

SUMMARY AND HIGHLIGHTS

BUSINESS OVERVIEW

We are a housewares retail chain with operations in Hong Kong, Singapore, West Malaysia, the PRC and Macau. We offer more than 20,000 housewares products in our stores, which enables our customers to enjoy the convenience of a “one-stop” shopping experience for a wide variety of quality products at reasonable and competitive prices. As at the Latest Practicable Date, we had an extensive retail network comprising 293 stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau, and have ten licenced stores operated by our business partners in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. Our stores and licenced stores are operated under our Japan Home Centre (日本城), City Life (生活提案), Epo Gifts & Stationery (文具世代), Japan Home (日本の家) and Living Plus (泛美家) brands. According to the Frost & Sullivan Report, we were the largest housewares retail chain in Hong Kong, Singapore and Macau in terms of revenue and the number of stores we operated in the calendar year 2012.

Housewares specialised stores, which comprise housewares retail chains and mom-and-pop housewares stores, primarily offer housewares products. Housewares retail chains, which specialise in and offer a wide range of housewares products, are a primary retail channel for housewares products. We had a market share of approximately 49.0% and 10.4% of the housewares specialised stores market in Hong Kong and Singapore, respectively, and a market share of approximately 69% and 75% of the housewares retail chains market in Hong Kong and Singapore, respectively, in the calendar year 2012, according to the Frost & Sullivan Report.

Our Stores

The following table sets forth the number of our stores worldwide during the Track Record Period:

	As at 30 April					Net change	As at the Latest Practicable Date
	2011	Net change	2012	Net change	2013		
Our stores							
Hong Kong ⁽¹⁾	213	7	220	10	230	5	235
Singapore ⁽²⁾	–	23	23	9	32	6	38
West Malaysia ⁽³⁾	–	4	4	5	9	–	9
PRC ⁽⁴⁾	–	5	5	2	7	(1)	6
Macau ⁽³⁾	–	–	–	5	5	–	5
	<u>213</u>	<u>39</u>	<u>252</u>	<u>31</u>	<u>283</u>	<u>10</u>	<u>293</u>
Our licenced stores							
East Malaysia ⁽³⁾	2	–	2	–	2	–	2
Saudi Arabia ⁽⁵⁾	5	–	5	–	5	–	5
United Arab Emirates ⁽³⁾	2	–	2	(2)	–	–	–
New Zealand ⁽³⁾	1	–	1	–	1	–	1
Indonesia ⁽³⁾	–	–	–	1	1	–	1
Cambodia ⁽³⁾	–	–	–	–	–	1	1
Total	<u><u>223</u></u>	<u><u>39</u></u>	<u><u>262</u></u>	<u><u>30</u></u>	<u><u>292</u></u>	<u><u>11</u></u>	<u><u>303</u></u>

SUMMARY AND HIGHLIGHTS

- (1) These stores include Japan Home Centre, City Life and Epo Gifts & Stationery stores.
- (2) These stores include Japan Home stores.
- (3) These stores include Japan Home Centre stores.
- (4) These stores include Living Plus stores.
- (5) These stores include Japan Home Centre and Epo Gifts & Stationery stores.

See “Business – Our Retail Network”, “Business – Our Hong Kong Operations” and “Business – Our Non-Hong Kong Operations” for more information on our retail network.

Our Planned Expansion

Since our establishment in 1991, we have built a strong brand in Hong Kong and Singapore. We operated 204, 213, 252 and 283 stores as at 30 April 2010, 2011, 2012 and 2013, respectively, in Hong Kong, Singapore, West Malaysia, the PRC and Macau. We plan to increase our number of stores by 40 in Hong Kong, 70 in Singapore, 50 in West Malaysia, 25 in the PRC and 15 in Macau by 30 April 2016. We believe that the increasing GDP and rising levels of disposable income in Hong Kong, Singapore, West Malaysia, the PRC and Macau will drive demand for housewares products in those regions. While we expect that our Hong Kong operations will still contribute the majority of our revenue with its large number of stores, we believe that our entry into the other regions strategically positions us in the housewares retail chain industry in these regions as demand for housewares products increases with rising levels of disposable income. We believe our stable Hong Kong and Singapore operations will provide support for our West Malaysia and PRC operations due to geographical proximity. As we open more stores in West Malaysia and the PRC, where we are currently incurring net losses, we will achieve greater economies of scale, which we expect will drive our revenue and profit.

