- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Our Group provided maintenance services on the inventories of our customers as requested by the customers, and we charged service fees according to the type of service(s) performed. Maintenance service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation is recognised as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Foreign currencies

In preparing the financial statements of each of our individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in

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which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the asset and liabilities of our Group's foreign operations are translated into the presentation currency of our Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the each of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

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 before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 consolidated financial statements and the corresponding tax bases 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 the initial recognition of 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, 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that 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 each reporting period.

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The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of each reporting period, to recover or settle the carrying amount of our assets and liabilities.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment losses

At the end of each reporting period, our Group reviews the carrying amounts of its 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 an asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit and loss.

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 (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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.

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Estimated allowances for inventories

Our Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The carrying amount of inventories as at 31 December 2011, 2012 and 2013 amounting to HK\$156.7 million, HK\$332.0 million and HK\$424.4 million respectively.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated in absolute amounts and as a percentage of revenue as derived from the Accountant's Report as Appendix I to this prospectus.

	For the year ended 31 December					
	2011		2012		2013	
	HK\$('000)	% of total Revenue	HK\$('000)	% of total Revenue	HK\$('000)	% of total Revenue
Revenue	489,089	100.0	550,880	100.0	604,013	100.0
Cost of sales	(206,476)	(42.2)	(218,133)	(39.6)	(223,887)	(37.1)
Gross profit	282,613	57.8	332,747	60.4	380,126	62.9
Other gains or losses	2,153	0.4	(1,076)	(0.2)	3,105	0.5
Other income	524	0.1	1,293	0.2	1,136	0.2
Distribution expenses	(80,315)	(16.4)	(151,392)	(27.5)	(204,731)	(33.9)
Administrative expenses	(30,835)	(6.3)	(43,309)	(7.9)	(58,045)	(9.6)
Other expenses	—	0.0	(8,912)	(1.6)	(7,029)	(1.1)
Finance costs	(957)	(0.2)	(2,004)	(0.4)	(3,819)	(0.6)
Profit before tax	173,183	35.4	127,347	23.1	110,743	18.3
Income tax expenses	(31,626)	(6.5)	(27,873)	(5.1)	(17,722)	(2.9)
Profit for the years	141,557	28.9	99,474	18.1	93,021	15.4
Other comprehensive income:						
Recognition of actuarial loss on defined benefit pension scheme, less deferred tax	(523)	(0.1)	(696)	(0.1)	(266)	(0.0)
Exchange differences arising on translation of foreign operations	(2,963)	(0.6)	4,307	0.8	8,271	1.4
Other comprehensive (expense) income for the period, net of income tax	(3,486)	(0.7)	3,611	0.7	8,005	1.3
Total comprehensive income for the years	138,071	28.2	103,085	18.7	101,026	16.7

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DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

During the Track Record Period, we derive our revenue principally from sales of our watches world-wide, particularly in the PRC. Our revenue represents the amount received or receivable for sales of watches, less returns and net of sale related taxes and trade discounts. Our sales are mainly denominated and settled in Hong Kong dollars and RMB. The following table sets forth our revenue by geographical segment and the percentage contribution of each segment to our total revenue for the periods indicated:

	For the year ended 31 December					
	2011 ^{(1),(2)}		2012 ^{(1),(2)}		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
PRC	402,350	82.3	431,713	78.4	463,401	76.7
Hong Kong, Macau and Southeast Asia Market	83,831	17.1	112,689	20.4	131,071	21.7
Other Markets ⁽³⁾	2,908	0.6	6,478	1.2	9,541	1.6
Total	489,089	100.0	550,880	100.0	604,013	100.0

Notes:

- (1) Includes sales of watches to Guangzhou Shihengbao and Shenzhen Ruishi, which arrangement was terminated on 31 March 2012.
- (2) Includes sales of watches purchased from West End in the PRC.
- (3) Includes Qatar, India, the United States and European countries such as Bulgaria, France, Ireland, the Netherlands, Spain and Switzerland.

The table below sets forth our revenue, percentage of revenue, gross profit margin and sales volume of mechanical and quartz watches for the periods indicated:

	For the year ended 31 December													
	2011					2012					2013			
	Revenue	% of revenue	Gross profit margin	Sales volume	Average selling price	Revenue	% of revenue	Gross profit margin	Sales volume	Average selling price	Revenue	% of revenue	Gross profit margin	Sales volume
	HK\$ million	%	%		HK\$	HK\$ million	%	%		HK\$	HK\$ million	%	%	HK\$
Mechanical watches	372.2	76.4	58.7	85,307	4,361.6	360.1	65.4	61.8	62,248	5,784.6	419.7	69.6	65.2	66,072
Quartz watches	114.9	23.6	55.8	58,778	1,955.3	190.3	34.6	58.0	78,254	2,431.6	183.3	30.4	58.1	73,286
Total/Average	487.1	100.0	57.8	144,085	3,381.4	550.4	100.0	60.4	140,502	3,917.2	603.0	100.0	62.9	139,358

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Revenue generated from sales in the PRC increased continuously during the Track Record Period, primarily attributable to a general increase in the average selling prices of our watches. The average selling prices of our watches for the years ended 31 December 2011, 2012 and 2013 were approximately HK\$3,381, HK\$3,917 and HK\$4,327, representing an increase of 28.0% between 31 December 2011 and 31 December 2013. In particular, during the year ended 31 December 2011 and the three months ended 31 March 2012, we sold our watches primarily through two authorised distributors in the PRC, Guangzhou Shihengbao and Shenzhen Ruishi, wholly owned by Mr. Su Da and Su Ran, respectively. To pay for the distribution services provided by Guangzhou Shihengbao and Shenzhen Ruishi, we offer a moderate discount to them as compared to our third party customers. To improve the efficiency of our operations, in 2012, EB (GZ), our wholly owned subsidiary, acquired all of the fixed and intangible assets (other than the inventory of West End watches owned by Shenzhen Ruishi) at a consideration of approximately RMB37.3 million and RMB51.1 million, respectively. We have ceased our sales of watches to Guangzhou Shihengbao and Shenzhen Ruishi since 31 March 2012 and started to sell our watches directly to watch retailers in the PRC. Such transition resulted in a small increase in our average selling price as we no longer sell watches to Guangzhou Shihengbao and Shenzhen Ruishi at discounted prices.

Revenue generated from sales in Hong Kong, Macau and Southeast Asia and Other Markets rose continuously during the Track Record Period, primarily attributable to (i) an increase in our sales volume due to an increase in the number of POS and as a result of our further enhanced brand recognition and market acceptance of our watches, and (ii) an increase in our sales value as a result of a general increase in the average selling prices. We sold 26,189, 35,851 and 40,511 watches in Hong Kong, Macau and Southeast Asia and Other Markets for the years ended 31 December 2011, 2012 and 2013, representing an increase of 54.7% between 31 December 2011 and 31 December 2013. The number of POS in Hong Kong, Macau and Southeast Asia and Other Markets as at 31 December 2011, 2012 and 2013 were 89, 116 and 149, respectively, representing an increase of 60 POS or 67.4% between 31 December 2011 and 31 December 2013.

Our Directors believe that our transactions with Guangzhou Shihengbao and Shenzhen Ruishi were conducted on an arm's length basis, and did not materially distort our financial performance during the Track Record Period, or make our historical results not reflective of our future performance.

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Cost of sales

Cost of sales primarily includes cost of watch movements and other components, direct labour expenses, sub-contracting fee and other production costs. We outsource the production of a portion of our semi-finished watches to external watch manufacturers in Switzerland. The following table sets forth a breakdown of our cost of sales for the periods indicated, both in terms of actual costs and as a percentage of total cost of sales:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
Cost of watch movements	79,662	38.6	53,077	24.3	71,830	32.1
Cost of other components	97,830	47.4	121,113	55.5	104,577	46.7
Direct labour expenses	17,226	8.3	24,203	11.1	26,063	11.6
Sub-contracting fee	6,838	3.3	11,105	5.1	7,951	3.6
Other production costs	4,920	2.4	8,635	4.0	13,466	6.0
Total	206,476	100.0	218,133	100.0	223,887	100.0

During the Track Record Period, the main factor affecting our total cost of sales was cost of watch movements and other components. Our cost of watch movements and other components including but not limited to, watch hands, watch cases, watch dials, watch crowns, watch straps, watch bracelets, sapphire crystal and precious gem stones, represented approximately 86.0%, 79.8% and 78.8%, of our total cost of sales in 2011, 2012 and 2013, respectively.

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Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of mechanical watch movements, which is the critical component of our cost of sales, on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the years ended 31 December 2011, 2012 and 2013, respectively, which correspond to the range of historical fluctuations of our cost of watch mechanical movements during the Track Record Period.

Hypothetical Fluctuation	(HK\$'000, except percentages)					
	+5%	-5%	+10%	-10%	+15%	-15%
<i>Impact on Certain Consolidated statement of profit or loss Items for the year ended 31 December 2011</i>						
Change in cost of watch						
mechanical movements	3,598	(3,598)	7,196	(7,196)	10,794	(10,794)
Change in profit before tax	(3,598)	3,598	(7,196)	7,196	(10,794)	10,794
Change in profit after tax	(2,986)	2,986	(5,973)	5,973	(8,959)	8,959
<i>Impact on Consolidated statement of profit or loss Items for the year ended 31 December 2012</i>						
Change in cost of watch						
mechanical movements	2,735	(2,735)	5,469	(5,469)	8,204	(8,204)
Change in profit before tax	(2,735)	2,735	(5,469)	5,469	(8,204)	8,204
Change in profit after tax	(2,270)	2,270	(4,540)	4,540	(6,809)	6,809
<i>Impact on Certain Consolidated statement of profit or loss Items for the year ended 31 December 2013</i>						
Change in cost of watch						
mechanical movements	3,591	(3,591)	7,183	(7,183)	10,774	(10,774)
Change in profit before tax	(3,591)	3,591	(7,183)	7,183	(10,774)	10,774
Change in profit after tax	(2,981)	2,981	(5,962)	5,962	(8,943)	8,943

Direct labour expenses represented approximately 8.3%, 11.1% and 11.6% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively. Our direct labour expenses mainly consist of salaries and benefits for employees in our production and quality control operations.

Sub-contracting fee represented approximately 3.3%, 5.1% and 3.6% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively. Our sub-contracting fee represented our outsourcing cost for a portion of manufacturing of semi-finished watches. The fluctuation of sub-contracting fee during the Track Record Period, primarily due to the change in market demand of watches in the PRC, Hong Kong, Macau and Southeast Asia and Other Markets.

Other production costs, including but not limited to electroplating, moding, tooling, and packaging expenses, represented approximately 2.4%, 4.0% and 6.0% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively.

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Gross Profit and Gross Profit Margin

Our gross profit for the years ended 31 December 2011, 2012 and 2013 amounted to HK\$282.6 million, HK\$332.8 million and HK\$380.1 million, respectively. This increase was primarily due to an increase in our revenue. Our overall gross profit margin increased from 57.8% in 2011 to 60.4% in 2012, further increased to 62.9% in 2013, primarily due to (i) an increase in profit margin related to our sales in the PRC as we ceased our sales of watches to Guangzhou Shihengbao and Shenzhen Ruishi and therefore no longer sell watches to them at discounted prices, and (ii) our adjustment of product mix which increased our sales of higher margin mechanical watches. The following table sets forth the gross profit margin by sales channel for the periods indicated:

	For the year ended 31 December								
	2011			2012			2013		
	Gross Profit	% Gross Profit	Gross Profit Margin	Gross Profit	% Gross Profit	Gross Profit Margin	Gross Profit	% Gross Profit	Gross Profit Margin
	HK\$('000)	%	%	HK\$('000)	%	%	HK\$('000)	%	%
Watch retailers	48,477	17.2	57.5	284,250	85.4	59.7	367,186	96.6	63.6
Authorised distributors	234,136	82.8	57.8	48,497	14.6	64.8	12,940	3.4	49.0
Total/Average	282,613	100.0	57.8	332,747	100.0	60.4	380,126	100.0	62.9

Other gains and losses

Other net gains and losses primarily consist of allowance for doubtful debts, fair value gain on derivative financial instruments and net exchange gain or loss mainly arising from currency fluctuation between CHF and Hong Kong dollars. For further details, please refer to “Business — Foreign Exchange Contracts” in this prospectus. The following table sets forth the breakdown of our other gains and losses for the periods indicated:

	For the year ended 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Allowance for doubtful debts	(115)	(46)	(981)
Fair value gain on derivative financial instruments	679	998	996
Exchange gain (loss), net	1,589	(2,028)	3,130
Loss on disposal of property, plant and equipment	—	—	(40)
Total	2,153	(1,076)	3,105

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Other income

Other income mainly consists of interest income on life insurance contract, bank interest income, maintenance services income, government subsidy and sundry income. The following table sets forth the breakdown of our other income for the periods indicated:

	For the year ended 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Interest income on life insurance contract	—	222	252
Bank interest income	31	132	103
Maintenance services income	95	142	173
Government subsidy	—	—	226
Sundry income	398	797	382
Total	524	1,293	1,136

Distribution expenses

Distribution expenses mainly consist of advertising and marketing expenses, transportation expenses, salaries and other benefit, commission to watch retailers, rental and other subsidies for certain flagship stores, depreciation and travelling and entertainment expenses. The table below sets forth the components of our distribution expenses for the periods indicated, both in actual terms and as a percentage of total distribution expenses:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
Advertising and marketing expenses	49,986	62.2	84,144	55.6	111,698	54.6
Transportation expenses	750	0.9	3,142	2.1	4,392	2.1
Salaries and other benefit	2,001	2.5	15,943	10.5	23,793	11.6
Commission to watch retailers	4,909	6.1	6,924	4.6	6,728	3.3
Rental and other subsidies	—	—	5,863	3.9	14,260	7.0
Depreciation	19,987	24.9	27,024	17.9	30,592	14.9
Travelling and entertainment expenses	—	—	1,798	1.2	4,876	2.4
Others	2,682	3.4	6,554	4.2	8,392	4.1
Total	80,315	100.0	151,392	100.0	204,731	100.0

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During the Track Record Period, the main factors affecting our distribution expenses were advertising and marketing expenses, salaries and other benefit and depreciation. Our advertising and marketing expense represented approximately 62.2%, 55.6% and 54.6% of our total distribution expenses for the years ended 31 December 2011, 2012 and 2013, respectively. The increase in actual terms of our advertising and marketing expenses over the Track Record Period was primarily due to a general increase in the scale of our advertising and marketing activities.

Salaries and other benefits represented approximately 2.5%, 10.5% and 11.6% of our total distribution expenses for the years ended 31 December 2011, 2012 and 2013, respectively. The increase in our salaries and other benefit over the Track Record Period was primarily resulting from an increase in the number of sales personnel in the PRC as we brought our distribution operation in-house in 2012 and a general increase in salary level of sales personnel (including commissions) from HK\$2.0 million to HK\$23.8 million from the years ended 31 December 2011 to 31 December 2013.

Depreciation represented the depreciation of the display counters for POS that we provide to our watch retailers and authorised distributors. The increase in our depreciation over the Track Record Period was primarily due to the purchase of additional display counters as the number of POS increased.

Administrative expenses

Administrative expenses primarily consist of depreciation, management and administrative personnel salaries and other benefits, general office utilities expenses, travelling expenses, legal and professional fees and rental expenses. The table below sets forth the components of our administrative expenses for the periods indicated, both in actual terms and as a percentage of total administrative expenses:

	For the year ended 31 December					
	2011		2012		2013	
	HK\$('000)	%	HK\$('000)	%	HK\$('000)	%
Depreciation	2,849	9.3	3,164	7.3	7,388	12.7
Management and administrative personnel salaries and other benefits.	12,893	41.8	17,179	39.7	23,176	39.9
General office & utilities expenses	1,568	5.1	4,636	10.7	4,288	7.4
Travelling expenses	1,787	5.8	3,538	8.2	4,304	7.4
Legal and professional fee.	6,823	22.1	6,379	14.7	6,330	10.9
Rental expenses	1,179	3.8	4,322	10.0	6,707	11.6
Others	3,736	12.1	4,091	9.4	5,852	10.1
Total	30,835	100.0	43,309	100.0	58,045	100.0

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Other expenses

Other expenses are mainly comprised professional fees paid to professional parties for their services rendered in relation to the Listing and the Global Offering.

Finance costs

Finance costs primarily consist of interest on bank borrowings wholly repayable within five year, interest on loan from a shareholder and other borrowings. The increase in our finance costs during the Track Record Period was primarily due to an increase in our bank borrowings wholly repayable within five years to fund our capital expenditures and expansion.

Taxation

Income tax expense primarily consists of profits tax payable by our subsidiaries in Hong Kong and income tax payable by our subsidiaries in Switzerland and the PRC. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Current tax:			
Hong Kong Profits Tax	25,050	18,093	12,282
Swiss income tax	6,093	7,626	6,940
PRC Enterprise Income Tax	—	—	2,193
	31,143	25,719	21,415
Swiss Federal withholding tax			
— underprovision in			
prior years	—	4,325	—
Deferred tax charge (credit)	483	(2,171)	(3,693)
Total	31,626	27,873	17,722

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the Track Record Period.

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. We established EB (GZ) on 7 July 2011 to carry out our distribution operation in the PRC. The gross profit of EB (GZ) was relatively low due to the low profit margin during the Track Record Period. In particular, EB (GZ) only generated approximately HK\$30.0 million of gross profit in 2012, but incurred approximately HK\$31.8 million of expenses including preparation fees (such as office rentals, office renovation expenses and advertisement expenses) and costs of acquisition of assets of the Related

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Companies in the same year. As a result, EB (GZ) recorded a loss of HK\$1.8 million in 2012 and therefore incurred no PRC income tax expense for 2012. Due to the profit margin turnaround of EB (GZ) for the year ended 31 December 2013, we started incurring PRC income tax expense. Hence, we have incurred limited PRC income tax expense during the Track Record Period.

Swiss income tax is calculated at certain tax rates on the assessable income and taxable capital for the year. Under relevant Tax Law in Switzerland, our subsidiary incorporated in Switzerland was subjected to Direct Federal Tax (“**DFT**”) and Cantonal Communal Tax (“**CCT**”) for the year. For the year ended 31 December 2011, DFT and CCT was calculated at 8.5% and 9.16% on the profit respectively. For the years ended 31 December 2012 and 2013, CCT was changed to 9.07% and 8.97%, respectively.

Swiss Federal withholding tax is levied at a rate of 35% on the distributions of the profit of the company incorporated in Switzerland. Our applicable income tax rate during the years ended December 31, 2011, 2012 and 2013 was 16.26%, 16.37% and 15.72%, respectively.

We are not subject to profit tax in the Cayman Islands and BVI as we had no assessable income arising in or derived from these respective jurisdictions during the Track Record Period. Our Directors confirm that, we have made all the required tax filings under the relevant tax laws and regulations in the PRC, Hong Kong and Switzerland, have paid all outstanding tax liabilities and is not subject to any administrative punishment or potential administrative punishment with relevant tax authorities.

Restatement of the audited financial statement of EB (Far East)

During the Track Record Period, one of our subsidiaries, EB (Far East), had restated its audited financial statements for the year ended 31 December 2011 and on a voluntary basis submitted the rectified tax submission for each of the years of assessment 2008/09 to 2010/11 to Inland Revenue Department on 29 July 2013. Our Group has made full additional provision of approximately HK\$7.75 million in aggregate based on the revised estimated assessable profits for each of the years of assessment 2008/09 to 2010/11, taking into account the effect of such restatements. As at the Latest Practicable Date, no demand notice or penalties or charges had been made against EB (Far East).

We have voluntarily reported the prior year adjustments to the Inland Revenue Department rather than as a result of the investigation by the Inland Revenue Department. Our Directors are of the view that adequate provisions had been made and that the risk of further tax charge/penalty to be imposed by the Inland Revenue Department above the provision made is remote.

Tax arrangement among Hong Kong, Switzerland and PRC

During the Track Record Period, we were engaged in a number of intra-group transactions, primarily involving the transactions between EB Switzerland, EB (Far East) and EB (GZ).

EB Switzerland is principally engaged in the manufacture of our watches. EB (Far East) acts as a purchasing agent providing EB Switzerland with some watch components except for movements which EB Switzerland orders directly from Swiss suppliers. Besides, EB (Far East)

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also serves as the distributor of finished watch products produced by EB Switzerland in Asia Pacific region. From 2012 and onwards, EB Switzerland obtained a tax ruling from the Swiss Federal Tax Administration (“FTA”) agreeing the implementation of cost system for intra-group transactions with EB (Far East). According to the cost system, EB (Switzerland) shall invoice all merchandise sent to EB (Far East) based on the cost of goods sold plus 20%.

EB (GZ) is principally engaged in distribution of watches supplied by EB (Far East). Given its sole role as our wholesaler of watches in PRC while the branding, promotion and other corporate management functions primarily reside with EB (Far East), EB (GZ) has limited profit margin during the Track Record Period. According to the Implementation Measures of Special Tax Adjustments (Provisional) (《特別納稅調整實施辦法(試行)》), when filing annual tax returns, resident enterprises whose tax is levied according to accounting books and non-resident enterprises that have establishments in the PRC and file and pay corporate income tax on an actual basis shall also submit the “Enterprise Annual Reporting Forms for Related Party Transactions of the Peoples’ Republic of China” (《中華人民共和國企業年度關聯業務往來報告表》). In addition, resident enterprises shall prepare, maintain, and submit, upon request of tax authorities, contemporaneous documentation regarding their related-party transactions for every tax year. The tax authorities are empowered to select enterprises for tax investigation, and conduct transfer pricing investigations and adjustments pursuant to the law. As at the Latest Practicable Date, EB (GZ) has fulfilled its reporting obligation on intra-group transactions with EB (Far East) to the PRC tax authorities while there have been no associated challenge or investigation conducted by any relevant PRC tax authorities. Our PRC Legal Adviser is also of view that during the Track Record Period, EB (GZ) had no outstanding tax liabilities and there had been no material tax violations.

We believe that we has complied with transfer pricing laws and regulations in the relevant jurisdictions on the bases that: (i) the transfer prices of the intra-group transactions of which, we believe, were decided at arm’s length; (ii) EB Switzerland has obtained tax ruling from FTA as to its intra-group transactions with EB (Far East); (iii) EB (GZ) has fulfilled its reporting obligation on intra-group transactions with EB (Far East) to the PRC tax authorities; and (iv) there have been no other challenge or investigation on the transfer pricing arrangements conducted by any relevant tax authority during the Track Record Period.

YEAR TO YEAR COMPARISONS OF RESULTS OF OPERATIONS

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by approximately 9.6% to HK\$604.0 million in 2013 from HK\$550.9 million in 2012. This increase was primarily attributable to (i) an increase in our average selling prices of our watches from HK\$3,917 to HK\$4,327 due to our strategic improvement of our product mix with increased focus on medium-high end mechanical watches, (ii) an increase in sales volume of our mechanical watches from 62,248 pieces to 66,072 pieces due to our effective marketing strategies and efforts in launching and promoting our higher value mechanical watch models, and (iii) an increase in the number of our POS from over 95 to over 130 in Hong Kong, Macau and Southeast Asia.

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Cost of sales

Our cost of sales increased by approximately 2.7% to HK\$223.9 million in 2013 from HK\$218.1 million in 2012. This increase was primarily attributable to (i) an increase in our cost of mechanical watch movements and other components corresponds to an increase in sales volume of our mechanical watches from 62,248 pieces to 66,072 pieces, and (ii) an increase in our other production costs from HK\$8.6 million to HK\$13.5 million mainly due to one-time investment in outsourced research and development project of certain watch components in 2013 and an increase in packaging expenses, partially offset by a decrease of sub-contracting fee from HK\$11.1 million to HK\$8.0 million.

Gross profit and gross profit margin

Our gross profit increased by approximately 14.2% to HK\$380.1 million in 2013 from HK\$332.7 million in 2012. This increase was primarily attributable to an increase in our revenue. Our gross profit margin increased from 60.4% in 2012 to 62.9% in 2013 primarily due to our adjustment of product mix which increased our sales of higher margin mechanical watches.

Other gains and losses

We made other gains of HK\$3.1 million in 2013 compared to losses of HK\$1.1 million in 2012. This increase was primarily attributable to (i) an increase in exchange net gain of HK\$3.1 million compared to exchange net loss of HK\$2.0 million arising from appreciation of the HKD against other currencies such as USD, CHF and RMB, and (ii) an increase in fair value gain on derivative financial instruments of HK\$1.0 million, partially offset by allowance for doubtful debts of HK\$1.0 million for trade receivables and loss on disposal of property, plant and equipment of HK\$0.04 million.

Other income

Our other income decreased to HK\$1.1 million in 2013 from HK\$1.3 million in 2012. This decrease was primarily attributable to a decrease in sundry income from HK\$0.8 million in 2012 to HK\$0.4 million in 2013 and a decrease in bank interest income of HK\$0.03 million, offset by (i) an increase in one-off government grant of HK\$0.2 million given at the sole discretion of the PRC government, (ii) an increase of maintenance services income of HK\$0.03 million and (iii) an increase in interest income on keyman insurance contract of HK\$0.03 million.

Distribution expenses

Our distribution expenses increased by approximately 35.2% to HK\$204.7 million in 2013 from HK\$151.4 million in 2012. This increase was primarily attributable to (i) an increase in advertising and marketing expenses from HK\$84.1 million to HK\$111.7 million as we rolled out advertising campaign on television and engaged a new brand ambassador, Mr. Marcel Nguyen, (ii) an increase in rental and other subsidies expenses from HK\$5.9 million to HK\$14.3 million mainly due to an increase in rent level of certain flagship stores at prime locations, (iii) an increase in salaries and other benefits from HK\$15.9 million to HK\$23.8 million as a result of an increase in the number of sales personnel as we further expanded our distribution network in

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the PRC, Hong Kong, Macau and Southeast Asia, and (iv) depreciation increased from HK\$27.0 million to HK\$30.6 million due to the purchase of additional display counters for new POS and maintenance of display counters in existing POS.

Administrative expenses

Our administrative expenses increased by approximately 33.9% to HK\$58.0 million in 2013 from HK\$43.3 million in 2012. This increase was primarily attributable to (i) an increase in management and administrative personnel salaries and other benefits from HK\$17.2 million to HK\$23.2 million in line with general increase in salary levels in the PRC, Hong Kong and Switzerland, and (ii) an increase in depreciation from HK\$3.2 million to HK\$7.4 million related to the depreciation of exhibition booth and leasehold improvement and an increase in travelling expenses from HK\$3.5 million to HK\$4.3 million primarily due to an increase in the number of our watch retailers in the PRC as we brought our distribution operation in-house following the termination of our business relationship with Guangzhou Shihengbao and Shenzhen Rushi.

Other expenses

Our other expenses decreased to HK\$7.0 million in 2013 from HK\$8.9 million in 2012. This decrease was primarily due to a decrease in professional fees paid in relation to the Listing and the Global Offering.

Finance costs

Our finance costs increased by approximately 90.0% to HK\$3.8 million in 2013 from HK\$2.0 million in 2012. This increase was primarily attributable to an increase in interest on bank borrowings wholly repayable within five years from HK\$2.0 million to HK\$3.8 million as our bank borrowings increased from HK\$99.8 million in 2012 to HK\$171.3 million in 2013.

Income tax expense

Our income tax expense decreased by approximately 36.6% to HK\$17.7 million in 2013 from HK\$27.9 million in 2012, primarily attributable to a decrease in our profit tax in Hong Kong from HK\$18.1 million to HK\$12.3 million as a result of a decrease in our profit and occurrence of deferred tax income.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately 6.5% to HK\$93.0 million in 2013 from HK\$99.5 million in 2012. Our net profit margin decreased to 15.4% in 2013 from 18.1% in 2012, primarily attributable to an increase in distribution expenses.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue

Our revenue increased by approximately 12.6% to HK\$550.9 million in 2012 from HK\$489.1 million in 2011, primarily attributable to (i) a general increase in the average selling prices of our watches. In particular, since 31 March 2012, we ceased our sales of watches to

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Guangzhou Shihengbao and Shenzhen Ruishi and therefore no longer sell watches to them at discounted price, and (ii) an increase in the number of our POS from over 775 to over 900 in the PRC, Hong Kong, Macau and Southeast Asia and Other Markets.

Cost of sales

Our cost of sales increased by approximately 5.6% to HK\$218.1 million in 2012 from HK\$206.5 million in 2011, primarily attributable to (i) an increase in sub-contracting fee from HK\$6.8 million to HK\$11.1 million corresponds to our increased sales volume of quartz watches, (ii) a decrease in cost of watch movements and other components for mechanical watches from HK\$177.5 million to HK\$174.2 million primarily due to a decrease in sales volume of our watches as a result of an industry-wide slowdown of the premium watch market in 2012, and (iii) an increase in other production costs from HK\$4.9 million to HK\$8.6 million mainly due to package expenses incurred for the first time, in relation to our transition to sell our watches directly to watch retailers in PRC without selling through Guangzhou Shihengbao and Shenzhen Ruishi.

Gross profit and gross profit margin

Our gross profit increased by approximately 17.7% to HK\$332.7 million in 2012 from HK\$282.6 million in 2011, primarily due to an increase in our revenue. Our overall gross profit margin increased from 57.8% in 2011 to 60.4% in 2012, primarily due to an increase in profit margin related to our sales in the PRC as we ceased our sales of watches to Guangzhou Shihengbao and Shenzhen Ruishi and therefore no longer sell watches to them at discounted prices.

Other gains and losses

We recorded other losses of HK\$1.1 million in 2012 compared to gains of HK\$2.2 million in 2011, primarily attributable to the exchange net loss of HK\$2.0 million arising from depreciation of HKD against other currencies such as USD, CHF and RMB, partially offset by an increase in fair value gain on derivative financial instruments from HK\$0.7 million to HK\$1.0 million.

Other income

Our other income increased by 160.0% to HK\$1.3 million in 2012 from HK\$0.5 million in 2011, primarily attributable to (i) the interest income on key man life insurance contract, and (ii) an increase in sundry income from HK\$0.4 million to HK\$0.8 million.

Distribution expenses

Our distribution expenses increased by approximately 88.5% to HK\$151.4 million in 2012 from HK\$80.3 million in 2011, primarily attributable to (i) an increase in advertising and marketing expenses from HK\$50.0 million to HK\$84.1 million as we increased the scale of our marketing and advertising activities, (ii) an increase in salaries and other benefits paid to the sales personnel mainly due to the hiring of sales personnel for EB(GZ), which commenced distribution operation in 2012, and (iii) an increase in depreciation from HK\$20.0 million to HK\$27.0 million due to the purchase of additional display counters for new POS and

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maintenance of display counters in existing POS. We also recorded rental and other subsidies expenses of HK\$5.9 million and travelling and entertainment expenses of HK\$1.8 million for the first time, in relation to our transition to sell our watches directly to watch retailers in PRC without selling through Guangzhou Shihengbao and Shenzhen Ruishi.

Administrative expenses

Our administrative expenses increased by 40.6% to HK\$43.3 million in 2012 from HK\$30.8 million in 2011, primarily attributable to (i) an increase in management and administrative personnel salaries and other benefits from HK\$12.9 million to HK\$17.2 million mainly due to the hiring of additional administrative personnel for EB(GZ), (ii) an increase in rental expenses from HK\$1.2 million to HK\$4.3 million as we rented an office in Guangzhou for the operation of EB(GZ) and increased the size of our rental office area in Hong Kong, and (iii) an increase in general office and utilities expenses from HK\$1.6 million to HK\$4.6 million as we expanded our business operations.

Other expenses

We incurred other expenses of HK\$8.9 million in 2012, primarily attribute to professional fee paid amounting to HK\$5.5 million to legal advisers and the reporting accountant for their services rendered in relation to the Listing and the Global Offering and also the sponsor fee amounting to HK\$1.1 million to the Sole Sponsor for their services rendered in relation to the potential listing in 2012.

Finance costs

Our finance costs increased by approximately 100.0% to HK\$2.0 million in 2012 from HK\$1.0 million in 2011. This increase was primarily attributable to an increase in interest on bank borrowings wholly repayable within five years from HK\$0.7 million to HK\$2.0 million as our bank borrowings increased from HK\$40.0 million to HK\$99.8 million, partially offset by a decrease in interest on loan from a shareholder and others.

Income tax expense

Our income tax expense decreased by approximately 11.7% to HK\$27.9 million in 2012 from HK\$31.6 million in 2011, primarily attributable to a decrease in our profit tax in Hong Kong from HK\$25.1 million to HK\$18.1 million as a result of our decrease in profit during the year and occurrence of deferred tax income, offset by an increase in taxable income in Switzerland and Swiss Federal withholding tax of HK\$4.3 million. Our applicable tax rate was approximately 16.26% in 2011 and approximately 16.37% in 2012.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 29.7% to HK\$99.5 million in 2012 from HK\$141.6 million in 2011. Our net profit margin decreased to 18.1% in 2012 from 28.9% in 2011, primarily attributable to (i) an increase in distribution

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expenses due to our increased advertising and marketing expenses, salaries and other benefit and depreciation, and (ii) an increase in administrative expenses as we expanded our business operation.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have historically been cash flow from operating activities and bank borrowings. Going forward, we intend to fund our working capital and other capital requirements through a combination of cash flow generated from operating activities, bank borrowings and the net proceeds from the Global Offering. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support an increase in our scale of operations, product design and development, purchase of property, plant and equipment and payments for the acquisition of property rights.

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for each of the periods indicated.

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Net cash generated from operating activities . . .	83,187	9,771	52,508
Net cash used in investing activities	(33,959)	(38,020)	(53,325)
Net cash generated from (used in) financing activities	<u>(20,566)</u>	<u>37,571</u>	<u>4,941</u>
Net increase in cash and cash equivalents. . . .	28,662	9,322	4,124
Cash and cash equivalents at beginning of the year	18,393	47,024	55,456
Effect of foreign exchange rate	<u>(31)</u>	<u>(890)</u>	<u>1,327</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>47,024</u>	<u>55,456</u>	<u>60,907</u>

Cash flows from operating activities

For the year ended 31 December 2013, our net cash generated from operating activities was HK\$52.5 million, attributable to the cash generated from operations of HK\$71.4 million, partially offset by Hong Kong profits tax paid of HK\$12.2 million and Swiss income tax paid of HK\$6.0 million. Operating cash flows before movements in working capital was HK\$153.4 million, primarily attributable to (i) adjustment for depreciation of property, plant and equipment amounting to HK\$38.0 million, (ii) adjustment for finance costs amounting to HK\$3.8 million and (iii) adjustment for allowance for inventories approximately HK\$1.1 million. Change in working capital contributed to a cash outflow of HK\$82.1 million, comprising primarily (i) an increase in

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inventories of approximately HK\$83.0 million to cope with the expected increase in demand of our watches as we expanded our distribution network and increased our watch models and collections, (ii) a decrease in trade and other payable of approximately HK\$0.5 million primarily as a result of the decrease in accrued advertising and marketing expenses and (iii) a decrease in trade and other receivables of approximately HK\$2.1 million primarily as a result of decrease in the prepayment for advertising expenses and tax recoverable.

For the year ended 31 December 2012. Our net cash generated from operating activities was HK\$9.8 million in 2012, attributable to the cash generated from operations of HK\$49.8 million, partially offset by Hong Kong profits tax paid of HK\$31.7 million, Switzerland income tax paid of HK\$4.1 million and Switzerland withholding tax paid of HK\$4.3 million. Operating cash flows before movements in working capital was HK\$164.5 million, primarily attributable to (i) adjustment for depreciation of property, plant and equipment amounting to HK\$30.2 million and (ii) adjustment for finance costs of approximately HK\$2.0 million and adjustment for allowance for inventories of HK\$4.6 million. Changes in working capital contributed to a cash outflow of HK\$114.7 million, comprising primarily (i) an increase in inventories of approximately HK\$175.3 million as a result of an increase in our raw materials, work in progress and finished goods due to our business growth, (ii) a decrease in trade and other receivables of approximately HK\$53.4 million due to the full settlement in the receivables of related companies and (iii) an increase in trade and other payables of approximately HK\$7.8 million due to an increase in accrual advertising and marketing expenses.

For the year ended 31 December 2011. Our net cash generated from operating activities was HK\$83.2 million in 2011, attributable to the cash generated from operations of HK\$112.6 million, partially offset by Hong Kong profits tax paid of HK\$20.0 million and Swiss income tax paid of HK\$9.4 million. Operating cash flows before movements in working capital was HK\$197.1 million, primarily attributable to (i) adjustment for depreciation of property, plant and equipment amounting to HK\$22.8 million, (ii) adjustment for finance costs of approximately HK\$1.0 million and (iii) adjustment for reversal of allowance for inventories of HK\$0.5 million. Changes in working capital contributed to a cash outflow of HK\$84.4 million, comprising primarily (i) a decrease in inventories of approximately HK\$8.7 million primarily because we had less work in progress in stock as a result of an increase in sales from HK\$323.8 million in 2010 to HK\$489.1 million in 2011; (ii) an increase in trade and other receivables of approximately HK\$103.2 million due to the overall growth of our sales and (iii) an increase in trade and other payables of approximately HK\$10.5 million due to increased purchases of watch movements and other components as a result of increased production volume of our watches.

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Cash flows from investing activities

For the year ended 31 December 2013. Our net cash used in investing activities was HK\$53.3 million in 2013, primarily consists of payment for purchases of property, plant and equipment of HK\$52.0 million for our continuous expansion and deposit for acquisition of property, plant and equipment of HK\$1.5 million.

For the year ended 31 December 2012. Our net cash used in investing activities was HK\$38.0 million in 2012, primarily consists of (i) additional purchases of property, plant and equipment of HK\$38.3 million for our continuous expansion and (ii) repayment from related companies of HK\$0.01 million, partially offset by repayment from directors of HK\$0.1 million and interest received of HK\$0.1 million.

For the year ended 31 December 2011. Our net cash used in investing activities was HK\$34.0 million in 2011, primarily consists of (i) additional purchases of property, plant and equipment of HK\$27.5 million for our continuous expansion and (ii) payment of deposit placed for a keyman life insurance contract of HK\$6.4 million for the benefit of our Company.

Cash flows from financing activities

For the year ended 31 December 2013. Our net cash from financing activities was HK\$4.9 million in 2013, primarily attributable to (i) repayment of bank loans of HK\$195.5 million, (ii) dividend paid of HK\$59.0 million and (iii) interest paid of HK\$3.8 million, and partially offset by HK\$267.0 million of new bank loan raised to support our capital expenditure and working capital.

For the year ended 31 December 2012. Our net cash from financing activities was HK\$37.6 million in 2012, attributable to (i) dividend paid of HK\$22.0 million, (ii) repayment of bank loans of HK\$47.8 million and (iii) interest paid of HK\$2.0 million, and partially offset by (i) HK\$0.02 million repayment to a director and (ii) HK\$107.6 million of new bank loans raised to support our capital expenditure and working capital.

For the year ended 31 December 2011. Our net cash used in financing activities was HK\$20.6 million in 2011, attributable to (i) dividend paid of HK\$34.0 million, (ii) repayment of bank loans of HK\$13.5 million, and (iii) interest paid of HK\$1.0 million, and partially offset by HK\$24.8 million of new bank loans raised to support our capital expenditure and working capital.

Given our current credit status and the current availability of capital, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities, the net proceeds from the Global Offering and through short-term indebtedness.

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Net Current Assets

The following table sets forth our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000) (Unaudited)
Current Assets				
Inventories	156,729	331,982	424,381	486,882
Trade and other receivables	219,399	166,172	161,358	159,877
Amounts due from related parties	56	66	41	40
Amount due from directors	139	—	—	—
Amounts due from shareholders	4	10	10	—
Pledged bank deposits . . .	1,010	1,012	1,016	1,017
Bank balances and cash . .	47,024	55,456	60,907	61,642
Total current asset	424,361	554,698	647,713	709,458
Current liabilities				
Trade and other payables .	58,668	84,879	75,878	96,169
Amount due to a related party	—	3,723	—	—
Amounts due to directors .	2,000	18	—	—
Tax payable	24,324	14,457	17,217	12,539
Dividend payable	—	44,000	15,000	15,000
Bank borrowings	39,983	99,817	171,318	182,791
Total current liabilities . . .	124,975	246,894	279,413	306,499
Net current assets	299,386	307,804	368,300	402,959

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories comprise of movements and other components for watches, work-in-progress and finished goods. The following table sets forth a breakdown of our inventory balance as at the periods indicated:

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Raw materials (watch movements and other components)	108,535	147,241	172,592
Work-in-progress	27,785	73,660	97,097
Finished goods	20,409	111,081	154,692
Total	156,729	331,982	424,381

Our inventories substantially increased by 112.0% from HK\$156.7 million as at 31 December 2011 to HK\$332.0 million as at 31 December 2012, further increased to HK\$424.4 million as at 31 December 2013, mainly because (i) we have to increase finished goods inventory reserves in our warehouses for direct sales to our watch retailers in the PRC as we no longer sell watches through Guangzhou Shihengbao and Shenzhen Ruishi since 31 March 2012, and (ii) an increase in production volume in light of the expected increasing demand for our watches as a result of adding over 290 new POS during the Track Record Period and the increased number of our new watch models.

Our Company considers that such level of inventory is reasonable, taking into account that (i) our need to increase inventory reserves in connection with the transition to sell our watches directly to our watch retailers in the PRC without selling through Guangzhou Shihengbao and Shenzhen Ruishi, and (ii) an increase of over 290 new POS during the Track Record Period.

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Inventory Ageing Analysis

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Raw Materials			
Within six months.	71,495	111,853	90,071
Six to 12 months	11,456	24,822	41,406
Over 12 months	25,584	10,566	41,115
Total	108,535	147,241	172,592
Work in Progress			
Within six months.	27,469	69,869	56,778
Six to 12 months	187	3,272	23,778
Over 12 months	129	519	16,541
Total	27,785	73,660	97,097
Finished Goods			
Within six months.	19,743	92,272	138,627
Six to 12 months	221	14,872	7,427
Over 12 months	445	3,937	8,638
Total	20,409	111,081	154,692

The following table sets forth our average inventory turnover days for the period indicated:

	For the year ended 31 December		
	2011	2012	2013
Raw materials and work in progress	249.3	272.1	391.8
Finished goods	37.3	136.8	224.7
Average inventory turnover days ^(Note)	286.6	408.9	616.5

Note: Average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventory after allowance by cost of sales for the relevant period and then multiplied by 365 days for a year.

To minimise the risk of building up aged inventory, we carry out an inventory review and an ageing analysis on a regular basis. We make provision for obsolete and slow-moving inventory of raw materials and finished goods that are no longer suitable for use in production or sale, respectively. A number of factors including historical and forecast consumption of our raw materials, marketability of our products, are taken into account when we consider whether to

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make appropriate provision. We normally make provision for inventories, which are aged over two years and at the same time, have also been identified with slower or no usage or sale and deteriorated marketability.

We made provisions for our inventories of HK\$6.3 million, HK\$10.2 million and HK\$10.2 million as at 31 December 2011, 31 December 2012 and 31 December 2013. As at the Latest Practicable Date, approximately 59.0% of the raw materials, 81.9% of work-in-progress and 70.2% of the finished goods as at 31 December 2013 were utilised or sold.

Our relatively high average inventory turnover days is primarily a result of vertically integrated business model and the nature of our business as a premium watch maker and brand-owner/distributor. According to Frost & Sullivan Report, premium watch makers generally experience high average inventory turnover days from raw material to finished goods because inventory moves through the value chain from procurement, design and development, production to marketing and sale of premium watches often take one year or more, which results in a higher average inventory turnover days than what it would be if we were solely a premium watches distributors that do not engage in manufacturing. The increase in our average inventory turnover days from 286.6 days for the year ended 31 December 2011 to 408.9 days for the year ended 31 December 2012 and to 616.5 days for the year ended 31 December 2013 was primarily due to (i) the accumulation of spare raw materials and work-in-progress for the planned production volume increase to ensure sufficient and steady supply in light of increasing demand for our watches as a result of adding over 290 new POS during the Track Record Period; (ii) an increase in watch movement reserves for contingency purposes considering in the case that one of our watch movement suppliers, the Watch Group, decided to withdraw the supply of mechanical movements to third parties; (iii) an increased number of work-in-progress and finished goods as we added 143 new models during the Track Record Period to better cater to the tastes and preference of our end-customers along with the expansion of our distribution network in different markets and thereby warranted a correspondingly increasing stockpile; (iv) the longer time involved in terms of selling premium branded watches compared to branded watches to the end customers because premium brands rarely offer discount sales for the purpose of maintaining their brand image, which our Directors believe is in line with the industry practice; and (v) the finished goods reserves in our warehouse which were stocked for direct sales to our watch retailers in the PRC since 31 March 2012 as we brought our PRC distribution operation in-house and discontinued sales to Guangzhou Shihengbao and Shenzhen Ruishi.