See “Business – Planned Expansion” for further details about our expansion plans, “Business – Internal Control Procedures and Cash Management – Overseas Expansion Risk Management” for information on our internal controls and risk management measures related to expansion outside Hong Kong, and “Financial Information – Capital Expenditures” for a breakdown of estimated capital expenditures associated with our planned expansion.

We will expand our operations by leveraging on the strength of our brand, our substantial industry experience and our extensive global supplier network. We will also continue to diversify the products that we offer at our stores in order to capture additional market opportunities and to expand our customer base.

Our Products

We offer a full range of quality housewares products which can be broadly divided into 11 primary categories. Our Japan Home Centre and Japan Home stores offer a wide range of products, including kitchenware, plasticware, household electronics and other household items for daily use. Our Living Plus stores offer a smaller range of products, which include housekeeping, interior and small furniture, kitchenware and personal and health items. Our City Life stores offer the full range of products offered by our Japan Home Centre and Japan Home stores, in addition to certain higher-end housewares products. Our Epo Gifts & Stationery stores

SUMMARY AND HIGHLIGHTS

offer a variety of stationery items, small toys and accessories, travel accessories, books and household items. The following table sets forth our retail revenue attributable to each of our primary merchandise categories during the Track Record Period:

Merchandise	Financial year ended 30 April					
	2011		2012		2013	
	<i>(HK\$ thousands, except for percentages)</i>					
Household electronics	199,298	20.3%	247,511	21.1%	301,591	20.7%
Housekeeping	188,143	19.2%	234,785	20.1%	284,453	19.5%
Plasticware	116,092	11.8%	131,791	11.3%	162,206	11.1%
Kitchenware	91,564	9.3%	109,052	9.3%	129,704	8.9%
Stationery	88,057	9.0%	101,955	8.7%	122,713	8.4%
DIY & hardware	58,388	6.0%	74,877	6.4%	104,174	7.2%
Interior and textile	72,400	7.4%	72,807	6.2%	88,987	6.1%
Personal & health	50,286	5.1%	70,954	6.1%	86,720	6.0%
Tableware	43,852	4.5%	53,167	4.5%	66,594	4.6%
Interior and small furniture ..	41,522	4.2%	38,909	3.3%	58,545	4.0%
Others	31,108	3.2%	34,841	3.0%	51,011	3.5%
Total	980,710	100.0%	1,170,649	100.0%	1,456,698	100.0%

KEY OPERATIONAL DATA

Revenue

The following table sets forth our revenue by geographic segments for the periods indicated:

Revenue	Financial year ended 30 April					
	2011		2012		2013	
	<i>(HK\$ thousands, except for percentages)</i>					
Hong Kong	1,017,566	100%	1,154,175	95.3%	1,334,098	89.0%
Singapore	–	–	53,698	4.4%	146,221	9.8%
West Malaysia	–	–	3,178	0.2%	13,220	0.9%
The PRC	–	–	171	0.1%	2,929	0.2%
Macau	–	–	–	–	2,205	0.1%
Total	1,017,566	100%	1,211,222	100%	1,498,673	100.0%

Product Sourcing

Our products comprise private label products, internationally sourced products, in-house manufactured products and Hong Kong sourced products purchased from over 650 suppliers in 13 regions. “Private label products” are custom manufactured for us by over 250 manufacturers in accordance with our requests and specifications and available for sale exclusively in our stores. We either enter into agreements with the manufacturers, specifying the design and quantity, for our private label products, or authorize manufacturers to use our private labels on specific products. “Internationally sourced products” are products that we purchase from our global suppliers, on an as-needed basis pursuant to purchase orders, in jurisdictions such as Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. “In-house

SUMMARY AND HIGHLIGHTS

manufactured products” are products that we design and manufacture in-house at our manufacturing facilities in Hong Kong. “Hong Kong sourced products” are products that we purchase from Hong Kong suppliers, including distributors, brand agents and direct representatives of international brands. We typically make our purchases from these suppliers pursuant to purchase orders, which are governed by standard agreements. See “Business – Our Merchandise.”

The following table sets forth our retail revenue breakdown in Hong Kong by source:

	Financial year ended 30 April					
	2011		2012		2013	
	<i>(HK\$ thousands, except for percentages)</i>					
Private label	281,680	28.7%	351,668	31.6%	392,405	30.4%
Internationally sourced	159,479	16.3%	212,402	19.1%	269,887	20.9%
In-house manufactured	15,680	1.6%	18,394	1.6%	19,979	1.5%
Hong Kong sourced	523,871	53.4%	531,138	47.7%	609,977	47.2%
Total	980,710	100.0%	1,113,602	100.0%	1,292,248	100.0%

Gross Profit Margins

Our gross profit margin is significantly affected by our pricing strategy and cost of sales, which in turn are affected by our product mix and sourcing. Our gross profit margin was 42.4%, 44.5% and 46.1% for the financial years ended 30 April 2011, 2012 and 2013, respectively. This increase was primarily attributable to our strategy of increasing the amount of private label products and internationally sourced products with higher margins. The following table sets forth the gross profit margins from our Hong Kong retail business by source:

	Financial year ended 30 April		
	2011	2012	2013
Private label	54.9%	55.4%	55.6%
Internationally sourced	53.6%	53.4%	54.7%
In-house manufactured	69.2%	65.3%	67.1%
Hong Kong sourced	31.7%	32.9%	34.1%

See “Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin.”

Our Customers

Our customers are primarily retail customers. During the Track Record Period, our top five customers were our export customers and our licenced stores. Our top five customers included the stores in Macau, which we acquired in April 2013 and therefore will not be considered one of our customers going forward. During the Track Record Period, our top five customers accounted for 2.8%, 2.6% and 2.1% of total revenue of our Group in each of the financial years ended 30 April 2011, 2012 and 2013, respectively.

SUMMARY AND HIGHLIGHTS

Comparable Store Sales and Breakeven

Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared. For example, comparable stores for the financial years ended 30 April 2011 and 2012 are stores that were open throughout both the financial years ended 30 April 2011 and 2012. The following table sets forth our comparable store sales growth of our Hong Kong stores over the Track Record Period:

	Financial year ended 30 April		Financial year ended 30 April		Financial year ended 30 April	
	2010	2011	2011	2012	2012	2013
Number of comparable stores	160	160	171	171	184	184
Comparable store sales (HK\$ thousands)	740,314	776,438	829,724	927,477	966,623	1,083,685
Comparable store sales growth		4.9%		11.8%		12.1%

Our first full financial year of operations in Singapore, West Malaysia and the PRC was the financial year ended 30 April 2013. Our first full financial year of operations in Macau will be the financial year ending 30 April 2014. Therefore, we have no comparable store sales data for our operations in these regions during the Track Record Period.

We achieved breakeven for 97 out of the 100 new stores we opened in Hong Kong and other jurisdictions during the Track Record Period. These stores generally achieved breakeven in less than two months.

See “Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation” and “Financial Information – Factors Affecting Our Results of Operations – Comparable Store Sales” for more information.

OUR INDUSTRY

According to the Frost & Sullivan Report, the Hong Kong housewares products market grew from HK\$5.2 billion in 2007 to HK\$8.5 billion in 2012, representing a CAGR of 10.4%. The growth in the Hong Kong housewares products market was faster than Hong Kong’s nominal GDP growth over the same years, driven by the increase in disposable income, improved standards of living and the increasing demand for higher quality products. The housewares products market includes various retail channels, such as housewares retail chains and mom-and-pop housewares stores. Together, housewares retail chains and mom-and-pop housewares stores comprise the housewares specialised stores market. We operate in the housewares specialised stores market, and as a housewares retail chain, are a key market participant. The housewares retail chains market, which comprises retailers that specialise in and offer a wide range of housewares products through a network of multiple retail stores, increased from 20.0% of the total retail sales of housewares products in 2007 to 21.0% in 2012, and is expected to further increase to 21.8% in 2016. The housewares retail chains markets in Hong Kong, Singapore and Macau are dominated by a few market participants.