Our Directors believe that our Company's inventory turnover days is in line with those of market comparables selling premium branded watches.

Trade and other receivables

Trade receivables mainly represent the balance due from our watch retailers and authorised distributors. During the year ended 31 December 2011 and the three months ended 31 March 2012, we granted Guangzhou Shihengbao and Shenzhen Rushi on maximum credit terms of 90 days. After we brought our PRC distribution operation in-house in 2012, we typically grant our watch retailers and authorised distributors credit terms of 30 to 60 days depending on a number of factors, such as their credit history, scale of operation, sales performance and financial resources, which is in line with customary market practice. Only a small amount of our

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products are sold and delivered against cash payment. We typically assess our watch retailers and authorised distributors' creditworthiness by reviewing their past sales and payment trends. For new watch retailers and authorised distributors, we typically demand a full payment upon the delivery of our products.

Other receivables mainly represent VAT on exports and imports and pension obligations.

Prepayments mainly represent advance payment made for advertising expenses.

The following table sets forth our trade and other receivables balance as at dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Trade receivables with independent third parties	13,202	102,950	104,325
Trade receivables with related companies	190,467	—	—
Allowance for doubtful debts	(124)	(170)	(1,151)
Other receivables	2,147	8,064	6,114
Other tax recoverable	6,041	30,660	27,826
Prepayments	6,784	20,044	17,347
Deposits	882	4,624	6,897
Total	219,399	166,172	161,358

Our trade and other receivables decreased by 24.2% from HK\$219.4 million in 2011 to HK\$166.2 million in 2012, primarily due to full settlement of HK\$190.5 million in trade receivable with related companies and a decrease from HK\$166.2 million in 2012 to HK\$161.4 million in 2013.

Ageing analysis of trade receivables

The following table sets forth the ageing analysis of our trade receivables (taking into account the allowance for doubtful debts) as the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
0–90 days	131,591	99,435	97,973
91–180 days	63,916	3,345	3,566
181–270 days	8,038	—	1,635
Total	203,545	102,780	103,174

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The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the year ended 31 December		
	2011	2012	2013
Average trade receivable turnover days ^(Note)	115.6	101.5	62.2

Note: Average trade receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables after allowance by revenue for the relevant period and then multiplied by 365 days for a year.

Our average trade receivables turnover days decreased from 115.6 days for the year ended 31 December 2011 to 101.5 days for the year ended 31 December 2012 and further decreased to 62.2 days for the year ended 31 December 2013 primarily due to the shorter credit terms granted to our watch retailers and authorised distributors and more efficient collections by our sale personnel.

TRADE AND OTHER PAYABLES

Trade payables mainly represent the balance due to our suppliers of raw materials to which we are generally granted credit terms ranging from 0 to 30 days. Other payables and accruals mainly represent accrued operation expenses of the relevant period and provision of warranty.

The following table sets forth our trade and other payables balance as at the date indicated:

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Trade payables	33,036	25,062	31,892
Other payables and accruals	25,632	59,817	43,986
Total	58,668	84,879	75,878

Our trade payables and other payables and accruals increased substantially from HK\$58.7 million as at 31 December 2011 to HK\$84.9 million as at 31 December 2012, primarily as a result of an increase in other payables and accruals as a result of an increase in advertising and marketing expenses and additional display counters. The decrease in our trade and other payables from HK\$84.9 million as at 31 December 2012 to HK\$75.9 million as at 31 December 2013 was primarily due to a decrease in display counter expenses as we paid to display counters manufacturers.

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Ageing analysis of trade payables

The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
1–30 days	16,392	16,067	19,900
31–60 days	16,381	7,538	11,054
Over 60 days	<u>263</u>	<u>1,457</u>	<u>938</u>
	<u>33,036</u>	<u>25,062</u>	<u>31,892</u>

The following table sets forth our average trade payable turnover days for the periods indicated:

	For the year ended 31 December		
	2011	2012	2013
Average trade payable turnover days ^(Note) .	58.0	48.6	46.4

Note: Average trade payable turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payable by cost of sales for the relevant period and then multiplied by 365 days for a year.

Our average trade payables turnover days decreased from 58.0 days for the year ended 31 December 2011 to 48.6 days for the year ended 31 December 2012, which was primarily due to early payment on trade payables as we had sufficient cash generated from operating activities. The turnover day remained relatively stable at 46.4 days for the year ended 31 December 2013.

As at the Latest Practicable Date, 100% of the trade payable and other payable as at 31 December 2013 had been settled.

Working Capital

We have funded our working capital requirements mainly through a combination of cash inflow from our operation and bank borrowings. We recorded net current assets as at 31 December 2011, 2012 and 2013. Our directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

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CAPITAL EXPENDITURES

Historical Capital Expenditures

We regularly make capital expenditures to expand our operations, maintain our equipment and increase our operating efficiency. The following table sets forth our historical capital expenditures for the periods indicated:

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Property, plant and equipment.	33,679	56,519	42,536
Deposit for acquisition of property, plant and equipment	—	—	1,521
Total	33,679	56,519	44,057

During the Track Record Period, our capital expenditures have been primarily used to expand our production capacity and operation in anticipation of the increase in sales as a result of our distribution network expansion.

Planned Capital Expenditures

Our capital expenditures are expected to primarily consist of expenditures related to a new factory and display counters for POS. We intend to invest approximately HK\$165.1 million in display counters for POS in the coming three years, including HK\$86.4 million for addition of display counters in our new POS and HK\$78.7 million for refurbishment and replacement of existing display counters, by utilising partial net proceeds from the Global Offering, cash generated from our operations and bank borrowings.

In addition, we also plan to invest approximately HK\$29.1 million for our construction of new production facility located in Le Noirmont, Switzerland by 2016 by utilising partial net proceeds from the Global Offering.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic condition in the PRC and the world, the availability of financing on terms acceptable to us, technical or other problems in revenue growth and other factors. We may also pursue new expansion through internal development, acquisition of existing operations, investments in other businesses, or joint ventures with third parties.

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KEY FINANCIAL METRICS

Key Financial Metrics

The table below sets forth a summary of our key financial metrics during the Track Record Period:

Financial metric	Formula	As at/for the year ended 31 December		
		2011	2012	2013
Rates of return:				
Return on equity	Profit for the respective year divided by the arithmetic mean of the total equity at the beginning and the end of the respective year	48.0%	27.2%	22.2%
Return on total assets	Profit for the respective year divided by the arithmetic mean of the total assets at the beginning and the end of the respective year	34.6%	17.8%	13.4%
Liquidity:				
Current ratio	Current assets divided by current liabilities	3.4x	2.3x	2.3x
Quick ratio	(Current assets less inventory) divided by current liabilities	2.1x	0.9x	0.8x
Capital adequacy:				
Gearing ratio	Total debt ⁽¹⁾ divided by total equity at the end of the respective year x 100%	11.5%	26.0%	37.6%
Net debt to equity ratio	Net debt ⁽²⁾ divided by total equity at the end of the respective year x 100%	Net Cash	11.5%	24.3%

Notes:

(1) Total debt is defined as all interest-bearing borrowings

(2) Net debt is defined as total debt net of bank balances and cash.

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Return on equity

Our return on equity decreased from 48.0% for the year ended 31 December 2011 to 27.2% for the year ended 31 December 2012, and further decreased to 22.2% for the year ended 31 December 2013 which was primarily attributable to the increase in total equity along with net profit accumulated over the periods and the decrease in our net profit.

Return on total assets

Our return on total assets decreased from 34.6% for the year ended 31 December 2011 to 17.8% for the year ended 31 December 2012, and further decreased to 13.4% for the year ended 31 December 2013. The decrease was primarily attributable to the increase in inventories to cope with the increasing demand of our watches and the decrease in our net profit.

Current ratio

Our current ratio decreased from 3.4 times as at 31 December 2011 to 2.3 times as at 31 December 2012, and maintained at a similar level for the year ended 31 December 2013. The decrease was primarily due to an increase in current liabilities, in particular the increase in secured bank borrowings for distribution network expansion.

Quick ratio

Our quick ratio decreased from 2.1 times as at 31 December 2011 to 0.9 times as at 31 December 2012, and maintained at a similar level for the year ended 31 December 2013. The decrease was primarily due to an increase in current liabilities, in particular the increase in secured bank borrowings for distribution network expansion.

Gearing ratio

Our gearing ratio increased from 11.5% for the year ended 31 December 2011 to 26.0% for the year ended 31 December 2012, and further increased to 37.6% for the year ended 31 December 2013, which was primarily due to an increase in secured bank for our distribution network expansion.

Net debt to equity ratio

The increase in our net debt to equity ratio between 2011 and 2013 was primarily due to an increase in secured bank borrowings for our distribution network expansion.

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INDEBTEDNESS

Bank Borrowings

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000) (Unaudited)
Bank loan	35,220	60,093	121,390	133,140
Import trade loans	—	23,562	49,928	49,651
Trust receipt loan	4,763	16,162	—	—
Total borrowings	39,983	99,817	171,318	182,791

The underlying effective interest rates of our bank borrowings ranged from 2.88% to 3.50%, 2.85% to 3.96%, 2.21% to 3.22% per annum as at 31 December 2011, 2012 and 2013. As at 31 December 2011, 2012 and 2013, our outstanding secured bank borrowings were HK\$23.8 million, HK\$76.4 million and HK\$155.1 million, respectively, unsecured bank borrowings were HK\$16.2 million, HK\$23.4 million and HK\$16.2 million, respectively. The increased amount of our secured bank borrowings in 2011, 2012 and 2013, was primarily used to finance our working capital.

Our secured bank borrowings were secured by charges over our Group's time deposits, personal guarantee executed by our Directors and other persons, charge over our Group's trade receivables and charge over deposits placed for a key man life insurance contract. Such personal guarantee executed by our Directors and other persons will be released prior to the Listing.

As at 30 April 2014, being the latest practicable date, we had banking facilities of approximately HK\$183.1 million, of which approximately HK\$0.35 million was unutilised. The following table sets forth the maturity profile of our outstanding bank borrowings as at the Latest Practicable Date:

	Balance as at the Latest Practicable Date	Maturity within 1st year	Maturity within 2nd year	Maturity within 3rd year	Maturity within 4th year
	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000)	HK\$('000)
Outstanding bank borrowings .	182,791	132,291	46,500	2,400	1,600

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Information on guarantees provided by certain shareholders, Directors and related parties to banks in relation to banking facilities obtained by our Group is disclosed in note 32 of the Accountants' Report in Appendix I to this prospectus.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 31 December 2013. Our Directors confirm that there is no material change in our indebtedness position since 31 December 2013 up to the date of this prospectus. We intend to continue to finance portions of our capital expenditure with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing. As at the Latest Practicable Date, there were no material restrictive covenants relating to any of our outstanding debts. Our Director confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

Latest Indebtedness

As at 30 April 2014, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, the outstanding bank borrowings were HK\$182.8 million, of which all were guaranteed and HK\$13.8 million was unsecured and remaining balance is secured by assets of the Group. Save as disclosed herein, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirmed that there has not been any material change in our indebtedness since 30 April 2014, being the latest practicable date for determining our indebtedness, except for the drawn down on bank facility of HK\$30.0 million in June 2014.

CONTRACTUAL OBLIGATIONS

Capital Commitments

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
Capital commitments	—	86	6,413

The capital commitments incurred for the year ended 31 December 2013 was primarily in relation to partial payment for the acquisition of a parcel of land in Switzerland for our new production facility. Save as disclosed above, our Group had no other significant capital commitments during the Track Record Period.

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Operating Lease Commitments

Operating lease payments represent rentals payable by our Group for its office, shops and consignment counters at department stores. Leases are negotiated for terms ranging from one to three years with fixed monthly rentals and certain arrangements are subject to contingent rents based on a fixed percentage of the monthly gross turnover with or without monthly minimum lease payments. The table below sets forth our commitment for future minimum lease payments under non-cancellable operating leases as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Within one year	3,138	15,972	21,539
In the second to fifth years inclusive	8,916	17,821	25,165
	12,054	33,793	46,704

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements.

RELATED PARTY TRANSACTIONS

It is the view of our directors that each of the related party transactions set out in note 32 to the Accountants' Report in Appendix I to this prospectus was conducted on an arm's length basis and would not distort our results of operations during Track Record Period or make the historical results no reflective of its future performance.

Amounts due from Related Parties, a Director and Shareholders

The following table sets forth an analysis of amounts due from related parties, a Director and Shareholders as at the periods indicated:

	As at 31 December		
	2011	2012	2013
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
Related parties	56	66	41
A Director	139	—	—
Shareholders	4	10	10
	199	76	51

The amounts due from related parties represented approximately HK\$0.06 million due from Truly Electronic Manufacturing Limited, as at 31 December 2011, approximately HK\$0.06 million and HK\$0.01 million due from Truly Electronic Manufacturing Limited and Truly Semiconductors

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Limited, respectively, as at 31 December 2012, approximately HK\$0.04 million due from Su Ran as at 31 December 2013. Our Directors confirm that all outstanding balances with related parties which are of non-trade nature will be fully settled by way of repayment prior to the commencement of trading in our Shares on the Stock Exchange.

The amount due from a Director of approximately HK\$0.1 million as at 31 December 2011, represented temporary fund advances to Mr. Lam, our Director. The amounts due from shareholders represented approximately HK\$4,000 due from Force Field, as at 31 December 2011, approximately HK\$4,000 and HK\$6,000 due from Force Field and Mr. Lam, respectively, as at 31 December 2012 and as at 31 December 2013. Such amounts are interest-free unsecured and have no fixed terms of repayment. All balances will be fully settle prior to the Listing.

Amounts due to Related Parties, Directors and Shareholders

The following table sets forth analysis of the amount due to a director during the Track Record Period:

	As at 31 December		
	2011	2012	2013
	HK\$('000)	HK\$('000)	HK\$('000)
A related party	—	3,723	—
Directors	2,000	18	—
	<u>2,000</u>	<u>3,741</u>	<u>—</u>

The amount due to a related party of approximately HK\$3.7 million as at 31 December 2012, represented the advances from Su Ran, the brother of Mr. Su Da, our executive Director. The amount due to a director of approximately HK\$2.0 million as at 31 December 2011, represented the bonus payable to Mr. Wong Pong Chun, James, our executive Director. The amount due to a director represented approximately HK\$0.02 million due to Ms. Liu Libing as at 31 December 2012, primarily attributable to loan from Director. Such amounts are interest-free unsecured and have no fixed terms of repayment. All balances were fully settled as at 31 December 2013.

LISTING EXPENSES

The estimated total listing expenses (excluding underwriting commissions) incurred in relation to this Global Offering are estimated to be approximately HK\$15.9 million. We estimate that additional listing expenses (excluding underwriting commissions) of HK\$25.4 million will be incurred by listing, of which HK\$4.4 million is expected to be charged against equity upon successful listing. The remaining HK\$21.0 million will be charged to the consolidated statements of profit or loss and other comprehensive income. These listing expenses are mainly comprised of professional fees paid to legal advisers, the reporting accountant and the sponsor fee for the Sole Sponsor (for the amount approximately US\$540,000) for their services rendered in relation to the Listing and the Global Offering.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. We mainly manage our exposure to these market risks through our regular operation activities.

Foreign Currency Risk

Certain trade receivables, trade payables, bank balances and cash and bank borrowings are denominated in foreign currencies other than our functional currency, Hong Kong dollars, which expose us to foreign currency risk. For the year ended 31 December 2011, 2012 and 2013, approximately 62.1%, 78.1% and 76.7% of our sales were denominated in RMB, respectively. For the year ended 31 December 2011, 2012 and 2013, approximately 42.9%, 22.2% and 31.2% of our cost of sales and expenses were denominated in CHF, and approximately 57.1%, 55.3% and 50.1% of our cost of sales and expenses were denominated in Hong Kong dollars, respectively. For further details, please refer to the note 6 of the Accountant's Report in the Appendix I to this prospectus.

Interest Rate Risk

Our Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. Our management considers the exposure to interest rate risk in relation to bank balance is insignificant due to the low interest rate.

Our Group currently does not have interest rate hedging policy or use any derivative contract to hedge its exposure to interest rate risk. However, our management closely monitors our exposure to future cash flow risk as a result of changes in market interest rates and will consider hedging changes in market interest rates should the need arise. For further details, please refer to the note 6 of the Accountant's Report in the Appendix I to this prospectus.

Credit Risk

As at 31 December 2011, 2012 and 2013, our maximum exposure to credit risk that will cause a financial loss to us due to failure to discharge obligations by the counterparties as at the end of reporting period arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position. In order to minimise the credit risk, our management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses or provision are made for irrecoverable amounts.

We have concentration of credit risk in respect of amounts due from related companies. In order to minimise the credit risk on amounts due from related companies, our management continuously monitors the credit quality and financial conditions of the related companies and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Our related companies mainly represented entities controlled by our management. Under such circumstances, our management considers that our credit risk is insignificant.

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The credit risk for pledged bank deposits and bank balances is considered as minimal as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, we had concentration of credit risk on trade receivables as 50%, 17% and 12% of the total trade receivables were due from our largest customer and 95%, 39% and 37% of the total trade receivables were due from our largest five customers as at 31 December 2011, 2012 and 2013, respectively.

Our Directors consider that the credit risk for deposits and bank balances is minimal as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance operations and mitigate the effects of fluctuations in cash flows. We rely on bank borrowings as a significant source of liquidity. Our management monitors the utilisation of borrowings and seeks to ensure compliance with loan covenants.

We rely on bank borrowings as a significant source of liquidity. As at 31 December 2011, 2012 and 2013, we had bank borrowings of approximately HK\$40.0 million, HK\$99.8 million and HK\$171.3 million, respectively. For further details, please refer to note 6 of the Accountant's Report in the Appendix I.

DIVIDENDS AND DIVIDEND POLICY

Upon completion of the Global Offering, our Shareholders will be entitled to receive any dividends we may declare. As regards our Company, a Cayman Islands-incorporated company, any amount of dividends we pay will be recommended at our Directors' discretion and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Under Cayman Islands Law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account. Under our Articles, final dividends are declared by our Shareholders at a general meeting.

As regards EB (GZ), our PRC-incorporated subsidiary, PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprise, such as EB (GZ), to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as dividends.

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Subject to the factors above, we currently plan to pay annual dividends of not less than 30.0% of our consolidated profit attributable to Shareholders in the future. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions if any will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable.

DISTRIBUTABLE RESERVES

As at 31 December 2013, our Company did not have any distributable reserves available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2013 as if the Global Offering had taken place on that date. The pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as at 31 December 2013 or at any future date. The unaudited pro forma statement of adjusted consolidated net tangible assets is based on the consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2013 as shown in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement consolidated of net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma consolidated net tangible assets of our Group attributable to owner of our Company	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share
	HK\$('000) ⁽¹⁾	HK\$('000) ⁽²⁾	HK\$('000)	HK\$
Based on an offer price of HK\$2.54 per Share	455,104	137,197	592,301	1.71
Based on an offer price of HK\$3.46 per Share	455,104	196,090	651,194	1.88

Notes:

1. The consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2013 is based on the consolidated net tangible assets of our Group attributable to the equity holders of our Company, extracted from the Accountant's Report set out in Appendix I to this prospectus.

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2. The estimated net proceeds from the Global Offering are based on 66,000,000 Shares at indicative Offer Prices of HK\$2.54 and HK\$3.46 per Offer Share respectively, after deduction of the estimated commission and other related fees and expenses payable by our Company and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is based on 347,000,000 shares comprise of shares in issue as at date of this prospectus and those shares to be issued pursuant to the Global Offering and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the share option schemes or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.
4. No adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial position or prospects since 31 December 2013, being the date of latest audited consolidated financial position of our Group as set out in the Accountant' Report in Appendix I to this prospectus, and up to 30 June 2014.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under the Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$3.00 per Offer Share, being the mid point of the indicative Offer Price range of HK\$2.54 to HK\$3.46 per Offer Share) will be approximately HK\$166.6 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$58.3 million (equivalent to approximately 35.0% of our total estimated net proceeds) will be used on marketing and promotional activities of our brand and watches, including advertising on print and other media, implementing marketing initiatives, sponsoring programmes, engaging celebrities as brand ambassadors, conducting promotional activities at the department stores or shopping malls where POS are located and participating in watch exhibitions;
- approximately HK\$58.3 million (equivalent to approximately 35.0% of our total estimated net proceeds) will be used for expanding and enhancing our distribution network, of (i) HK\$41.7 million will be used for addition of display counters in our new POS; and (ii) the balance will be used for refurbishment and replacement of display counters in our existing POS;
- approximately HK\$33.4 million (equivalent to approximately 20.0% of our total estimated net proceeds) will be used for capital expenditures on ongoing expansion of our production capacity including approximately HK\$29.1 million to be used for the planned capital expenditure in our new production facility located in Le Noirmont in Switzerland;
- the remaining amount (equivalent to approximately 10.0%) will be used for providing funding for working capital and other general corporate purposes.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$28.8 million (assuming the Offer Price at the mid-point of the indicative Offer Price range of HK\$3.00). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds to increase our use of proceeds proportionately as earmarked.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$3.46, being the high end of the stated Offer Price range, our net proceeds will be (i) increased by approximately HK\$29.4 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$62.7 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds to increase our use of proceeds proportionately as earmarked.

If the Offer Price is fixed at HK\$2.54, being the low end of the stated Offer Price range, our net proceeds will instead be (i) decreased by approximately HK\$29.4 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$5.1 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

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HONG KONG UNDERWRITER

BOCI Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 6,600,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and Capitalization Issue (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, and any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed to subscribe or procure subscriptions for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the obligations of the International Underwriter(s) under the International Underwriting Agreement having become and remaining unconditional in accordance with its terms and it not having been terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date.

Grounds for Termination

The obligations of the Hong Kong Underwriter to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development in, or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation,

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conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, Switzerland, Singapore, the European Union (or any member thereof), or any other jurisdiction relevant to any member of our Group (each a “**Relevant Jurisdiction**”); or

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change or any event or circumstances likely to result in a change or prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of *force majeure* (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), H5N1, H1N1)), economic sanctions, in or directly or indirectly affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

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- (viii) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against the Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (ix) save as disclosed in this prospectus, a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) an authority or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the PRC, Cayman Islands, Hong Kong and the BVI; or
- (xiv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xv) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or
- (xvi) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the "**Covenantors**"); or
- (xviii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

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- (xix) non-compliance by our Group or our Directors of this prospectus (of any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xx) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or
- (xxii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

and which, in any such case, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter),

- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or
- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
- (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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- (b) there has come to the notice of the Sole Global Coordinator or the Hong Kong Underwriter after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus and the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the post hearing information packs, the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) that any of the warranties given by our Company or the Covenantors or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate, incomplete or misleading or having been breached; or
 - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
 - (v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Sole Global Coordinator, the Sole Lead Manager, the Hong Kong Underwriter or the International Underwriter(s)); or
 - (vi) that our Company withdraws this prospectus and/or the Application Forms; or
 - (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, our Shares to be issued (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme, and any options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

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- (viii) that any of the experts described under the paragraph headed “H. Other information — 9. Qualifications of experts” in Appendix IV to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) any litigation or dispute or potential litigation or disputes, which would materially and adversely affect the operation, financial condition or reputation of our Group; or
- (x) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering or any contravention by any member of our Group with the Listing Rules or any other applicable laws; or
- (xi) any material adverse change or development or event or a prospective material adverse change or development or event in our Group’s assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders’ equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion.

Undertakings

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

We have undertaken to the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) under the Hong Kong Underwriting Agreement, and we further undertake to procure each of our subsidiaries (as the case may be and where appropriate), and the Covenantors further undertake to procure, that except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the exercise of the options granted under the Pre-IPO Share Option Scheme, the grant of options under the Share Option Scheme and the allotment and issue of Shares pursuant to the exercise of the options so granted, (1) we will not without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six Month Period**”), (i) offer, accept subscription for, allot, issue, contract to allot, issue, grant or agree to grant any option, right or warrant to subscribe for, or repurchase, either directly or indirectly, conditionally or unconditionally, any of our share capital or debt capital or other securities of our Company or any interest therein or any voting right or any other right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders to our Directors as described in

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Appendix IV to this prospectus, or (ii) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or repurchase, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our share or debt capital or any securities of any of our subsidiaries or any interest therein or any voting right or any other right attaching thereto (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) to or in favour of any third parties other than any member of our Group; or enter into any swap or other arrangement that transfers to or in favour of any third parties other than any member of our Group, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) and (iii) above; whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period immediately following the First Six Month Period (the “**Second Six Month Period**”), we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Each of Mr. Lam, Force Field, Mr. Su Da and Mr. Su Ran has jointly and severally undertaken to our Company and the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) under the Hong Kong Underwriting Agreement, that he or it will not without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules, (i) at any time during the First Six Month Period offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him or it or any voting right or any other right attaching thereto (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise, or offer to or agree or contract to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by him or it in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan; (ii) at any time during the Second Six Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or it would cease to be a substantial shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any

UNDERWRITING

pledge or charge of Shares by him or it in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan; and (iii) in the event of a disposal by him or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

International Offering

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriter(s). Under the International Underwriting Agreement, the International Underwriter(s) will, subject to certain conditions set out therein, severally agree to subscribe for the International Offer Shares or procure subscribers for the International Offer Shares. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Under the International Underwriting Agreement, our Company expects to grant to the Sole Global Coordinator the Over-allotment Option at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of the Application Forms under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 9,900,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued at the Offer Price and used to cover over-allocation, if any, of the International Offering.

Underwriting Commission and Expenses

The International Underwriter(s) and Hong Kong Underwriter will receive a commission of 3% of the Offer Price of all the Hong Kong Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Including the commission payable to the International Underwriter(s) and the Hong Kong Underwriter, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK\$32.3 million in aggregate (based on an Offer Price of HK\$3.46 per Share, being the maximum Offer Price payable on application, and on the assumption that the Over-allotment Option is not exercised), which is to be borne by our Company.

In addition, our Company may, at our sole discretion, pay an incentive fee of up to 0.75% of the Offer Price of all the Hong Kong Offer Shares under the Global Offering to the Sole Global Coordinator in recognition of its services.

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INDEMNITY

Our Company and each of Mr. Lam, Force Field, Mr. Su Da and Mr. Su Ran have agreed to indemnify the Hong Kong Underwriter against certain losses which the Hong Kong Underwriter may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company and each of Mr. Lam, Force Field, Mr. Su Da and Mr. Su Ran of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$3.46 per Offer Share and is expected to be not less than HK\$2.54 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$3.46 per Share plus 1.0% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK\$3,494.87 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$3.46, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 4 July 2014 and in any event, no later than Tuesday, 8 July 2014.

The Offer Price will not be more than HK\$3.46 per Offer Share and is expected to be not less than HK\$2.54 per Offer Share. The Offer Price will be determined within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change materially as a result of such reduction.

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In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed by us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

If we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price on or before 4 July 2014, being the Price Determination Date, and, in any event, if we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price by 8 July 2014, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the results of application and basis of allotment of the Hong Kong Offer Shares, on 10 July 2014.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering. We intend to make available initially up to 66,000,000 Shares under the Global Offering (assuming the Over-allotment Option is not exercised), of which 59,400,000 Shares will initially be conditionally placed pursuant to the International Offering and the remaining 6,600,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under “Structure of the Global Offering — The Hong Kong Public Offering”). We will conditionally place our Shares in the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States to non-U.S. persons, in reliance on Regulation S.

Investors may apply for our Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

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Allocation of our Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriter(s) pursuant to the International Underwriting Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement up to the thirtieth day from the last day for the lodging of applications under the Hong Kong Public Offering to require us to sell up to an aggregate of 9,900,000 existing Shares, representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering if any. The Sole Global Coordinator may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a press announcement will be made. For further details, please refer to the paragraph headed "The Over-allotment Option" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter and the International Offering is expected to be fully underwritten by the International Underwriter(s) in each case on a several basis, each being subject to the conditions set out under "Structure of the Global Offering — Conditions of the Hong Kong Public Offering". We entered into the Hong Kong Underwriting Agreement and, subject to an agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), we expect to enter into the International Underwriting Agreement on 4 July 2014. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of initially 6,600,000 Shares at the

STRUCTURE OF THE GLOBAL OFFERING

Offer Price (representing 10% of the total number of Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 1.9% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering.

The total number of our Offer Shares available under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools for allocation purposes (subject to adjustment of odd lot size): pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B. Applicants should be aware that applications in pool A and in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools, and any application for more than 3,300,000 Offer Shares (being 50% of the 6,600,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Sole Global Coordinator.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 19,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public

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Offering will be 26,400,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 33,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally (subject to adjustment of odd lot size) between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate. Conversely, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares to be issued pursuant to the Hong Kong Public Offering, including the additional existing Shares which may be issued under the Over-allotment Option, subject only to allotment, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

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in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the International Offering and the Hong Kong Public Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse.

In case the Hong Kong Public Offering lapses, we will return all application monies to the applicants, without interest and on the terms set out under “How to Apply for Hong Kong Offer Shares.” In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription or purchase under the International Offering will be 59,400,000 Offer Shares to be offered by us representing 90% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed by the International Underwriter(s), or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to sell up to an aggregate of 9,900,000 existing Shares, representing in aggregate 15% of the initial size of the Global

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Offering at the Offer Price solely to cover over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional existing Shares will represent approximately 2.85% of our enlarged share capital following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In order to facilitate settlement of over-allocations in connection with the International Offering, Force Field and the Stabilising Manager, will enter into the Stock Borrowing Agreement. Under the Stock Borrowing Agreement, Force Field, one of our Substantial Shareholders, will agree with the Stabilising Manager, that if requested by the Stabilising Manager, it will subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 9,900,000 Shares held by Force Field by way of stock lending, in order to cover over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that such stock borrowing arrangement will only be effected by the Stabilising Manager for the purpose of settling over-allocations of Shares in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option. The maximum number of shares to be borrowed from Force Field under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option. The same number of Shares so borrowed is to be returned to Force Field or its nominees, as the case may be, not later than the third business day following the earlier of (i) the day on which the Over-allotment Option is exercised in full, or (ii) the last day on which the Over-allotment Option may be exercised by the Stabilising Manager. The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefits will be made to Force Field by the Stabilising Manager or any of the International Underwriter(s) in relation to such stock borrowing arrangement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial public offer prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or any effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing after the last day of the lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable

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laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any stabilising activity. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 9,900,000 existing Shares, which is approximately 15% of the Shares initially available under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (B) stock borrowing;
 - (C) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
 - (D) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
 - (E) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B), (ii)(C) or (ii)(D) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on 3 August 2014. After this date, when no further stabilising action may be taken, demand for our Shares,

STRUCTURE OF THE GLOBAL OFFERING

and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 July 2014, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 July 2014. The Shares will be traded on the Main Board in board lots size of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and us on the Price Determination Date and subject to the other conditions set out in the paragraph headed “Conditions of the Hong Kong Public Offering” above.

We expect, shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

UNDERWRITING ARRANGEMENTS, THE HONG KONG UNDERWRITING AGREEMENT AND THE INTERNATIONAL UNDERWRITING AGREEMENT ARE SUMMARISED IN THE SECTION HEADED “UNDERWRITING” IN THIS PROSPECTUS.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 from:

- (1) the following address of the Hong Kong Underwriter:

BOCI Asia Limited 26th Floor, Bank of China Tower, 1 Garden Road,
Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (i) any of the following branches of **Bank of China (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island	Lee Chung Street Branch	29–31 Lee Chung Street, Chai Wan
Kowloon	Tsim Sha Tsui East Branch	Shop G02–03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Prince Edward Branch	774 Nathan Road, Kowloon
	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

- (ii) any of the following branches of **Hang Seng Bank Limited**:

District	Branch Name	Address
Hong Kong	Head Office	83 Des Voeux Road Central, Central
Kowloon	Tsim Sha Tsui Branch	18 Carnarvon Road, Tsim Sha Tsui
	Kowloon Main Branch	618 Nathan Road, Kowloon
	Yau Ma Tei Branch	363 Nathan Road, Yau Ma Tei

- (iii) any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island	Wan Chai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wan Chai
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Yau Ma Tei Branch	G/F–1/F, Ming Fong Bldg., 564 Nathan Road, Yau Ma Tei

HOW TO APPLY FOR HONG KONG OFFER SHARES

District	Branch Name	Address
New Territories	Tai Po Branch	G/F shop No. 2, 23–25 Kwong Fuk Road, Tai Po Market, Tai Po
	Tuen Mun Branch	G/F, Forward Mansion, 26A Yan Ching Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Ernest Borel Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 June 2014	—	9:00 a.m. to 5:00 p.m.
Wednesday, 2 July 2014	—	9:00 a.m. to 5:00 p.m.
Thursday, 3 July 2014	—	9:00 a.m. to 5:00 p.m.
Friday, 4 July 2014	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 July 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorised our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9.00 a.m. on Monday, 30 June 2014 until 11:30 a.m. on Friday, 4 July 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 4 July 2014 or such later time under “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation

HOW TO APPLY FOR HONG KONG OFFER SHARES

under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 June 2014	—	9:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 2 July 2014	—	8:00 a.m. to 8:30 p.m. ^(Note)
Thursday, 3 July 2014	—	8:00 a.m. to 8:30 p.m. ^(Note)
Friday, 4 July 2014	—	8:00 a.m. ^(Note) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 4 July 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 4 July 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Determining the Offer Price” in the section headed “Structure of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 July 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 4 July 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 10 July 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at www.ernestborel.ch and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.ernestborel.ch and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m., Thursday, 10 July 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 10 July 2014 to 12:00 midnight on Wednesday, 16 July 2014;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 July 2014 to Tuesday, 15 July 2014 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 July 2014 to Monday, 14 July 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.46 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Any refund of your application monies will be made on Thursday, 10 July 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or around Thursday, 10 July 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 July 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 July 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 July 2014, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 July 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 July 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If you are applying as a CCASS Investor Participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, 10 July 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

- (iii) **If you apply through the HK eIPO White Form Service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 July 2014, or such other date as notified by our Company in the newspapers as the date of despatch/ collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 10 July 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

- (iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 July 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 10 July 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 July 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 July 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 July 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港
金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

30 June 2014

The Directors
Ernest Borel Holdings Limited

BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding to Ernest Borel Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2011, 2012 and 2013 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 30 June 2014 (the “Prospectus”) issued in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as investment holding company, was incorporated in the Cayman Islands on 18 January 1991 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the “Corporate Reorganisation”) as explained in the paragraphs headed “Corporate Reorganisation” in the section “History and Corporate Structure” of the Prospectus, the Company became the holding company of the companies now comprising the Group on 7 December 2011.

The direct and indirect equity interests in the following subsidiaries held by the Company during the Relevant Periods and at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company As at 31 December			Principal activities
			2011 %	2012 %	2013 %	
Ernest Borel S.A. ("EB Switzerland")	Switzerland 20 January 1997	Swiss Francs ("CHF") 100,000	100	100	100	Manufacturing and trading of watches
Ernest Borel (Far East) Company Limited 依波路遠東有限公司 ("EB (Far East)")	Hong Kong 27 February 1981	HK\$20,000	100	100	100	Assembling and sales of watches
依波路(廣州)貿易有限公司 ("EB (GZ)")	People's Republic of China ("PRC") 7 December 2011	Renminbi ("RMB") 20,000,000	100	100	100	Distribution and sales of watches
Ernest Borel (Hong Kong) Limited ("EB (HK)")	Hong Kong 25 August 2011	HK\$1,000	100	100	100	Investment holding
Ernest Borel Investment Limited ("EB Investment")	British Virgin Islands ("BVI") 17 August 2011	United States Dollar ("USD") 100	100	100	100	Investment holding

The financial year end date of all the companies now comprising the Group is 31 December.

The statutory financial statements of EB (Far East) and EB (HK) were prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant ("HKICPA"). We acted as statutory auditors of EB (Far East) and EB (HK) for the Relevant Periods and conducted our audit in accordance with Hong Kong Standards on Auditing issued by HKICPA. The statutory financial statements of EB (GZ) were prepared in accordance with relevant accounting principles and financial regulations applicable to companies established in PRC and were audited by 廣州健明會計師事務所有限公司, Certified Public Accountants registered in PRC, for the period from 7 December 2011 to 31 December 2011. EB (GZ) was audited by Deloitte Touche Tohmatsu Certified Public Accountant LLP for each of the years ended 31 December 2012 and 2013. No audited financial statements have been prepared for EB Switzerland as its financial results have not reach the statutory audit requirements in Switzerland for the Relevant Periods. No audited financial statements have been prepared for the Company and EB Investment since their incorporation as there is no such statutory requirement in the jurisdictions where they were incorporated. For the purpose of this report, we have reviewed all the relevant transactions of the Company, EB Switzerland and EB Investment since their respective date of incorporation to 31 December 2013 and carried out such procedures as we considered necessary for inclusion of the financial information relating to the companies in this report.

For the purpose of this report, the Directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

We have examined the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommend by the HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below. No adjustments are deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the Directors of the Company who approved their issue. The Directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, 2012 and 2013, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		For the year ended 31 December		
		2011	2012	2013
	Notes	HK\$'000	HK\$'000	HK\$'000
Revenue	7	489,089	550,880	604,013
Cost of sales		(206,476)	(218,133)	(223,887)
Gross profit		282,613	332,747	380,126
Other gains and losses	8	2,153	(1,076)	3,105
Other income	9	524	1,293	1,136
Distribution expenses		(80,315)	(151,392)	(204,731)
Administrative expenses		(30,835)	(43,309)	(58,045)
Other expenses	11	—	(8,912)	(7,029)
Finance costs	10	(957)	(2,004)	(3,819)
Profit before tax	11	173,183	127,347	110,743
Income tax expense	12	(31,626)	(27,873)	(17,722)
Profit for the year attributable to owners of the Company		141,557	99,474	93,021
Other comprehensive (expense) income				
Item that will not be reclassified to profit or loss:				
Remeasurement of defined benefit scheme		(523)	(696)	(266)
Item that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		(2,963)	4,307	8,271
Other comprehensive (expense) income for the year		(3,486)	3,611	8,005
Total comprehensive income for the year		138,071	103,085	101,026
Earnings per share — Basic (Hong Kong cents)	13	50	35	33

Consolidated Statements of Financial Position

		As at 31 December		
		2011	2012	2013
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	16	46,119	73,319	79,002
Deposit placed for a life insurance policy	18	6,444	6,666	6,930
Deposit for acquisition of property, plant and equipment		—	—	1,521
Deferred tax assets	28	480	7,094	9,904
		<u>53,043</u>	<u>87,079</u>	<u>97,357</u>
Current assets				
Inventories	19	156,729	331,982	424,381
Trade and other receivables	20	219,399	166,172	161,358
Amounts due from related parties	21	56	66	41
Amount due from a director	21	139	—	—
Amounts due from shareholders	21	4	10	10
Pledged bank deposits	22	1,010	1,012	1,016
Bank balances and cash	22	47,024	55,456	60,907
		<u>424,361</u>	<u>554,698</u>	<u>647,713</u>
Current liabilities				
Trade and other payables	23	58,668	84,879	75,878
Amount due to a related party	21	—	3,723	—
Amounts due to directors	21	2,000	18	—
Tax payable		24,324	14,457	17,217
Dividend payable		—	44,000	15,000
Bank borrowings	25	39,983	99,817	171,318
		<u>124,975</u>	<u>246,894</u>	<u>279,413</u>
Net current assets		<u>299,386</u>	<u>307,804</u>	<u>368,300</u>
Total assets less current liabilities		<u>352,429</u>	<u>394,883</u>	<u>465,657</u>
Capital and reserves				
Share capital	27	10	10	10
Reserves		<u>346,983</u>	<u>384,068</u>	<u>455,094</u>
Total equity		<u>346,993</u>	<u>384,078</u>	<u>455,104</u>
Non-current liabilities				
Deferred tax liabilities	28	4,048	8,487	7,728
Pension obligation	24	1,388	2,318	2,825
		<u>5,436</u>	<u>10,805</u>	<u>10,553</u>
		<u>352,429</u>	<u>394,883</u>	<u>465,657</u>

Company Statements of Financial Position

		As at 31 December		
		2011	2012	2013
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current asset				
Investment in a subsidiary	17	1	1	1
Current assets				
Amounts due from subsidiaries	21	—	44,030	15,000
Amount due from a director	21	6	—	—
Amounts due from shareholders	21	4	10	10
		10	44,040	15,010
Current liabilities				
Amounts due to subsidiaries	21	1	31	1
Dividend payable		—	44,000	15,000
		1	44,031	15,001
Net current assets		9	9	9
Total assets less current liabilities		10	10	10
Capital and reserves				
Share capital	27	10	10	10
Reserves		—	—	—
Total equity		10	10	10

Consolidated Statements of Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000 (note 1)	Actuarial gain and loss reserve HK\$'000	General reserve HK\$'000 (note 2)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2011	—	15,500	(871)	362	11,431	216,500	242,922
Profit for the year	—	—	—	—	—	141,557	141,557
Other comprehensive (expense) income for the year	—	—	(523)	—	(2,963)	—	(3,486)
Total comprehensive (expense) income for the year	—	—	(523)	—	(2,963)	141,557	138,071
Issue of shares	10	—	—	—	—	—	10
Dividend recognised as distribution (note 15)	—	—	—	—	—	(34,010)	(34,010)
At 31 December 2011	10	15,500	(1,394)	362	8,468	324,047	346,993
Profit for the year	—	—	—	—	—	99,474	99,474
Other comprehensive (expense) income for the year	—	—	(696)	—	4,307	—	3,611
Total comprehensive (expense) income for the year	—	—	(696)	—	4,307	99,474	103,085
Dividend recognised as distribution (note 15)	—	—	—	—	—	(66,000)	(66,000)
At 31 December 2012	10	15,500	(2,090)	362	12,775	357,521	384,078
Profit for the year	—	—	—	—	—	93,021	93,021
Other comprehensive (expense) income for the year	—	—	(266)	—	8,271	—	8,005
Total comprehensive (expense) income for the year	—	—	(266)	—	8,271	93,021	101,026
Transfer	—	—	—	491	—	(491)	—
Dividend paid (note 15)	—	—	—	—	—	(30,000)	(30,000)
At 31 December 2013	10	15,500	(2,356)	853	21,046	420,051	455,104

Notes:

- Share premium represents the capitalisation of loan from directors amounting to HK\$15,500,000 in respect of the issuance of 2 ordinary shares of EB (Far East), the subsidiary of the Company, of HK\$10 each at HK\$7,750,000 per share in 2005.
- General reserve represent the legal reserve being allocated from the retained profit of EB Switzerland and EB (GZ), the subsidiary of the Company, as required under the relevant legislation of Switzerland and PRC, respectively. According to the relevant legislation, EB Switzerland has allocated to the general reserve until this reserve reached 50% of its share capital. For the legal reserve in PRC, it represented the statutory surplus reserve of EB(GZ). During the year ended 31 December 2013, 10% of net profit has been transferred to the statutory surplus reserve.

Consolidated Statements of Cash Flows

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before tax	173,183	127,347	110,743
Adjustments for:			
(Reversal of allowance for) allowance for inventories	(461)	4,590	1,093
Allowance for doubtful debt	115	46	981
Depreciation of property, plant and equipment	22,836	30,186	37,980
Finance costs	957	2,004	3,819
Interest income	(31)	(354)	(355)
Loss of disposal of property, plant and equipment	—	—	40
Loss (gain) in relation of defined benefit scheme	473	685	(872)
Operating cash flows before movements in working capital	197,072	164,504	153,429
Decrease (increase) in inventories	8,703	(175,268)	(82,935)
(Increase) decrease in trade and other receivables	(103,158)	53,396	2,079
Increase (decrease) in trade and other payables	10,532	7,800	(538)
Contribution to defined benefit scheme	(519)	(604)	(665)
Cash generated from operations	112,630	49,828	71,370
Hong Kong Profits Tax paid	(20,016)	(31,667)	(12,162)
Switzerland income tax paid	(9,427)	(4,065)	(5,992)
Switzerland withholding tax paid	—	(4,325)	—
PRC Enterprise income tax paid	—	—	(708)
NET CASH FROM OPERATING ACTIVITIES	83,187	9,771	52,508
INVESTING ACTIVITIES			
Additions of property, plant and equipment	(27,540)	(38,273)	(52,003)
Deposit placed for a life insurance policy	(6,444)	—	—
Deposit for acquisition of property, plant and equipment	—	—	(1,521)
Repayment from a director	—	133	—
Advance to a shareholder	(4)	—	—
(Advance to) repayment from related parties	—	(10)	25
Pledged bank deposits placed	(2)	(2)	(4)
Interest received	31	132	103
Proceeds from disposal of property, plant and equipment	—	—	75
NET CASH USED IN INVESTING ACTIVITIES	(33,959)	(38,020)	(53,325)

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
Advance from (repayment to) a director	2,000	(2,000)	(18)
Advance from a related party	—	4,515	—
Repayment to a related party	—	(792)	(3,723)
Advance from a director	1,122	18	—
New bank loans raised	24,780	107,636	266,991
Repayment of bank loans	(13,511)	(47,802)	(195,490)
Proceed from issue of new shares	10	—	—
Interest paid	(957)	(2,004)	(3,819)
Dividend paid	(34,010)	(22,000)	(59,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(20,566)	37,571	4,941
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,662	9,322	4,124
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	18,393	47,024	55,456
Effect of foreign exchange rate changes	(31)	(890)	1,327
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	47,024	55,456	60,907

Notes to the Financial Information**1. GENERAL**

The Company is incorporated in the Cayman Islands under the Companies Law of Cayman Islands as an exempted company with limited liability on 18 January 1991.

Prior to the Corporate Reorganisation, the Company wholly owned the equity interests in EB Switzerland and EB (Far East) directly, the Group's major operating subsidiaries. On 17 August 2011, EB Investment was incorporated in the BVI by the Company to hold its interest in EB Switzerland and EB (Far East). The Company subscribed 100 shares in EB Investment, representing the entire issued share capital, on 18 August 2011 at a cash consideration of US\$1.00 each.

On 25 August 2011, EB(HK) was incorporated under the laws of Hong Kong and become a direct wholly owned subsidiary of EB Investment since then.

On 20 October 2011, EB (Far East) allotted and issued 1,993 new shares of HK\$10 each to EB Investment. Immediately after such share allotment, EB (Far East) was beneficially owned as to 99.65% by EB Investment and 0.35% by the Company. On 7 November 2011, all of the 0.35% beneficial interest in EB (Far East) owned by the Company were transferred to EB Investment at an aggregate consideration of HK\$70. Immediately upon completion of these share transfers, EB (Far East) and EB Switzerland became the wholly owned subsidiaries of EB Investment.

In order to facilitate the direct sale of watches to watch retailers in the PRC, EB (GZ) was established by EB (HK) under the Laws of the PRC as a wholly owned subsidiary of EB (HK) on 7 December 2011. Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group since then.

The Financial Information of the Company have been prepared as if the Corporate Reorganisation has occurred as at the beginning of the current period presented. The address and place of business of the Company are disclosed in corporate information section in the Prospectus. The Company act as an investment holding company. The principal activities of its subsidiaries are manufacturing and sales of watches.

The Financial Information is presented in HK\$, which is the functional currency of the company and may be different from the functional currency of certain group entities, i.e. RMB and CHF. The Group's management has elected to use HK\$ as they believe HK\$ is the appropriate presentation currency for the users of the Group's Financial Information.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all the IFRSs which are effective for the Group's financial year beginning on 1 January 2013 and consistently applied throughout the Relevant Periods.

At the date of this report, the Group has not early applied the following new and revised International Accounting Standards ("IAS"), IFRS, amendments and interpretation ("IFRIC") (hereinafter collectively referred to as the "new and revised IFRSs") that have been issued but are not yet effective:

New and revised IFRSs in issue but not yet effective

Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
IFRS 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 Cycle ⁴
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 Cycle ²
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

The Directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for defined benefit scheme and certain financial instruments which are measured at fair values as explained in the accounting policies set out below. The Financial Information have been prepared in accordance with IFRS. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, less returns and net of trade discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Maintenance service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty is measured at the directors' best estimate of the warranty expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, are discounted to present value (where the effect of the time value of money is material).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the each of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at end of each reporting period. Remeasurement, comprising actuarial gains and losses the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or assets. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and loss on curtailments and settlements;
- net interest expense or income, and
- remeasurement.

The Group presents the first two components of defined benefits cost in the profit or loss in the line item of employee benefits expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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 before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 consolidated financial statements 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 the initial recognition of 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, except where the 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its 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 an asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 estimated 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, subsidiaries, a director and a shareholder, deposit placed for a life insurance policy, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounts at the financial asset's original effective interest rate.

For financial asset carried at cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortised cost, 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 the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to a related party and directors, and subsidiaries dividend payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

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 Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and

other receivables and doubtful debts expenses in the periods in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 December 2011 and 2012 and 2013 amounting to HK\$219,399,000, HK\$166,172,000 and HK\$161,358,000, respectively.

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The carrying amount of inventories as at 31 December 2011, 2012 and 2013 amounting to HK\$156,729,000, HK\$331,982,000 and HK\$424,381,000 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt, which includes advance from a related party and directors, dividend payable, bank borrowings net of pledged bank deposits and bank balances and cash and equity, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP			
As at 31 December			
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	260,369	174,054	178,192
Financial liabilities			
Liabilities at amortised cost	76,378	182,130	223,840
THE COMPANY			
As at 31 December			
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables	10	44,040	15,010
Financial liabilities			
Liabilities at amortised cost	1	44,031	15,001

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk**(i) Foreign currency risk****THE GROUP**

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. From time to time, the Group may use derivative financial instrument to hedge the foreign currency risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency exchange rate.

The Group's foreign currency monetary assets are mainly bank balances and the Group's foreign currency monetary liabilities are mainly trade payables.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets		
	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Third parties			
RMB	150	11,437	13,432
USD	6,444	7,154	7,801
	<u> </u>	<u> </u>	<u> </u>
Inter-group balances			
RMB	—	187,656	217,921
CHF	23,407	12,499	—
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
As at 31 December			
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Third parties			
CHF	5,293	1,001	13
USD	966	647	617
	<u> </u>	<u> </u>	<u> </u>
Inter-group balances			
CHF	—	—	36,719
	<u> </u>	<u> </u>	<u> </u>

THE COMPANY

The Company's exposure to foreign currency risk is insignificant as the Company does not have any significant foreign currency denominated monetary assets and liabilities.

Sensitivity analysis

Since HK\$ are pegged to USD under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and USD. The Group is mainly exposed to the currency risk of CHF and RMB against HK\$.

The following table indicates the approximate change in the Group's profit after taxation for the year in response to 2% and 5% increase or decrease in Hong Kong dollars against RMB and CHF respectively which the Group have significant exposure at the end of each reporting period.

A sensitivity rate of 2% on RMB and 5% on CHF represents management's assessment of the reasonably possible change in foreign currency exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjust their translation at the end of each reporting period for a 2% and 5% change in foreign currency exchange rates.

The table below reflects the changes in post-tax profit where HK\$ strengthens 2% and 5% against the relevant foreign currencies. For a 2% and 5% weakening of HK\$ against RMB and CHF respectively, there would be an equal and opposite impact on the post-tax profit.

THE GROUP

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit increase (decrease) when HK\$ appreciates against:			
RMB (2% change)	(3)	(3,324)	(3,863)
CHF (5% change)	<u>756</u>	<u>480</u>	<u>(1,553)</u>

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the Group's Hong Kong dollar denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low interest rate. The Group currently does not use any derivative contract to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Company's exposure to interest rate risk is insignificant as the Company does not have any significant interest bearing assets or liabilities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year. A 100 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the potential effect on the Group's profit after tax during the Relevant Periods is as follows:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Decrease in profit	334	833	1,431

If interest rates had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the profit after tax.

(iii) *Credit risk*

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At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its deposit placed for a life insurance policy, trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances.

The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amounts due from related companies, the management considered that the exposure to credit risk arising from defaults of these parties is limited as the counterparties have sufficient net asset and fund to repay their debts and the Company is not expected to result in any financial loss for amounts due from these parties.

The Group has concentration of credit risk as 96%, 39% and 37% of the total trade receivables as at 31 December 2011, 2012 and 2013, respectively represented amounts due from the Group's five largest trade debtors.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on receivables from department stores and corporate customers are limited because all department stores and corporate customers have good repayment records.

The credit risk on pledged bank deposits and bank balances and deposit placed for a life insurance policy is limited because the majority of the counterparties are banks with good reputation.

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As at 31 December 2012 and 2013, the Company's has significant concentration of credit risk as the amounts due from subsidiaries constitute over 90% of the total financial assets. The Company considered the exposure to credit risk arising from default of the counterparties is limited as the counterparties have sufficient net assets to repay its debts and a good history of repayment.

The Company has provided financial guarantees to a subsidiary for its bank borrowings. The management considers the Company's exposure to credit risk is limited as this subsidiary has sufficient net assets to repay its borrowings to the bank and the possibility of the default in repayment by the subsidiary to the bank is low.

(iv) *Liquidity risk*

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The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position. As at 31 December 2011 and 2012, the Group has available unutilised bank loan facilities of HK\$65,050,000 and HK\$51,658,000 respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

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	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2011					
Non-derivative financial liabilities					
Trade and other payables	—	34,395	—	34,395	34,395
Amounts due to directors	—	2,000	—	2,000	2,000
Bank borrowings at variable interest rate (Note)	3.33	23,055	17,711	40,766	39,983
		<u>59,450</u>	<u>17,711</u>	<u>77,161</u>	<u>76,378</u>
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	—	34,572	—	34,572	34,572
Amounts due to directors	—	18	—	18	18
Amount due to a related party	—	3,723	—	3,723	3,723
Dividend payable	—	44,000	—	44,000	44,000
Bank borrowings at variable interest rate (Note)	3.52	90,007	10,380	100,387	99,817
		<u>172,320</u>	<u>10,380</u>	<u>182,700</u>	<u>182,130</u>

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables		37,522	—	37,522	37,522
Dividend payable		15,000	—	15,000	15,000
Bank borrowings at variable interest rate (<i>Note</i>)	2.92%	122,461	50,532	172,993	171,318
		<u>174,983</u>	<u>50,532</u>	<u>225,515</u>	<u>223,840</u>

Note: Bank loans with a repayment on demand clause are included in the repayable on demand or less than 3 months' time band in the above maturity analysis. As at 31 December 2011, 2012 and 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$11,400,000, HK\$22,700,000 and HK\$22,100,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid by monthly instalments which will be wholly repayable in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$12,141,000, HK\$23,977,000 and HK\$23,077,000 for the Relevant Periods.

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As at 31 December 2013, the Company provided corporate guarantees of HK\$171,318,000 to a bank in respect of credit facilities utilised by its subsidiary. The maximum amount the Company could be required to settle the financial guarantee contracts under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee is HK\$171,318,000. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee, which is a function of the likelihood that the counterparty guaranteed suffer credit losses.

The following table details the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows for financial liabilities based on the earliest date on which the Company can be required to pay.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2011					
Non-derivative financial liabilities					
Amounts due to subsidiaries	—	<u>1</u>	<u>—</u>	<u>1</u>	<u>1</u>
As at 31 December 2012					
Non-derivative financial liabilities					
Amounts due to subsidiaries	—	<u>1</u>	<u>—</u>	<u>1</u>	<u>1</u>
Dividend payable	—	<u>44,000</u>	<u>—</u>	<u>44,000</u>	<u>44,000</u>
		<u>44,001</u>	<u>—</u>	<u>44,001</u>	<u>44,001</u>
As at 31 December 2013					
Non-derivative financial liabilities					
Amounts due to subsidiaries	—	<u>1</u>	<u>—</u>	<u>1</u>	<u>1</u>
Dividend payable	—	<u>15,000</u>	<u>—</u>	<u>15,000</u>	<u>15,000</u>
Financial guarantee contract	—	<u>171,318</u>	<u>—</u>	<u>171,318</u>	<u>—</u>
		<u>186,319</u>	<u>—</u>	<u>186,319</u>	<u>15,001</u>

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of watches products, less returns and net of trade discounts, during the Relevant Periods.

The Group's principal activities are manufacturing and sales of watches. Information reported to the chief operating decision makers which are the executive directors of the Company for the resource allocation and performance assessment is based on the Group's overall performance which is considered as a single operating segment. Segment revenue, results, assets and liabilities are therefore the same as the respective amounts presented in the consolidated statements of comprehensive income and the consolidated statements of financial position. Entity wide segment information is set out below.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Mechanical watches	372,183	360,077	419,670
Quartz watches	114,927	190,297	183,332
Others	1,979	506	1,011
	<u>489,089</u>	<u>550,880</u>	<u>604,013</u>

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers determined based on the location of customers and (ii) the Group's non-current assets which exclude deferred tax assets and are analysed by location of assets.

	Revenue from external customers		
	Year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
PRC	402,350	431,713	463,401
Hong Kong and Macau	76,982	94,268	107,218
Southeast Asia	6,849	18,421	23,853
Others	2,908	6,478	9,541
	<u>489,089</u>	<u>550,880</u>	<u>604,013</u>

	Non-current assets		
	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
PRC	15,689	35,238	33,254
Hong Kong	8,404	11,004	12,117
Switzerland	28,470	33,743	42,082
	<u>52,563</u>	<u>79,985</u>	<u>87,453</u>

Information about major customers

Revenue from customers of the Relevant Periods contributing over 10% of the total sales of the Group are as follows:

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	197,429	—	—
Customer B	204,921	—	—
Customer C	—	63,898	67,856
	<u> </u>	<u> </u>	<u> </u>

8. OTHER GAINS AND LOSSES

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Allowance for doubtful debts	(115)	(46)	(981)
Fair value gain on derivative financial instruments	679	998	996
Exchange gain (loss), net	1,589	(2,028)	3,130
Loss on disposal of property, plant and equipment	—	—	(40)
	<u> </u>	<u> </u>	<u> </u>
	<u>2,153</u>	<u>(1,076)</u>	<u>3,105</u>

9. OTHER INCOME

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on life insurance contract	—	222	252
Bank interest income	31	132	103
Maintenance services income	95	142	173
Government subsidy	—	—	226
Sundry income	398	797	382
	<u> </u>	<u> </u>	<u> </u>
	<u>524</u>	<u>1,293</u>	<u>1,136</u>

10. FINANCE COSTS

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowing wholly repayable within five years			
— Bank borrowings	689	2,004	3,819
— Loan from a shareholder	58	—	—
— Others	210	—	—
	<u> </u>	<u> </u>	<u> </u>
	<u>957</u>	<u>2,004</u>	<u>3,819</u>

11. PROFIT BEFORE TAX

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):			
Auditors' remuneration	405	5,045	4,551
(Reversal of allowance) allowance for inventories	(461)	4,590	1,093
Cost of inventories recognised as expenses	206,476	218,133	219,840
Depreciation of property, plant and equipment	22,836	30,186	37,980
Director's emoluments			
— fee	—	—	789
— other emoluments	4,033	3,094	3,689
Other staff cost	26,763	50,501	63,402
Retirement benefit schemes	730	3,337	4,395
Employee benefit expenses	31,526	56,932	72,275
Other expenses (<i>note</i>)	—	8,912	7,029
Operating lease rental in respect of rented premises	1,179	11,762	20,902

Note: Other expenses represent the professional fee paid in relation to the preparation of listing in that year.

12. INCOME TAX EXPENSE

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
Hong Kong Profits Tax	25,050	18,093	12,282
Switzerland income tax	6,093	7,626	6,940
PRC Enterprise Income tax	—	—	2,193
	31,143	25,719	21,415
Swiss Federal withholding tax			
— underprovision in prior years	—	4,325	—
Deferred tax charge (credit) (<i>note 28</i>)	483	(2,171)	(3,693)
	31,626	27,873	17,722

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

Under the laws of PRC on Enterprise Income Tax (The "EIT Law") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiary is 25%.

Switzerland income tax is calculated at certain tax rates on the assessable income for the year. Under the relevant Tax Law in Switzerland, the Group's subsidiary incorporated in Switzerland was subjected to Direct Federal Tax ("DFT") and Cantonal Communal Tax ("CCT") for the Relevant Periods. For the year ended 31 December 2011, DFT and CCT was calculated at 8.5% and 9.16% on the profit respectively. For each of the years ended 31 December 2012 and 2013, CCT was changed to 9.07% and 8.97% respectively.

Swiss Federal withholding tax is levied at a rate of 35 % on the distributions of the profit of the company incorporated in Switzerland.

The income tax expense for the Relevant Periods can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Profit before tax	173,183	127,347	110,743
Tax at the applicable income tax rate of 16.26%, 16.37% and 15.72%	28,160	20,843	17,405
Tax effect of income not taxable for tax purpose	(157)	(19)	(76)
Tax effect of expenses not deductible for tax purpose	1,687	2,412	1,693
Tax effect of tax losses not recognised	—	25	—
Tax effect of deductible temporary differences not recognised	67	329	—
Utilisation of deductible temporary differences previous not recognised	—	(67)	(329)
Utilisation of tax losses previously not recognised	—	—	(25)
Under(over)provision of income tax in prior years	1,889	—	(946)
Underprovision of withholding tax in prior years	—	4,325	—
Others	(20)	25	—
Income tax expense for the year	31,626	27,873	17,722

Note: Average income tax rate for each of the years ended 31 December 2011, 2012 and 2013 represents the weighted average tax rate of the operations in different jurisdictions on the relative amounts of assessable profits and the relevant statutory rates.

During the Relevant Periods, one of the Group's subsidiaries incorporated in Hong Kong had restated prior year audited numbers in its audited financial statements for the year ended 31 December 2011 and on a voluntary basis submitted the rectified tax submission for each of the years of assessment 2008/09 to 2010/11 to Inland Revenue Department ("IRD") on 29 July 2013. The Group has made full additional provision of HK\$7,745,000 in aggregate based on the revised estimated assessable profits for each of the years of assessment 2008/09 to 2010/11, taking into account the effect of such restatements. Up to the date of this report, no demand notice or penalties or charges, if any, had been made against that subsidiary. Although penalty could be imposed by the IRD up to 3 times of tax undercharged for each incorrect return, it may be scaled down or not imposed if it can be proved to the satisfaction of Commissioner of IRD that there is reasonable excuse for making incorrect return. After considering the relevant facts and circumstances, the Directors are of the view that adequate provisions had been made and that the risk of further tax charge/penalty to be assessed by the IRD for that subsidiary is very low.

13. EARNINGS PER SHARE

The calculation of the earnings per share for the Relevant Periods is based on the consolidated profits of the Group attributable to owners of the Company for each reporting period and on 281,000,000 shares in issue during these periods on the assumption that the subdivision of shares and capitalisation issue as detailed in the paragraph headed "Further information about our Group — 4. Written Resolution of Our Shareholders passed on 24 June 2014" in Appendix IV to the Prospectus have been effective on 1 January 2011. No time-weighting factor has been applied in the calculation of the number of shares for the year ended 31 December 2011 as the impact, after considering deemed bonus element, is not expected to be significant.

No dilutive earnings per share is presented as there were no potential dilutive shares during the reporting periods.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

The emoluments paid or payable to each of the directors by the Group during the Relevant Periods is set out below:

For the year ended 31 December 2011					
	Fee	Salary and other benefits	Performance related bonus	Retirement benefits scheme contribution	Total emoluments
	HK\$'000	HK\$'000	HK\$'000 (note 2)	HK\$'000	HK\$'000
Executive directors					
Mr. Su Da (note 1)	—	1,125	20	12	1,157
Ms. Liu Libing	—	600	—	1	601
Mr. Wong Pong Chun, James	—	271	2,000	4	2,275
Non-executive director					
Mr. Chan Kwan Pik, Gilbert	—	—	—	—	—
	<u>—</u>	<u>1,996</u>	<u>2,020</u>	<u>17</u>	<u>4,033</u>
For the year ended 31 December 2012					
	Fee	Salary and other benefits	Performance related bonus	Retirement benefits scheme contribution	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Mr. Su Da (note)	—	1,790	340	14	2,144
Ms. Liu Libing	—	282	—	4	286
Mr. Wong Pong Chun, James	—	650	—	14	664
Non-executive director					
Mr. Chan Kwan Pik, Gilbert	—	—	—	—	—
	<u>—</u>	<u>2,722</u>	<u>340</u>	<u>32</u>	<u>3,094</u>
For the year ended 31 December 2013					
	Fee	Salary and other benefits	Performance related bonus	Retirement benefits scheme contribution	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Mr. Su Da (note)	—	2,397	360	15	2,772
Ms. Liu Libing	789	204	25	23	1,041
Mr. Wong Pong Chun, James	—	650	—	15	665
Non-executive directors					
Mr. Chan Kwan Pik, Gilbert	—	—	—	—	—
	<u>789</u>	<u>3,251</u>	<u>385</u>	<u>53</u>	<u>4,478</u>

Notes:

1. Mr. Su Da is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
2. The performance related bonus is determined by reference to the performance of individuals and market trends.

Employees

Of the five individuals with the highest emoluments in the Group, two directors of the Company for each of the years ended 31 December 2011 and 2013 and one director of the Company for the year ended 31 December 2012, whose emoluments are included in the disclosures above. The emoluments of remaining individuals during the Relevant Periods are as follows:

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salary and other benefits	2,904	4,117	3,654
Performance related bonus	—	592	—
Retirement benefits scheme contribution	9	14	30
Total emoluments	2,913	4,723	3,684

Their emoluments were within the following bands:

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than HK\$1,000,000	2	—	—
HK\$1,000,001 to HK\$1,500,000	1	4	3

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors, Chief Executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

15. DIVIDEND

	For the year ended 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution during the Relevant Periods:			
The Company			
— 2010 Final — HK\$3,401 per share	34,010	—	—
— 2011 Final — HK\$6,600 per share	—	66,000	—
— 2012 Final — HK\$3,000 per share	—	—	30,000
	34,010	66,000	30,000

No dividend has been proposed or paid since 31 December 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building outside Hong Kong HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 January 2011	27,740	2,189	27,217	3,020	400	60,566
Additions	287	375	31,882	1,135	—	33,679
Exchange realignment	(286)	(28)	(36)	(84)	—	(434)
At 31 December 2011	27,741	2,536	59,063	4,071	400	93,811
Additions	2,929	4,326	47,688	754	822	56,519
Exchange realignment	804	98	78	112	—	1,092
At 31 December 2012	31,474	6,960	106,829	4,937	1,222	151,422
Additions	4,199	708	37,512	117	—	42,536
Disposals	—	—	—	—	(133)	(133)
Exchange realignment	1,031	109	402	119	22	1,683
At 31 December 2013	36,704	7,777	144,743	5,173	1,111	195,508
DEPRECIATION						
At 1 January 2011	2,091	717	20,817	1,352	37	25,014
Provided for the year	1,215	631	20,484	386	120	22,836
Exchange realignment	(92)	(9)	(25)	(32)	—	(158)
At 31 December 2011	3,214	1,339	41,276	1,706	157	47,692
Provided for the year	1,153	590	27,769	467	207	30,186
Exchange realignment	117	15	39	53	1	225
At 31 December 2012	4,484	1,944	69,084	2,226	365	78,103
Provided for the year	1,167	1,585	34,437	535	256	37,980
Eliminate on disposals	—	—	—	—	(18)	(18)
Exchange realignment	169	34	159	75	4	441
At 31 December 2013	5,820	3,563	103,680	2,836	607	116,506
CARRYING VALUES						
At 31 December 2011	24,527	1,197	17,787	2,365	243	46,119
At 31 December 2012	26,990	5,016	37,745	2,711	857	73,319
At 31 December 2013	30,884	4,214	41,063	2,337	504	79,002

The above items of property, plant and equipment except for freehold land are depreciated and amortised on a straight-line basis at the following rates per annum:

	Depreciation rate
Building built on freehold land	3.3%–10%
Leasehold improvement	Over the shorter of the term of the lease ranging from 3 to 5 years or 10 years
Furniture, fixtures and equipment	15%–50%
Machinery	6%–20%
Motor vehicles	30%

No depreciation is provided on freehold land.

17. INVESTMENT IN A SUBSIDIARY

THE COMPANY

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Unlisted investment, at cost	1	1	1

Details of the Company's subsidiary, EB Investment which was owned directly by the Company are set out on page 1 of this report. In addition, EB Investment with 100 issued and fully paid ordinary share for a consideration of USD100 were allocated to the Company on 18 August 2011.

18. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

In December 2011, the Group entered into a life insurance policy with an insurance company to insure a Director. Under the policy, the beneficiary and policy holder is the Company and total insured sum is approximately HK\$10,764,000, the Company is required to pay an upfront deposit of HK\$6,831,000 including a premium charge at inception of the policy amounting to HK\$387,000. Moreover, the Company is required to pay a monthly insurance premium determined by the insurance company. The Company can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payment of HK\$6,458,000 plus accumulated interest earned and minus insurance premium charged at inception of HK\$387,000 and the accumulated monthly insurance premium charged ("Cash Value"). In addition, if withdrawal is made between the first to fifteenth policy year, there is a specified amount of surrender charge. The insurance company will pay the Company a minimum guaranteed interest at 4.4% per annum on the outstanding cash value of the policy for the first year. Commencing from the second year, the minimum guaranteed interest will become 3% per annum.

The effective interest rate on initial recognition was 3.75% per annum which was determined by discounting the estimated future cash receipt, excluding the financial effect of the surrender charge if policy is terminated in the first fifteen years. The carrying amount of deposit placed for a life insurance policy as at 31 December 2011, 2012 and 2013 represented the Cash Value of such insurance policy.

As the end of the Relevant Periods, the deposit placed for a life insurance policy was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in USD, the currency other than the functional currency of the respective group entity.

19. INVENTORIES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Raw materials	108,535	147,241	172,592
Work-in-progress	27,785	73,660	97,097
Finished goods	20,409	111,081	154,692
	<u>156,729</u>	<u>331,982</u>	<u>424,381</u>

20. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade receivables with independent third parties	13,202	102,950	104,325
Trade receivables with related companies	190,467	—	—
Less: allowance for doubtful debts	(124)	(170)	(1,151)
	<u>203,545</u>	<u>102,780</u>	<u>103,174</u>
Other receivables	2,147	8,064	6,114
Other tax recoverable	6,041	30,660	27,826
Prepayments	6,784	20,044	17,347
Deposits	882	4,624	6,897
	<u>15,854</u>	<u>63,392</u>	<u>58,184</u>
	<u>219,399</u>	<u>166,172</u>	<u>161,358</u>

The Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
0–90 days	131,591	99,435	97,973
91–180 days	63,916	3,345	3,566
181–270 days	8,038	—	1,635
	<u>203,545</u>	<u>102,780</u>	<u>103,174</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Limits attributed to customers are reviewed annually.

At 31 December 2011, 2012 and 2013, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$71,954,000, HK\$28,837,000 and HK\$31,520,000 respectively which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

Ageing of trade receivables (by due date) which are past due but not impaired

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue for:			
Within 90 days	—	25,492	26,319
91 to 180 days	63,916	3,345	3,566
More than 180 days	8,038	—	1,635
	<u>71,954</u>	<u>28,837</u>	<u>31,520</u>

Movement in the allowance for doubtful debts

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	9	124	170
Impairment losses recognised	115	46	981
Balance at end of the year/period	<u>124</u>	<u>170</u>	<u>1,151</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$124,000, HK\$170,000 and HK\$1,151,000 for the year ended 31 December 2011, 2012 and 2013 respectively. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

21. AMOUNTS DUE FROM/TO RELATED PARTIES/DIRECTORS/SHAREHOLDERS/SUBSIDIARIES

THE GROUP

The amounts due from/to related parties, directors and shareholders are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group. Certain directors of the Company are also directors and shareholders of the related companies.

Amounts due from related parties and director which are non-trade nature, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 31 December			Maximum balance outstanding during the year		
	Year ended 31 December					
	2011	2012	2013	2011	2012	213
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from related parties						
Truly Electronic Manufacturing Limited	56	56	—	56	56	56
Truly Semiconductors Limited	—	10	—	—	16	10
Mr. Su Ran	—	—	41	—	—	41
	<u>56</u>	<u>66</u>	<u>41</u>			
Amount due from a director						
Mr. Lam Wai Wah ¹	<u>139</u>	<u>—</u>	<u>—</u>	<u>143</u>	<u>139</u>	<u>—</u>
Amounts due from shareholders						
Force Field Limited	4	4	4	4	4	4
Mr. Lam Wai Wah	<u>—</u>	<u>6</u>	<u>6</u>	<u>—</u>	<u>6</u>	<u>6</u>
	<u>4</u>	<u>10</u>	<u>10</u>			
Amount due to a related party						
Mr. Su Ran	<u>—</u>	<u>3,723</u>	<u>—</u>			
Amounts due to directors						
Mr. Wong Pang Chun, James	2,000	—	—			
Ms. Liu Li Bing	<u>—</u>	<u>18</u>	<u>—</u>			

¹ Mr. Lam Wai Wah ceased to be a director of the Company on 18 June 2012.

THE COMPANY

The amounts due from/to a director, shareholders and subsidiaries are unsecured, interest-free and repayable on demand.

Amount due from a directors which are non-trade nature, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	As at 31 December			Maximum balance outstanding during the year Year ended 31 December		
	2011	2012	2013	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from a director/shareholder						
Mr. Lam Wai Wah ¹	<u>6</u>	<u>—</u>	<u>—</u>	<u>6</u>	<u>6</u>	<u>—</u>
Amounts due from shareholders						
Force Field Limited	4	4	4	4	4	4
Mr. Lam Wai Wah	<u>—</u>	<u>6</u>	<u>6</u>	<u>—</u>	<u>6</u>	<u>6</u>
	<u>4</u>	<u>10</u>	<u>10</u>			

¹ Mr. Lam Wai Wah ceased to be a director of the Company on 18 June 2012.

22. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Pledged deposits included in current assets carried interest in the range of 0.15% to 0.4%, 0.24% to 0.36% and 0.17% to 0.36% per annum at 31 December 2011, 31 December 2012 and 31 December 2013 respectively. These deposits are pledged to secure the short term banking facilities granted to the Group.

Bank balances carried market interest rate in the range of 0.01% to 0.50% and 0.01% to 0.35% and 0.01% to 0.35% per annum at 31 December 2011, 31 December 2012 and 31 December 2013 respectively.

The Group's bank balance that are denominated in USD and RMB, currency other than functional currency of the relevant group entities are set out below:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Denominated in USD	—	488	871
Denominated in RMB	<u>150</u>	<u>11,437</u>	<u>13,432</u>

23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade payables	33,036	25,062	31,892
Other payables	1,359	9,510	5,630
Accruals	24,273	50,307	38,356
	<u>58,668</u>	<u>84,879</u>	<u>75,878</u>

The following is an aged analysis of accounts payable presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Trade payables:			
1–30 days	16,392	16,067	19,900
31–60 days	16,381	7,538	11,054
Over 60 days	263	1,457	938
	<u>33,036</u>	<u>25,062</u>	<u>31,892</u>

The credit period for trade purchases ranges from 0 to 30 days.

The Group's trade payables that denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Denominated in CHF	5,293	1,001	13
Denominated in USD	966	647	617

24. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

People's Republic of China

According to the relevant laws and regulation in PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Switzerland*Defined benefit scheme*

In Switzerland, the Group's subsidiary contributes to a mandatory post-employment defined benefit plan, funded by contribution of both employees and employer (the "Scheme"). The plan is operated by an insurance company in the form of a multi-employer scheme (Swiss Life Collective BVG Foundation).

The Scheme exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Due to the long-term nature of the plan liabilities, the board of the pension fund may consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of Scheme participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The valuation of plan assets and the present value of the defined benefit obligations were estimated by the directors with reference to the valuation carried out at 31 December 2011, 31 December 2012 and 31 December 2013 by an independent qualified professional actuary not connected to the Group. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

The principal actuarial assumption used at the end of each reporting period are as follows:

	As at 31 December		
	2011	2012	2013
Price inflation	1.0%	1.0%	1.0%
Discount rate	2.75%	2.0%	2.0%
Long term rate of return on plan assets	2.5%	2.0%	2.0%
Expected rate of salary increase	1.5%	1.5%	1.5%
Average longevity at retirement age for current pensioners and employees	52	52	52

The actuarial valuation showed that the market value of plan assets was HK\$5,876,000 and HK\$6,806,000 and HK\$4,567,000 at 31 December 2011, 31 December 2012 and 31 December 2013 respectively and that the actuarial value of these assets represented 81%, 75% and 62% of the benefits that had accrued to members. The shortfall of HK\$1,388,000, HK\$2,318,000 and HK\$2,825,000 is to be cleared over the estimated remaining service period of 8.9 years, 9.4 years and 9.4 years respectively.

The overall expected rate of return is a weighted average of the expected returns of the various categories of Scheme assets held.

Amounts recognised in comprehensive income for the Relevant Period in respect of the Scheme are as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Service cost:			
Current service cost	2,707	1,846	2,264
Net Interest expense	191	200	180
Components of defined benefit cost recognised in profit or loss	2,898	2,046	2,444
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(34)	122	893
Actuarial losses (gain) arising from experience adjustment	489	51	(627)
Actuarial losses arising from change in financial assumptions	68	523	—
Components of defined benefit cost recognised in other comprehensive income	523	696	266
Total	3,421	2,742	2,710

The expense is included as employee benefits expense and included in cost of sales.

The remeasurement of net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Present value of defined benefit obligations	7,264	9,124	7,392
Fair value of plan assets	(5,876)	(6,806)	(4,567)
Net liability arising from defined benefit obligations	1,388	2,318	2,825

Movements of the present value of defined benefit obligations in the current year were as follows:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Opening defined benefit obligations	5,593	7,264	9,124
Current service cost	2,707	1,846	2,264
Interest cost	191	200	180
Remeasurement losses:			
Actuarial losses arising from experience adjustments	489	51	(627)
Actuarial losses arising from change in financial assumptions	68	523	—
Benefits paid	(1,554)	(1,231)	(3,736)
Exchange differences on foreign plans	(230)	471	187
Closing defined benefit obligations	<u>7,264</u>	<u>9,124</u>	<u>7,392</u>

Movements of the fair value of plan assets in the current year were as follows:

	For the year ended 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Opening fair value of plan assets	4,716	5,876	6,806
Interest income	161	136	156
Remeasurement gains (losses):			
Return on plan assets (excluding amounts included in net interest expense)	34	(122)	(893)
Contributions from employers	519	604	665
Benefits paid	(1,554)	(1,231)	(3,736)
Contributions paid by plan participants	2,289	1,226	1,407
Exchange differences on foreign plans	(289)	317	162
Closing fair value of plan assets	<u>5,876</u>	<u>6,806</u>	<u>4,567</u>

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Fixed interest, cash and cash equivalents and time deposits	4,607	5,033	3,585
Real estate	664	953	565
Mortgages and others claims	411	602	315
Others	194	218	102
	<u>5,876</u>	<u>6,806</u>	<u>4,567</u>

The fair values of real estate, mortgages and other claims, and others are not based on quoted market price in active markets.

The directors are of the opinion that the impact from the changes in discount rate, salary growth rate and life expectancy are minimal as no significant changes in the discount rate, salary growth rate and life expectancy for the employees are expected. According, no sensitivity analysis for the changes in these three assumptions is presented.

The Group's subsidiary in Switzerland funded the cost of the entitlements of employees on a yearly basis. Employees pay approximately 8% of pensionable salary. The residual contribution (including back service payments) is paid by the subsidiary of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Group's subsidiary is not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at 31 December 2011, 31 December 2012 and 31 December 2013 is 13 years, 12 years and 11 years respectively.

The Group expects to make a contribution of HK\$2,596,000 to the defined benefit plan during the next financial year ending 31 December 2014.

25. BANK BORROWINGS

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Bank loan	35,220	60,093	121,390
Import trade loans	—	23,562	49,928
Trust receipt loan	4,763	16,162	—
	<u>39,983</u>	<u>99,817</u>	<u>171,318</u>
Carrying amount repayable on demand or within one year	28,583	77,117	149,218
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	<u>11,400</u>	<u>22,700</u>	<u>22,100</u>
Amounts due within one year shown under current liabilities	<u>39,983</u>	<u>99,817</u>	<u>171,318</u>
Analysis as:			
Secured	23,783	76,417	155,118
Unsecured	<u>16,200</u>	<u>23,400</u>	<u>16,200</u>
	<u>39,983</u>	<u>99,817</u>	<u>171,318</u>
The borrowings repayable based on scheduled repayment dates set out in the loan agreements are as follows:			
On demand or within one year	28,583	77,117	149,218
More than one year, but not exceeding two years	4,800	13,100	17,300
More than two years, but not exceeding five years	<u>6,600</u>	<u>9,600</u>	<u>4,800</u>
	<u>39,983</u>	<u>99,817</u>	<u>171,318</u>

All the Group's borrowings are variable-rate borrowings which carry interest at HIBOR or LIBOR plus certain basis points. Interest is repriced every six months and range of effective interest rates is at 2.88% to 3.50%, 2.85% to 3.96% and 2.21% to 3.22% per annum for the Relevant Periods.

Details of assets that have been pledged as collateral to secure borrowings are set out in note 31.

26. FOREIGN EXCHANGE FORWARD CONTRACTS

At 31 December 2011, a subsidiary of the Company entered into the following foreign exchange forward contracts to mitigate its foreign currency exposure related to its CHF denominated trade payables:

Notional amount	Maturity	Exchange rates
Buy CHF1,000,000	January 2012	CHF1: HK\$8.2656

No financial assets or liabilities were recognised in respect of the financial derivatives set out above since their fair values were insignificant at 31 December 2011. The derivative was matured and derecognised during the year ended 31 December 2012.

During the years ended 31 December 2012 and 2013, the subsidiary of the Company entered into several foreign exchange forward contracts, and these derivatives were matured at the end of each reporting period.

27. SHARE CAPITAL

THE GROUP AND THE COMPANY

	Number of share	Share capital HK\$'000
Ordinary share of HK\$1 each		
Authorised:		
At 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013	<u>6,500,000</u>	<u>6,500</u>
Issued and fully paid:		
At 1 January 2011	100	—
Issued on 6 September 2011	<u>9,900</u>	<u>10</u>
At 31 December 2011, 31 December 2012 and 31 December 2013	<u>10,000</u>	<u>10</u>

On 6 September 2011, the Company allotted and issued 9,900 shares of HK\$1 each in the Company at par to the shareholders. These shares rank pari passu in all respects with other shares in issue.

28. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the Relevant Periods.

	Accelerated tax depreciation HK\$'000	Defined benefit pension scheme HK\$'000	Others HK\$'000 (note)	Unrealised profit HK\$'000	Total HK\$'000
At 1 January 2011	(633)	132	(2,697)	—	(3,198)
Credit (charge) to profit or loss (note 12)	(1,155)	(7)	199	480	(483)
Charged to equity	—	92	—	—	92
Exchange adjustment	16	(9)	14	—	21
At 31 December 2011	(1,772)	208	(2,484)	480	(3,568)
Credit (charge) to profit or loss (note 12)	(1,838)	8	(2,613)	6,614	2,171
Charged to equity	—	124	—	—	124
Exchange adjustment	(16)	4	(108)	—	(120)
At 31 December 2012	(3,626)	344	(5,205)	7,094	(1,393)
Credit (charge) to profit or loss (note 12)	1,899	31	(610)	2,373	3,693
Charged to equity	—	38	—	—	38
Exchange adjustment	(12)	5	(155)	—	(162)
At 31 December 2013	(1,739)	418	(5,970)	9,467	2,176

Note: Others represent the temporary difference arising from the special deduction made on the inventories and accruals held by subsidiaries.

The following is the analysis of the deferred tax balances in the consolidated statement of financial position for financial reporting purposes:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	480	7,094	9,904
Deferred tax liabilities	(4,048)	(8,487)	(7,728)
	(3,568)	(1,393)	2,176

The Group has unused tax losses of nil and HK\$82,000 for the year ended 31 December 2011 and 31 December 2012 available for offset against future profits respectively, of which no deferred tax assets were recognised. The unused tax losses were fully utilised for the year ended 31 December 2013.

The Group has deductible temporary differences of nil and HK\$1,316,000 for the year ended 31 December 2011 and 31 December 2012. For the year ended 31 December 2013, the deductible temporary differences had been recognised as deferred tax asset as it is probable that taxable profits will be available against which temporary differences can be utilised.

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised for the year ended 31 December 2011, 31 December 2012 and 31 December 2013 was HK\$73,536,000, HK\$129,566,000 and HK\$176,318,000 respectively. No liability has

been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. OPERATING LEASE COMMITMENTS

At the end of the each reporting period, the Group has commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	3,138	15,972	21,539
In the second to fifth years inclusive	8,916	17,821	25,165
	<u>12,054</u>	<u>33,793</u>	<u>46,704</u>

Included in the above is future lease payments with related party of nil, HK\$547,000 and HK\$318,000, for the year ended 31 December 2011 and 31 December 2012 and 31 December 2013 respectively, and the Group has commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	—	239	246
In the second to fifth years inclusive	—	308	72
	<u>—</u>	<u>547</u>	<u>318</u>

Operating lease payments represent rentals payable by the Group for its office and shops operated by retailer. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals.

The Company did not have any operating lease commitments at the end of each reporting period.

30. CAPITAL COMMITMENT

At the end of each reporting period, the Group has the following capital commitment:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	<u>—</u>	<u>86</u>	<u>6,413</u>

At the end of each reporting period, the Company did not have any capital commitments.

31. PLEDGED OF ASSETS

The Group's bank borrowings are secured by:

	As at 31 December		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed charge over the Group's time deposits	1,010	1,012	1,016
Fixed charge over deposits placed for a life insurance policy	6,444	6,666	6,930
Floating charge over trade receivables due from related companies	190,467	—	—

32. RELATED PARTY TRANSACTIONS

- (i) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name of related company	Relationship	Nature of transaction	For the year ended 31 December		
			2011	2012	2013
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
廣州市時亨寶百貨有限公司	Related company	Trade sales	204,921	21,314	—
		Purchase of inventories	—	38,941	—
		Purchase of equipment	—	316	—
深圳市瑞時鐘錶有限公司	Related company	Trade sales	197,429	38,472	—
		Purchase of inventories	—	53,723	—
Su Ran	Brother of one of the directors/senior management	Rental expense	—	177	243

Certain directors of the Group are also directors and shareholders of the related companies.

- (ii) The Group's bank borrowing are secured by a floating charge over the trade receivables due from related companies amounting to HK\$190,467,000 as at 31 December 2011.
- (iii) Amounts due from/to related parties are disclosed in the consolidated statements of financial position and in notes 20 and 21.
- (iv) Certain shareholders, directors and related parties of the Group, have provided guarantees to banks amounting to HK\$39,983,000, HK\$99,817,000 and HK\$121,318,000 in aggregate as at 31 December 2011, 2012 and 2013 respectively to secure certain banking facilities granted to the Group.
- (v) The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 14.

B. EVENTS AFTER THE END OF REPORTING PERIOD

The following transactions took place subsequent to 31 December 2013:

- (a) On 24 June 2013, written resolutions of all the then shareholders of the Company were passed to approve the matters set out in the paragraph headed "Written Resolutions of Our Shareholders Passed on 24 June 2014" in Appendix IV of the Prospectus. It was resolved, among other things:
 - (i) conditional upon, among other things, the obligations of the Underwriters under the Hong Kong Underwriting Agreement and the International Underwriting Agreement being unconditional and not being terminated, each share in the share capital of the Company be subdivided from par value of HK\$1.00 each into 100 shares with par value of HK\$0.01 each;
 - (ii) conditional upon, among other things, the obligations of the Underwriters under the Hong Kong Underwriting Agreement and the International Underwriting Agreement being unconditional and not being terminated, the authorised share capital of the Company be increased from HK\$6,500,000 to HK\$100,000,000 by the creation of 9,350,000,000 shares of HK\$0.01 each which rank pari passu in all respects with the shares in issue as at the date of passing of the written resolutions;
 - (iii) conditional on the share premium account of the Company being credited as a result of the Global Offering, the sum of HK\$2,800,000 be capitalised and be applied in paying up in full at par 280,000,000 shares for allotment and issue to the shareholders whose names were on the register of members of the Company as at the close of business on 24 June 2014 and the shares to be allotted and issued pursuant to the written resolutions shall rank pari passu in all respects with the existing issued shares;
 - (iv) conditional on (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the shares in issue and to be issued (pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme) as mentioned in the Prospectus; and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, the Company adopted Pre-IPO Share Option Scheme and Share Option Scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the schemes. The principal terms of the share option schemes are summarised in the section headed "Statutory and General Information — F. Pre-IPO Share Option Scheme" and "Statutory and General Information — G. Share option Scheme" in Appendix IV to the Prospectus respectively.

- (b) The Group has obtained new banking facilities amounting to approximately HK\$61,652,000 to finance the Group's working capital.

The above capitalized terms are as defined elsewhere in the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2013.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 as if it had taken place on 31 December 2013.

The pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 or any future date following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 as set out in the Accountants' Report set out in Appendix I to the prospectus, and adjusted as described below. The pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 <i>HK\$'000</i> (Note 1)	Estimated net proceeds from the Global Offering <i>HK\$'000</i> (Note 2)	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share <i>HK\$</i> (Note 3)
Based on Offering Price of HK\$2.54 per Offer Share	<u>455,104</u>	<u>137,197</u>	<u>592,301</u>	<u>1.71</u>
Based on Offering Price of HK\$3.46 per Offer Share	<u>455,104</u>	<u>196,090</u>	<u>651,194</u>	<u>1.88</u>

Notes:

1. The consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2013 is based on the consolidated net tangible assets of the Group attributable to the owners of the Company, extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on 66,000,000 Shares at indicative Offer Prices of HK\$2.54 and HK\$3.46 per Offer Share respectively, after deduction of the estimated commission and other related fees and expenses and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 347,000,000 shares comprise of shares in issue as at date of this prospectus and those shares to be issued pursuant to the Global Offering and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the share option schemes or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.
4. No adjustments have been made to the unaudited pro forma financial information to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2013.

B. REPORTING ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF ERNEST BOREL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ernest Borel Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted unaudited consolidated net tangible assets as at 31 December 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at 31 December 2013 as if the global offering had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2013, on which Accountants' Report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 June 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as a non-resident company by registration on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on our Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 June 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission,

participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;

- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention.

The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time

may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 6 May 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or

during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands as a non-resident company by registration on 18 January 1991 and re-registered as an exempted company with limited liability on 14 April 2014 under the Companies Law. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 May 2014 and our principal place of business in Hong Kong is at Suites 1101–3 & 1112–14, 11th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Wong Pong Chun James and Mr. Lau Fan Yu of Suites 1101–3 & 1112–14, 11th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution comprising memorandum of association and articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix III to this prospectus.

2. Changes in Share Capital of Our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$6,500,000 divided into 6,500,000 shares with par value of HK\$1.00 each. On the same date, one share with par value of HK\$1.00 in the share capital of our Company was allotted and issued as fully paid share to Offshore Nominees Ltd., which is the initial subscriber. The following sets out the changes in the share capital of our Company since the date of its incorporation:

On 6 February 2003, our Company allotted and issued 3, 5, 37 and 54 new shares with par value of HK\$1.00 each, credited as fully paid to Chan Shu Ming, Chen Jing Ming, Mr. Su Da and Mr. Lam, respectively.

On 6 September 2011, our Company allotted and issued 1,600, 3,113 and 5187 new shares with par value of HK\$1.00 each, credited as fully paid to Surplus Union, Force Field and Mr. Lam, respectively.

On 24 June 2014, the shareholders of our Company approved that conditional upon, among other things, the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated, each share of our Company with par value of HK\$1.00 each will be subdivided into 100 Shares with par value of HK\$0.01 each, resulting in an authorised share capital of HK\$6,500,000 divided into 650,000,000 Shares of HK\$0.01 each.

On 24 June 2014, the shareholders of our Company approved that conditional upon, among other things, the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated, the authorised share capital of our Company will then be increased from HK\$6,500,000 divided into 650,000,000 Shares with par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares with par value of HK\$0.01 each by the creation of 9,350,000,000 Shares with par value of HK\$0.01 each.

Immediately following completion of the Global Offering and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the exercise of the Over-allotment Option, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 347,000,000 Shares will be issued fully paid or credited as fully paid, and 9,653,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 24 June 2014” in this appendix, the exercise of the Over-allotment Option, the exercise of options granted under the Pre-IPO Share Option Scheme, the exercise of options which may be granted under the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting of our Company, no issue of Shares will be made which would effectively alter the control of our Company.

Except as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in Share Capital or Registered Capital of Our Subsidiaries

There has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written Resolutions of Our Shareholders Passed on 24 June 2014

Pursuant to the written resolutions of all the then Shareholders entitled to vote at general meetings of our Company, which were passed on 24 June 2014:

- (a) conditional upon, among other things, the obligations of the Underwriters under the Underwriting Agreements being unconditional and not being terminated, each share in the share capital of our Company be subdivided from par value of HK\$1.00 each into 100 shares with par value of HK\$0.01 each;
- (b) conditional upon, among other things, the obligations of the Underwriters under the Underwriting Agreements being unconditional and not being terminated, the authorised share capital of our Company be increased from HK\$6,500,000 to HK\$100,000,000 by the creation of 9,350,000,000 shares of HK\$0.01 each which rank *pari passu* in all respects with the Shares in issue as at the date of passing of the written resolutions;
- (c) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK\$2,800,000 be capitalised and applied in paying up in full at par 280,000,000 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company as at the close of

business on 24 June 2014 and the Shares to be allotted and issued pursuant to the written resolutions shall rank *pari passu* in all respects with the existing issued Shares;

- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme) as mentioned in the prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms;
 - (ii) the rules of the Pre-IPO Share Option Scheme were approved and adopted, and our Directors were authorised, at their absolute discretion, to: (i) grant options to subscribe for Shares under the Pre-IPO Share Option Scheme; (ii) allot and issue Shares pursuant to the exercise of any option which may be granted under the Pre-IPO Share Option Scheme; and (iii) take all such actions as they consider necessary and/or desirable to implement or give effect to the Pre-IPO Share Option Scheme;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

- (e) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue before any exercise of the Over-allotment Option. For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);
- (f) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option;
- (g) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (e) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue but before the exercise of the Over-allotment Option be and is approved; and

- (h) the adoption of the Articles of Association.

Each of the general mandates referred to in paragraphs (e), (f) and (g) above will remain in effect until whichever is the earliest of:

- (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of Our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(1) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on 24 June 2014 by all our shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following the completion of the Global Offering, details of which have been described above in the paragraph headed "A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders Passed on 24 June 2014" of this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(2) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and our shareholders for our Directors to have general authority from the shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our shareholders.

(3) Funding of Repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(4) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

In preparation for the Listing, our Company underwent the Corporate Reorganisation. A diagram showing the corporate structure of our Company after the Corporate Reorganisation is set out in the section headed “History and Corporate Structure” in this prospectus.

Details of the Corporate Reorganisation undertaken are as follows:

Step 1: Incorporation of EB Investment as an intermediate holding company

- (i) On 17 August 2011, EB Investment was incorporated in the BVI by our Company to hold its interest in the EB (Far East).
- (ii) On 18 August 2011, EB Investment allotted and issued 100 ordinary shares of US\$1.00 each to our Company. At that time, our Company was owned as to 63% by Mr. Lam and 37% by Mr. Su Da.

Step 2: Incorporation of EB (HK) as an intermediate holding company

- (i) On 25 August 2011, EB (HK) was incorporated under the laws of Hong Kong as an intermediate holding company of our Group. At the time of its incorporation, the authorised share capital of EB (HK) was HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and one share was allotted and issued to Liu & Bridge (Nominees and Agents) Limited.
- (ii) On 31 August 2011, Liu & Bridge (Nominees and Agents) Limited transferred its one share in EB (HK) to EB Investment, and EB (HK) then became a direct wholly owned subsidiary of EB Investment.
- (iii) On 1 September 2011, EB (HK) allotted and issued 999 ordinary shares to EB Investment.

Step 3: Investment in our Company by Force Field and Surplus Union

- (i) On 6 September 2011, our Company allotted and issued 5,187, 3,113 and 1,600 new shares of HK\$1.00 each to Mr. Lam, Force Field and Surplus Union, respectively. At the time of such share allotments, Force Field was owned as to 70% by Mr. Su Da and 30% by Su Ran and Surplus Union was wholly owned by Chan Kin Sun.
- (ii) On 6 September 2011, Mr. Su Da transferred all his 37 shares to Force Field at a consideration of HK\$740,000. The consideration was determined with reference to net asset value of our Company for the financial year ended 31 December 2010. Immediately after such share transfer, our Company was owned as to 52.5% by Mr. Lam, 31.5% by Force Field and 16% by Surplus Union.

Step 4: Transfer of EB (Far East) to EB Investment

- (i) On 20 October 2011, EB (Far East) issued and allotted 1,993 new ordinary shares of HK\$10 each to EB Investment. Immediately after such share allotment, EB (Far East) was beneficially owned as to 99.65% by EB Investment and 0.35% by our Company.
- (ii) On 7 November 2011, all of the 0.35% beneficial interest in EB (Far East) owned by our Company were transferred to EB Investment at an aggregate consideration of HK\$70. The aggregate consideration was determined with reference to the par value of the shares of EB (Far East). Immediately upon completion of these share transfers, EB (Far East) became a wholly owned subsidiary of EB Investment.

Step 5: Establishment of EB (GZ) by EB (HK)

- (i) In order to facilitate the transfer of the distributorship business from Shenzhen Ruishi and Guangzhou Shihengbao to our Group, EB (GZ) was established by EB (HK) under the laws of the PRC as a wholly owned subsidiary of EB (HK) on 7 December 2011.

Step 6: Transfer of assets from Guangzhou Shihengbao and Shenzhen Ruishi to EB (GZ)

- (i) Pursuant to two inventory transfer agreements, a sales agreement, three patent assignment agreements and two second-hand vehicle sales agreements entered into between Guangzhou Shihengbao and EB (GZ) in January, March, April and June 2012, EB (GZ) acquired all the fixed and intangible assets listed therein held by Guangzhou Shihengbao relevant to the Ernest Borel brand, including inventory of Ernest Borel watches, vehicles and certain registered patents in the PRC, at an aggregate consideration of RMB37,329,862.31. The consideration was determined after arm's length negotiation and on normal commercial terms with reference to the costs of these assets. The consideration was fully settled on 4 July 2012.
- (ii) Pursuant to three inventory transfer agreements entered into between Shenzhen Ruishi and EB (GZ) in March, May and June 2012, EB (GZ) acquired all the fixed and intangible assets listed therein held by Shenzhen Ruishi relevant to the Ernest Borel brand, including inventory of Ernest Borel watches, at an aggregate consideration of RMB51,145,836.77. The consideration was determined after arm's length negotiation and on normal commercial terms with reference to the costs of these assets. The consideration was fully settled on 31 May 2013.

Step 7: Transfer of Shares by Mr. Lam and Surplus Union to Pre-IPO investors

- (i) On 27 March 2012, Mr. Lam, Dragon Cloud, Valuebed Qianxin LP, Golden Full, Force Field, Surplus Union, Mr. Su Da, Su Ran, Chan Kin Sun and our Company entered into a share purchase agreement, pursuant to which Mr. Lam transferred

12%, 3% and 2% of the equity interests in our Company to Dragon Cloud, Valuebed Qianxin LP and Golden Full, respectively, at the consideration of HK\$130,224,188, HK\$32,556,047 and HK\$21,704,032, respectively. The considerations were determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and were fully paid by 2 April 2012.

- (ii) On the same day, Surplus Union entered into separate share purchase agreements with each of Valuebed Capital LP and East Park, pursuant to which Surplus Union transferred 2% and 0.5% of the equity interests in our Company to Valuebed Capital LP and East Park, respectively, at the consideration of HK\$21,550,685 and HK\$5,386,301, respectively. The considerations were determined with reference to the net profit of EB (Far East) for the financial year ended 31 December 2010 and were fully paid by Valuebed Capital LP and East Park on 30 March 2012 and 2 April 2012, respectively.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Material Contracts













The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) Deed of Indemnity;
- (b) Deed of Non-competition; and
- (c) Hong Kong Underwriting Agreement.


2. Our Intellectual Property Rights

Trademarks


As at the Latest Practicable Date, we have registered the following trademarks which we believe are material to our business:

Trademark	Place of registration	Class	Registration number	Expiration date
	Australia	14	533504	2 May 2017
	China	14	3078350	13 March 2023
	China	14	136296	9 April 2020
	China	18	831325	13 April 2016
	China	24	4753134	6 April 2019
	China	25	4753135	20 June 2019
	China	26	4753136	20 April 2019
	China	27	4753137	6 April 2019
	China	28	4753138	6 February 2019
	China	29	4753139	13 March 2018
	China	31	4753140	13 March 2018
	China	32	4753141	13 March 2018












Trademark	Place of registration	Class	Registration number	Expiration date
	China	33	4753143	13 March 2018
	China	34	4753142	13 March 2018
	China	35	4753145	27 January 2019
	China	37	4753146	20 February 2019
	China	21	4753334	27 December 2018
	China	20	4753335	27 December 2018
	China	19	4753336	6 April 2019
	China	18	4753337	27 March 2019
	China	9	4753339	13 July 2018
	China	8	4753340	20 April 2018
	China	6	4753341	20 April 2018
	China	5	4753342	20 March 2019
	China	3	4753343	6 May 2019

Trademark	Place of registration	Class	Registration number	Expiration date
	China	14	4753338	6 March 2019
有限公司 依波路	China	18	831313	13 April 2016
有限公司 依波路	China	14	1014468	27 May 2017
依波路	China	9	1730077	13 March 2022
依波路	China	14	1815660	27 July 2022
依波路	China	25	1766906	13 May 2022
依波路	China	28	1746209	13 April 2022
依波路	China	30	1734678	20 March 2022
依波路	China	9	4753147	20 April 2018
依波路	China	24	4753149	27 March 2019
依波路	China	25	4753150	27 March 2019
依波路	China	28	4753151	6 February 2019
依波路	China	32	4753152	13 March 2018
依波路	China	33	4753153	13 March 2018
依波路	China	2	9085932	27 January 2022
依波路	China	1	9085918	27 January 2022
依波路	China	3	9086004	13 February 2022
依波路	China	4	9086036	6 February 2022

Trademark	Place of registration	Class	Registration number	Expiration date
依波路	China	5	9089131	6 February 2022
依波路	China	7	9089582	6 February 2022
依波路	China	8	9089643	27 February 2022
依波路	China	9	9090465	6 February 2022
依波路	China	10	9090521	6 February 2022
依波路	China	12	9090731	6 February 2022
依波路	China	13	9090771	27 February 2022
依波路	China	14	9090796	6 February 2022
依波路	China	15	9093017	6 February 2022
依波路	China	16	9093082	6 February 2022
依波路	China	18	9093201	6 February 2022
依波路	China	20	9093447	6 February 2022
依波路	China	21	9093540	6 February 2022
依波路	China	22	9093584	6 February 2022
依波路	China	23	9093628	6 February 2022
依波路	China	24	9093679	6 February 2022
依波路	China	25	9097241	6 February 2022
依波路	China	26	9097357	6 February 2022






Trademark	Place of registration	Class	Registration number	Expiration date
依波路	China	27	9097422	6 February 2022
依波路	China	28	9097650	6 February 2022
依波路	China	30	9097854	6 February 2022
依波路	China	31	9097917	6 February 2022
依波路	China	34	9097963	6 February 2022
依波路	China	36	9098065	6 February 2022
依波路	China	37	9102120	6 February 2022
依波路	China	39	9102281	20 February 2022
依波路	China	38	9102165	6 February 2022
依波路	China	40	9102369	6 February 2022
依波路	China	41	9102519	20 February 2022
依波路	China	42	9102565	6 February 2022
依波路	China	43	9102608	6 February 2022
依波路	China	44	9102645	20 February 2022
依波路	China	45	9102685	20 February 2022
依波路	China	18	9122874	20 February 2022
 ERNEST BOREL 1856	China	14	6064152	27 August 2020



Trademark	Place of registration	Class	Registration number	Expiration date
	China	24	9118960	13 March 2022
	China	26	9119015	13 March 2022
	China	28	9119029	13 March 2022
	China	43	9120885	13 March 2022
	China	44	9120917	13 March 2022
	China	2	9115977	13 February 2022
	China	4	9116015	13 February 2022
	China	5	9116025	13 February 2022
	China	8	9116068	20 February 2022
	China	12	9117341	13 February 2022
	China	13	9117372	20 February 2022

Trademark	Place of registration	Class	Registration number	Expiration date
	China	15	9117391	13 February 2022
	China	22	9118921	13 February 2022
	China	23	9118938	13 February 2022
	China	30	9119073	13 February 2022
	China	31	9119083	13 February 2022
	China	35	9120551	20 February 2022
	China	36	9120624	20 February 2022
	China	37	9120707	20 February 2022
	China	39	9120779	20 February 2022
	China	40	9120806	13 February 2022
	China	41	9120828	20 February 2022

Trademark	Place of registration	Class	Registration number	Expiration date
	China	42	9120860	20 February 2022
浪漫时刻	China	14	3818958	13 April 2016
	Cyprus	14	32412	9 May 2025
<i>Sockrail</i>	Egypt	14	91553	10 July 2014
ERNEST BOREL	Egypt	14	91554	10 July 2014
	European Community	9, 14, 18, 25	012039905	4 August 2023
ERNEST BOREL	Greece	14	72408	15 July 2022
	Greece	14	99467	15 June 2020
<i>Sockrail</i>	Hong Kong	14	19710462	1 June 2015
EB	Hong Kong	14	300181278	18 March 2024
	Hong Kong	14	19902583	18 November 2017
	Hong Kong	14	19530096	24 October 2017
<i>Ernest Borel</i>				
	Hong Kong	14	300995969	18 November 2017
	Hong Kong	18	199508918	10 May 2015
有限公司 依城路	Hong Kong	18	199508919	10 May 2015

Trademark	Place of registration	Class	Registration number	Expiration date
 依波路表	Hong Kong	14	19880210	10 February 2018
 ERNEST BOREL	India	14	529863B	17 May 2024
 ERNEST BOREL	Indonesia	14	IDM000360046	13 March 2022
 ERNEST BOREL	Israel	14	32119	19 May 2019
 ERNEST BOREL	Japan	14	3251460	31 January 2017
有限公司 依波路 BOREL	Macau	14	13881-M	31 May 2019
 ERNEST BOREL	Malaysia	18	94004945	21 June 2021
 ERNEST BOREL	Malaysia	14	90002466	16 April 2021
有限公司 依波路 BOREL	Malaysia	18	94004956	21 June 2021
有限公司 依波路 BOREL	Malaysia	14	94008512	19 September 2021
 ERNEST BOREL	Mauritius	14	221	13 June 2021
 BOREL 依波路表	Singapore	14	T90/02867B	21 April 2017
 ERNEST BOREL	South Africa	14	83/6144	29 August 2023
 ERNEST BOREL	South Korea	14	89580	26 March 2023
 ERNEST BOREL	South Korea	18	322738	22 September 2015

Trademark	Place of registration	Class	Registration number	Expiration date
BOREL	Switzerland	14	2P-307043	3 June 2020
	Switzerland	14	3P-267923	2 November 2023
<i>Cocktail</i>	Switzerland	14	P-402627	3 December 2022
	Switzerland	14	P-386362	4 April 2020
	Switzerland	14	P-393412	9 October 2021
	Switzerland	14	P-352185	22 January 2017
	Switzerland	14	2P-301,983	7 September 2019
	Switzerland	9&14	2P-302,815	4 October 2019
	Switzerland	14	P-350,769	23 October 2016
	Taiwan	14	01186330	16 December 2015
ERNEST BOREL	Taiwan	14	176049	31 March 2022
	Taiwan	14	172309	31 August 2018
依波路	Taiwan	14	01272524	1 August 2017
ERNEST BOREL	Thailand	14	TM179683	6 October 2021
	Thailand	14	TM119138	6 August 2020

Trademark	Place of registration	Class	Registration number	Expiration date
BOREL	Tunisia	14	TN/E/1995/1027	31 July 2020
ERNEST BOREL	Tunisia	14	314146	31 May 2016
 ERNEST BOREL	U.K.	14	1421364	10 April 2017
	U.S.A.	14	3167079	7 November 2016
ERNEST BOREL	U.S.A.	14	826095	21 March 2017
 ERNEST BOREL	U.S.A.	14	1723615	13 October 2022

Note: International classification of goods and services

Goods

Class 1	Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.
Class 2	Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colourants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.
Class 3	Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
Class 4	Industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.

Class 5	Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for humans and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
Class 6	Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.
Class 7	Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; automatic vending machines.
Class 8	Hand tools and implements (hand-operated); cutlery; side arms; razors.
Class 9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
Class 10	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles; suture materials.
Class 12	Vehicles; apparatus for locomotion by land, air or water.
Class 13	Firearms; ammunition and projectiles; explosives; fireworks.

Class 14	Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.
Class 15	Musical instruments.
Class 16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
Class 18	Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas and parasols; walking sticks; whips, harness and saddler.
Class 19	Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.
Class 20	Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.
Class 21	Household or kitchen utensils and containers; combs and sponges; brushes (except paintbrushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
Class 22	Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.
Class 23	Yarns and threads, for textile use.
Class 24	Textiles and textile goods, not included in other classes; bed covers; table covers.
Class 25	Clothing, footwear, headgear.

Class 26	Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
Class 27	Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).
Class 28	Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
Class 29	Meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.
Class 30	Coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastry and confectionery; edible ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices; ice.
Class 31	Grains and agricultural, horticultural and forestry products not included in other classes; live animals; fresh fruits and vegetables; seeds; natural plants and flowers; foodstuffs for animals; malt.
Class 32	Beers; mineral and aerated waters and other non-alcoholic beverages; fruit beverages and fruit juices; syrups and other preparations for making beverages.
Class 33	Alcoholic beverages (except beers).
Class 34	Tobacco; smokers' articles; matches.
Class 35	Advertising; business management; business administration; office functions.
Class 36	Insurance; financial affairs; monetary affairs; real estate affairs.
Class 37	Building construction; repair; installation services.
Class 38	Telecommunications.
Class 39	Transport; packaging and storage of goods; travel arrangement.
Class 40	Treatment of materials.
Class 41	Education; providing of training; entertainment; sporting and cultural activities.

Class 42	Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
Class 43	Services for providing food and drink; temporary accommodation.
Class 44	Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.
Class 45	Legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

As at the Latest Practicable Date, applications have been made for the registration of the following trademarks which we believe are material to our business:

Trademark	Place of application	Class	Application number	Application date
	Brazil	14	815800436	25 June 2012
BOREL	Argentina	14	1932281	24 April 2013
	Vietnam	14	4-2013-08393	2 May 2013

Note: International classification of goods and services

Class 14	Precious metals and their alloys; jewellery, costume jewellery, precious stones; horological and chronometric instruments, clocks and watches.
Class 18	Leather and imitations of leather; animal skins, hides; trunks and travelling bags; handbags, rucksacks, purses; umbrellas, parasols and walking sticks; whips, harness and saddlery; clothing for animals.
Class 35	Advertising; business management; business administration; office functions.

Patents

As at the Latest Practicable Date, we have registered the following patents which we believe are material to our business:

Patent	Type	Patent number	Place of registration	Expiration date
手錶盒 (Watch case)	Design	ZL200630019616.X	China	22 May 2016
手錶盒 (Watch case)	Utility model	ZL200620014128.4	China	5 June 2016
女裝手錶 (雅芝系列1937) (Ladies' watch (Yazhi Series 1937))	Design	ZL200730131341.3	China	5 February 2017
男錶 (傳奇系列1856) (Men's watch (Chuanqi Series 1856)).	Design	ZL200930007379.9	China	18 March 2019
女錶 (傳奇系列1856) (Ladies' Watch (Chuanqi Series 1856)).	Design	ZL200930007378.4	China	18 March 2019
手錶 (傳奇系列GS1856S-4532) (Watch (Chuanqi Series GS1856S-4532)).	Design	ZL200930285986.1	China	3 December 2019
手錶 (布拉克系列 GB7350W-2599) (Watch (Bulake Series GB7350W-2599))	Design	ZL201030139921.9	China	10 March 2020
手錶 (布拉克系列LB7350-2599) (Watch (Bulake Series LB7350-2599)).	Design	ZL201030139942.0	China	10 March 2020
手錶 (音韻系列GS608-2590) (Watch (Yinyun Series GS608-2590))	Design	ZL201130319294.1	China	12 September 2021
手錶 (音韻系列LS608-2590) (Watch (Yinyun Series LS608-2590))	Design	ZL201130319349.9	China	12 September 2021
雙按單開蝴蝶扣制 (Double click single open butterfly buckle system)	Design	ZL201230469984.X	China	27 September 2022

Patent	Type	Patent number	Place of registration	Expiration date
手錶 (復古系列906) (Watch (Fugu Series 906))	Design	ZL201330045114.4	China	24 February 2023
手錶 (皇室系列6155) (Watch (Huangshi Series 6155))	Design	ZL201330045337.0	China	24 February 2023
手錶 (Cocktail系列LS8080–28221WH) (Watch (Cocktail Series LS8080–28221WH)) . .	Design	ZL201330106544.2	China	9 April 2023

Domain Names

As at the Latest Practicable Date, we have registered the following domain names which we believe are material to our business:

Registrant	Domain name	Expiration date
EB (Far East).	依波路.公司 依波路.公司.cn	31 August 2022
EB (Far East).	依波路.網絡 依波路.網絡.cn 依波路.網絡 依波路.網絡.cn	31 August 2022
EB (Far East).	依波路.HK/.香港	30 August 2015
EB (Far East).	eb1856.cn	10 January 2016
EB (Far East).	eb1856.com	10 January 2016
EB (Far East).	eb1856.ch	1 January 2016
EB (Far East).	ernestborel.cn	4 January 2016
EB (Far East).	ernestborel.com.cn	4 January 2016
EB (Far East).	ernestborel.hk	30 August 2015
EB (Far East).	ernestborel.com.hk	18 September 2015
EB (Far East).	ernestborel.com	28 June 2018
EB (Far East).	ernestborel.net	8 June 2019
EB (Far East).	ernestborel.ch	1 December 2016
EB (Far East).	ernestborel.hk.cn	31 August 2015

3. Further Information about Our PRC Establishments

EB (GZ)

- | | |
|--|---|
| (i) nature of the company: | PRC domestic company with limited liability |
| (ii) incorporation date: | 7 December 2011 |
| (iii) term of business operation: | From 7 December 2011 to 7 December 2041 |
| (iv) total amount of investment: | RMB20 million |
| (v) registered capital: | RMB20 million |
| (vi) attributable interest of the company: | 100% |
| (vii) scope of business: | wholesales, import and export and distribution of watches and clocks and repair and maintenance of watches and clocks |

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' Service Contracts and Appointment Letters

Each of our Directors has entered into a service contract or an appointment letter with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

All reasonable travelling, accommodation and other out-of-pocket expenses reasonable incurred by our Directors in the process of discharging their duties as directors will be borne by our Company. A Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him.

The current basic annual salaries of our Directors are as follows:

Name	Annual Amount (HK\$)
Mr. Su Da	2,196,000
Mr. Wong Pong Chun James.	600,000
Ms. Liu Libing	780,000
Mr. Chan Kwan Pak Gilbert.	50,000
Mr. Pan Di	50,000
Mr. Zhang Huaqiao.	150,000
Mr. Lo Chi Chiu	100,000
Mr. Cheung Kam Min Mickey.	100,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

We have not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determinable by us within one year without payment of compensation (other than statutory compensation).

2. Directors' Remuneration During the Track Record Period

For the financial years ended 31 December 2011, 2012 and 2013, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries were HK\$4,033,000, HK\$3,094,000 and HK\$4,478,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the financial years ended 31 December 2011, 2012 and 2013 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the financial year ending 31 December 2014 will be approximately HK\$5,135,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalisation Issue

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive in

our Shares, underlying Shares and debentures and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in our Shares, underlying Shares and debentures and our associated corporations:

Long Position in our Company:

Name of Director	Capacity/nature of interest	Number of Shares or underlying Shares held upon the completion of the Global Offering	Percentage of the issued share capital
Mr. Su Da ⁽³⁾	Beneficial owner	1,101,103 ⁽¹⁾	0.31% ⁽²⁾
	Interest in controlled corporation	88,515,000	25.51%
Wong Pong Chun James	Beneficial owner	339,507 ⁽¹⁾	0.10% ⁽²⁾
Liu Libing	Beneficial owner	660,662 ⁽¹⁾	0.19% ⁽²⁾

Notes:

- (1) Shares subject to options under the Pre-IPO Share Option Scheme.
- (2) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme.
- (3) Force Field is owned as to 70% by Mr. Su Da and controlled by Mr. Su Da. Mr. Su Da is therefore deemed to be interested in the Shares held by Force Field.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed to the

provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in our Shares and underlying Shares:

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Lam	Beneficial owner	99,755,000	28.75%
Force Field	Beneficial owner	88,515,000	25.51%
Mr. Su Ran ⁽¹⁾	Beneficial owner	550,552 ⁽²⁾	0.16% ⁽³⁾
	Interest in controlled corporation	88,515,000	25.51%
Surplus Union ⁽⁴⁾	Beneficial owner	37,935,000	10.93%
Chan Kin Sun	Interest in controlled corporation	37,935,000	10.93%
Dragon Cloud ⁽⁵⁾	Beneficial owner	33,720,000	9.72%
Greenwood Bloom Fund, L.P. ⁽⁵⁾	Interest in controlled corporation	33,720,000	9.72%
Greenwood Bloom Limited ⁽⁶⁾	Interest in controlled corporation	33,720,000	9.72%

Notes:

- (1) Force Field is owned as to 70% by Mr. Su Da and 30% by Mr. Su Ran. Mr. Su Ran is therefore deemed to be interested in the Shares held by Force Field.
- (2) Shares subject to options under the Pre-IPO Share Option Scheme.
- (3) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme.
- (4) Surplus Union is wholly owned and controlled by Chan Kin Sun and Chan Kin Sun is therefore deemed to be interested in the shares held by Surplus Union.
- (5) Dragon Cloud is wholly owned by Greenwood Bloom Fund, L.P. Greenwood Bloom Fund, L.P. is therefore deemed to be interested in the Shares held by Dragon Cloud.
- (6) Greenwood Bloom Limited is the general partner of Greenwood Bloom Fund, L.P. Greenwood Bloom Limited is therefore deemed to be interested in our Shares held by Dragon Cloud.

2. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors nor any of the parties listed in the section headed “H. Other Information — 10. Consents of Experts” of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (b) none of our Directors nor any of the parties listed in the section headed “H. Other Information — 10. Consents of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; and
- (c) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. PRE-IPO SHARE OPTION SCHEME**Summary of Terms**

The purpose of the Pre-IPO Share Option Scheme is to aid us in recruiting and retaining key employees, directors or consultants of outstanding ability and to reward such employees, directors or consultants to exert their best efforts on behalf of our Company through the granting of options. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of our Shareholders passed on 24 June 2014, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 6,821,339 Shares representing approximately 1.97% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised);
- (b) save for the options which have been granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;

- (c) two tranches of options have been granted to the grantees under the Pre-IPO Share Option Scheme and shall vest according to the following schedule:
 - (i) Approximately 34.00% of the options granted will vest on the Listing Date and exercisable within two years from the Listing Date (the “**Tranche 1 Options**”); and
 - (ii) Approximately 66.00% of the options granted will vest on the first anniversary of the Listing Date and exercisable within two years from the first anniversary of the Listing Date (the “**Tranche 2 Options**”, together with Tranche 1 Options, the “**Pre-IPO Share Options**”).

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the 6,821,339 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Outstanding Options Granted

As at the date of this prospectus, options to subscribe for an aggregate of 6,821,339 Shares, (representing approximately 1.97% of the enlarged issued share capital of our Company immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised but then all the Pre-IPO Share Options are exercised), have been conditionally granted to 21 participants by our Company under the Pre-IPO Share Option Scheme. The Tranche 1 Options have an exercise price equal to 20% discount to the final Offer Price and Tranche 2 Options have an exercise price equal to the final Offer Price. All the options under the Pre-IPO Share Option Scheme being the Pre-IPO Share Options were conditionally granted on 24 June 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long-term growth and profitability of our Group. A total of 21 employees including 3 executive Directors and 8 members of the senior management of our Group (set out in the section headed “Directors, Senior Management and Employees” of this prospectus) have been conditionally granted options under the Pre-IPO Share Option Scheme.

A summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme is set out below:

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Tranche 1 Options	Number of Shares to be issued upon full exercise of the Tranche 2 Options	Approximately percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option
Mr. Su Da (蘇大) . . .	Chairman and Executive Director	Room A, 32/F, Block 5, The Coronation, 1 Yau Cheung Road South, West Kowloon, Hong Kong	440,441	660,662	0.31%
Wong Pong Chun James (黃邦俊) . .	Executive Director	Flat 1, 29/F., Block M Sunshine City Phase 4, Ma On Shan, New Territories, Hong Kong	137,638	201,869	0.10%
Liu Libing (劉麗冰) . .	Executive Director	C2A 1003, Fuli Academician Ting, Dongguan Zhuang Road, Tianhe, Guangzhou, Guangdong, PRC	264,265	396,397	0.19%
Renaud de Retz . . .	Chief executive officer of EB (Switzerland)	Rue Louis-Favre 32, 2017 Boudry, Suisse	137,638	201,869	0.10%
Su Ran (蘇然)	Logistics director of EB (Far East)	Flat A, 69/F, Tower 6, The Hermitage, 1 Hoi Wang Road, Tai Kok Tsui, Kowloon	220,221	330,331	0.16%
Lau Fan Yu (劉範儒)	Company secretary, Group financial controller and Finance controller of EB (Far East)	12D Yiu Sing Mansion, Tai Koo Shing, Quarry Bay, Hong Kong	176,177	264,265	0.13%
Chu Yuen Ling Teresa (朱婉玲) . .	Marketing communications director of EB (Far East)	Flat NA, 48/F, Tower 1, Phase 2 Festival City, Taiwai, Shatin, New Territories	137,638	198,199	0.10%
Song Yi (宋怡)	Operations director of EB (Far East)	Flat C, 3/F, Block16, Cherry Mansion, Whampoa Garden, Site 2, 9 Shung King Street, Hung Hom, Kowloon, Hong Kong	137,638	198,199	0.10%

Grantee	Position	Address	Number of Shares to be issued upon full exercise of the Tranche 1 Options	Number of Shares to be issued upon full exercise of the Tranche 2 Options	Approximately percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option
Xu Xuexin (徐學新)	Shanghai area director of EB (GZ)	Room 702, Nong 2, 418 Wuning Nan Road, Shanghai, PRC	137,638	198,199	0.10%
Su Yue (蘇岳)	Sales director	803, Tower 8, Dongfeng Plaza, No.787 Dongfeng Dong Road, Guangzhou, Guangdong, PRC	137,638	198,199	0.10%
Wang Baoqiang (王寶強)	After sales services director	Flat D, 26/F, Block 2, Kwai Chung Plaza, Kwai Chung, New Territories, Hong Kong	99,099	148,649	0.07%
Jean-François Bodard	Product manager of EB (Switzerland)	Rue du 23 juin 1, 2340 Le Noirmont, Switzerland	110,110	165,166	0.08%
Li Bo (李波)	Marketing director	Room 2, 9/F, Unit 1, Tower 4, Shanghe Yuanzhu, Daoli District, Harbin, PRC	91,759	—	0.03%
Jin Yinglan (金英蘭)	Sales director	Room 504, Jingxi Chunlan 3rd Street, Baiyun District, Guangzhou, Guangdong, PRC	—	183,517	0.05%
Lin Quan (林泉)	Sales director	11-3-201, District 5, Longteng Yuan, Beijing, PRC	—	183,517	0.05%
Cheng Chengxiang (程成祥)	Sales director	4/F, No.8A, No. 5 Qingyi Street, Qifu Xincun, Zhongcun County, Panyu District, Guangzhou, Guangdong, PRC	—	183,517	0.05%
He Weigang (何煒剛)	Human resources director	Room 1005, No.4 Jingzhi Street, Xingang Xi Road, Guangzhou, Guangdong, PRC	—	137,638	0.04%

Grantee	Position	Address	Approximately percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option		
			Number of Shares to be issued upon full exercise of the Tranche 1 Options	Number of Shares to be issued upon full exercise of the Tranche 2 Options	
Yao Guangzhi (姚廣智)	Marketing and promotion director	Room 601, No.21 Qi Zhu Rong, Yue Xiu District, Guangzhou, Guangdong, PRC	—	137,638	0.04%
Wong Fung (王烽) . .	Sales and marketing director of EB (Far East)	Room 7A, Floor 7, Hung Yat Building, 11-13 North Point Road, North Point, Hong Kong	—	183,517	0.05%
Wong Wai Chung (黃偉忠)	Creative manager	Flat F, 6/F, Block M1, Yoho Mid-town, 9 Yuen Lung Street, Yuen Long, New Territories, Hong Kong	91,759	165,166	0.07%
Ngai Luen (魏聯) . . .	Purchasing manager	Flat F, 11/F, Block 2, Vienna Garden, Sheung Shui, New Territories, Hong Kong	—	165,166	0.05%
Total			2,319,659	4,501,680	1.97%

The options issued under the Pre-IPO Share Option Scheme represent approximately 1.97% of our Company's enlarged issued share capital as at the Listing Date (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option, any Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme and any share option which may be granted under the Share Option Scheme). Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full and that 353,821,339 Shares, comprising 347,000,000 Shares to be in issue immediately after the Global Offering and the Capitalisation Issue and 6,821,339 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 1.93%. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the Options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and Capitalisation Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

G. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 24 June 2014 and adopted by a resolution of the Board on 24 June 2014 and effective upon the Listing (the “Effective Date”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) subject to (b) and (c) below, the approval and adoption of the Share Option Scheme by all the shareholders of our Company;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 34,700,000 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme;
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date; and
- (d) the obligations of the underwriters under the Underwriting Agreement(s) becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

3. Who may Join

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“Executive”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“Employee”);
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above (the persons referred above are the “Eligible Persons”).

4. Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “Scheme Mandate Limit”) provided that:

- (a) Our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) Notwithstanding paragraph 4(a) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum Entitlement of Each Participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his close associates (or his associates if such eligible person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Effective Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any

of their respective associates, such offer must first be approved by our independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee of such grant, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates.

8. Offer Period and Number Accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the Time of Grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. Amount Payable for Options

The amount payable on acceptance of an Option is HK\$1.00.

12. Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

13. Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the option period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (iv) Subject as hereinafter provided:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the grounds of serious misconduct, or his summary dismissal under his employment contract or under common law, or he is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance, or he has become insolvent, or has made any arrangement with his creditors, or he has been convicted of any criminal offence involving his integrity or honesty, the Option (to the extent not already exercised) shall lapse on the date of cessation

of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantee who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant and acceptance of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

- (e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantee and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the

aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Any Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

15. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Effective Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (c) subject to the period mentioned in paragraph 13(iv)(e) above, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;

- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type including the appointment of liquidator or receiver, suspension, cessation at the existence of threat to suspend or cease business, inability to pay debts, insolvency, material change in constitution, management, directors or shareholding, breach of any contract between the grantee and any member of the Group and the situation mentioned in paragraph 16(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not Exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the

Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; and (iii) any alteration to the aforesaid amendment provision.

H. OTHER INFORMATION

1. Deed of Indemnity

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, Hong Kong and the PRC, being jurisdictions in which one or more of the companies in our Group are incorporated.

Mr. Lam and Mr. Su Da have entered into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

- (a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any of the companies in our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in any relevant jurisdiction outside Hong Kong as a result or in consequence of any event or transaction occurring on or before the Listing Date, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring;
- (b) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong);
- (c) any loss or liability suffered by any companies in our Group including, but not limited to, any diminution in the value of the assets or Shares or shares or equity interests in any of the companies in our Group, any payment made or required to be made by any of the companies in our Group and any costs and expenses incurred as a result of or in connection with any Claim (i) falling on any of the companies in our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date or in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the Listing Date; and (ii) falling on any of the companies in our Group in respect of their current accounting periods or any accounting period commencing on or after the Listing Date unless liability for such taxation would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the companies in our Group without the prior written consent or agreement of Mr. Lam, whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

where,

“Claim” means any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of any person, authority or body whatsoever and of whatever country from which it appears that any of the companies in our Group is liable or is sought to be made liable to make any payment of any form of taxation or is deprived or is sought to be deprived of any Relief which would, but for the claim, have been available to any of the companies in our Group; and

“Relief” means any relief, allowance, set-off or deduction in computing profits or credits or right to repayment of taxation available to any of the companies in our Group granted by or pursuant to any legislation in any part of the world concerning or otherwise relating to taxation.

The Deed of Indemnity does not cover any claim and Mr. Lam and Mr. Su shall be under no liability under this Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or allowance has been made for such taxation in the audited combined accounts of our Group as set out in the accountants’ report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2013; or
- (b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2013 up to and including the Listing date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or
- (c) to the extent that such Claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such Claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then Mr. Lam’s and Su Da’s liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately HK\$24,605,000 and are paid or payable by our Company.

4. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of The Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein Shares to be issued pursuant to the Capitalisation Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and, the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee is estimated to amount to HK\$4,212,000.

5. 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 2013 (being the date to which our latest combined financial statements were made up).

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

7. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

- (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (g) we have no outstanding convertible debt securities.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BOCI Asia Limited	a licenced corporation holding a licence under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
George T.Y. Hui	Barrister-at-law in Hong Kong
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Beijing Dacheng Law Offices, LLP (Guangzhou)	PRC Legal Adviser to our Company
Athemis	Swiss legal adviser to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

10. Consents of Experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save in connection with the Underwriting Agreements, none of the experts named in paragraph 9 of this Appendix has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **White, Yellow** and **Green** Application Forms, the written consents referred to in the paragraph headed “Statutory and General Information — H. Other Information — 10. Consents of Experts” in Appendix IV and copies of the material contracts referred to in the paragraph headed “Statutory and General Information — C. Further Information about Our Business — 1. Summary of the Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) our Memorandum and the Articles of Association;
- (2) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (3) the letter received from Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (4) the audited financial statements as have been prepared for the companies now comprising our Group for each of the three years ended 31 December 2013;
- (5) the material contracts referred to in the paragraph headed “Statutory and General Information — C. Further Information about Our Business — 1. Summary of the Material Contracts” of Appendix IV to this prospectus;
- (6) the service contracts and appointment letters with our Directors, referred to in the paragraph headed “Statutory and General Information — D. Further Information about Our Directors — 1. Directors’ Service Contracts and Appointment Letters” of Appendix IV to this prospectus;
- (7) the written consents referred to in the paragraph headed “Statutory and General Information — H. Other Information — 10. Consents of Experts” of Appendix IV to this prospectus;
- (8) the PRC legal opinions prepared by Beijing Dacheng Law Offices, LLP (Guangzhou), our legal adviser as to the PRC law, in respect of certain aspects of EB (Guangzhou) and our property interests;

- (9) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (10) the Swiss legal opinion prepared by Athemis, our legal adviser as to the Swiss law, in respect of certain aspects of EB (Switzerland) and our property interests;
- (11) the legal opinion prepared by George T.Y. Hui, barrister-at-law in Hong Kong, in respect of legal consequences for understating tax provision for the years of assessment of 2008/09 to 2010/11;
- (12) the report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our independent industry consultant, in respect of information and statistics of the global economy and industry in which our Group operates;
- (13) the Companies Law;
- (14) the rules of the Pre-IPO Share Option Scheme; and
- (15) the rules of the Share Option Scheme.



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Ernest Borel Holdings Limited