SUMMARY AND HIGHLIGHTS

In the PRC, the housewares products market grew from HK\$263.5 billion in 2007 to HK\$655.3 billion in 2012, representing a CAGR of 20.0%, and is expected to grow at a CAGR of 19.2% to HK\$1,323.4 billion in 2016. In Malaysia, the housewares products market grew from HK\$7.8 billion in 2007 to HK\$12.7 billion in 2012, representing a CAGR of 10.3%, and is expected to grow further to HK\$18.4 billion in 2016, representing a CAGR of 9.7%.

We believe that the size and projected growth of the housewares products markets present us with growth opportunities in these regions.

COMPETITIVE STRENGTHS

We believe that the following key strengths distinguish us from our competitors and contribute to our ability to compete effectively:

- our position as a market leader with an iconic brand;
- our extensive retail network with a proven track record of stable growth;
- our large global supplier network;
- our unique private label products with higher profit margins;
- our proven track record of expansion through a standardised yet flexible operational model; and
- our dynamic, enterprising and experienced management team.

BUSINESS STRATEGIES

We plan to implement the following strategies to maintain our leading market position as a housewares retail chain, increase our market share and grow our business:

- further expand our retail network outside Hong Kong with a focus on Singapore, West Malaysia and Macau;
- further expand our operations in the PRC;
- diversify our stores and customer base to maintain stable growth and profitability in Hong Kong;
- continue to adjust our product mix to optimise profit margins; and
- improve the efficiency of our logistics.

RISK FACTORS

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” of this prospectus. You should read the entire section before you decide to invest in the Offer Shares.

SUMMARY AND HIGHLIGHTS

We expect to incur capital expenditures to implement our expansion plans. If our expansion plans prove to be unsuccessful, our cash flows and profitability may be materially and adversely affected. In any event, we may not maintain our current rate of expansion in Hong Kong, as we do not open new stores that could or would be expected to materially impact the sales or customer traffic in our existing stores, and as a result there may be limitations in the number of stores we are able to open in Hong Kong in the future. Furthermore, because we only opened our first retail store in West Malaysia in 2011 and entered the PRC market in 2012, our operations in these markets are still at relatively early stages of development, and may be less successful than we anticipate.

We rent the retail spaces for all of our stores, and the success of our retail operations depends partly on our ability to secure and renew affordable tenancy agreements in quality locations. We are also exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs, which could increase our operating expenses.

Our business depends significantly on the market recognition and strength of our Japan Home Centre, City Life, Epo Gifts & Stationery and Japan Home brands, and any damage to our brands could materially and adversely affect our business and results of operations.

SELECTED FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Financial year ended 30 April		
	2011	2012	2013
	<i>(HK\$ thousands)</i>		
Revenue	1,017,566	1,211,222	1,498,673
Cost of sales.....	(586,150)	(672,831)	(808,223)
Gross profit	431,416	538,391	690,450
Profit before income tax	75,336	103,931	128,108
Income tax expense	(12,890)	(17,401)	(24,939)
Profit for the year	62,446	86,530	103,169
Profit for the year attributable to:			
Equity holders of the Company.....	62,096	85,432	101,527
Non-controlling interests.....	350	1,098	1,642

Combined Balance Sheets

	As at 30 April		
	2011	2012	2013
	<i>(HK\$ thousands)</i>		
Current assets.....	296,146	275,924	417,014
Current liabilities.....	230,119	221,001	279,923
Net current assets.....	66,027	54,923	137,091
Net assets.....	135,392	178,109	282,994
Total assets.....	371,802	399,799	567,077

SUMMARY AND HIGHLIGHTS

Offering structure	10% Hong Kong Public Offering and 90% International Placing (subject to adjustment and reallocation and the Over-Allotment Option)
Over-Allotment Option	Up to 15% of the number of Offer Shares initially available under the Global Offering, to be sold by the Selling Shareholder
Offer Price per Share	HK\$2.22 to HK\$2.81
Board lot	1,000 Shares
Use of proceeds (assuming an Offer Price of HK\$2.52 per Share (being the mid-point of the indicative Offer Price range))	<p>Net proceeds receivable by our Company from the offer of the New Shares will amount to approximately HK\$411.5 million, after deducting underwriting fees and commissions and estimated expenses paid and payable by the Company, which is intended to be utilised as follows:</p> <ul style="list-style-type: none">• approximately HK\$215.6 million, or approximately 52.4% of such net proceeds, will be used to fund our 200 new store openings in Hong Kong and other jurisdictions in the three financial years ending 30 April 2016. We expect the total capital expenditures for opening these new stores to total approximately HK\$95.4 million, and we will use the excess amount from this portion of the net proceeds to finance the purchase of additional inventories and the payment of rental deposits for these new stores;• approximately HK\$39.1 million, or approximately 9.5% of such net proceeds, will be used for the ongoing renovation of our existing stores in Hong Kong and Singapore. We expect the total capital expenditures for these renovations to total approximately HK\$47.4 million, and we will finance the shortfall from our internally generated funds;• approximately HK\$82.7 million, or approximately 20.1% of such net proceeds, will be used to improve our logistics and warehousing, including the rental of an additional warehouse in Hong Kong and the rental of property for, and construction of, a warehouse in Guangzhou. We expect the total capital expenditures for these improvements, which include rental expenses, construction costs and the cost to purchase shelves and other furnishings or equipment, to total approximately HK\$100.0 million, and we will finance the shortfall from our internally generated funds;• approximately HK\$32.9 million, or approximately 8.0% of such net proceeds, will be used to improve and upgrade our information technology systems; and• the remaining HK\$41.2 million, or approximately 10.0% of such net proceeds, to be used for working capital and other general corporate purposes.

SUMMARY AND HIGHLIGHTS

As the Over-Allotment Option is granted by the Selling Shareholder, and not our Company, our Company will not receive any proceeds from any exercise of the Over-Allotment Option.

DIVIDEND POLICY

We have proposed and declared final dividends of HK\$96.0 million for the financial year ended 30 April 2013, of which HK\$50.0 million was paid in July 2013 and HK\$46.0 million was paid in August 2013 out of our internally generated cash. In addition, we declared a special dividend of HK\$55.0 million in September 2013, which will also be paid out of our internally generated cash before the Listing.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by, and at the discretion of, our Board of Directors. Subject to our results of operations, financial condition, contractual restrictions, other factors which our Directors deem relevant and our Board's discretion, we currently intend to recommend dividends of 30% of our annual net profit after tax after the Listing. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year.

NON-COMPLIANCE

We are required to obtain licences and approvals for our store operations in certain jurisdictions in which we operate. Our Directors confirm that the Company has obtained all material licenses and permits required to operate its business in Hong Kong, Singapore, West Malaysia and Macau. However, we have not obtained certain of the required approvals in the PRC. Our Directors confirm that our Group will obtain all necessary licences, approvals, permits and certificates from the relevant government authorities before any new store begins operations. See "Risk Factors – Risks Related to Our Business – We have not obtained some of the required licences and approvals for our store operations in some of the jurisdictions in which we operate", "Risk Factors – Risks Related to Our Business – We have previous incidents of non-compliance with the Companies Ordinance" and "Business – Regulatory Compliance" for more information.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

As at 31 July 2013, our Directors confirm that our gross profit margins and net profit margins did not fluctuate significantly from our results during the Track Record Period.

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since 30 April 2013 (being the date to which our latest combined financial information was prepared, as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus.