RISKS RELATED TO OUR BUSINESS

If we cannot successfully implement our expansion plans, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

As part of our expansion plans, we aim 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 in the three financial years ending 30 April 2016. We expect to incur capital expenditures of approximately HK$21.2 million, HK$33.6 million and HK$40.6 million for the years ending 30 April 2014, 2015 and 2016, respectively, for our new store openings. If our expansion plans prove to be unsuccessful, our cash flows and profitability may be materially and adversely affected. We may need to seek additional financing by issuing additional equity or debt securities or obtaining credit facilities in the event that our resources are not sufficient to fulfil our cash needs. Issuing additional equity securities could cause dilution to our Shareholders, and incurring indebtedness would increase our debt service obligations and could result in operating and financing covenants that may, among other things, restrict our expansion plans and operations, and/or our ability to pay dividends. If we cannot service our debt obligations or are unable to comply with our debt covenants, we may be in default under the relevant debt obligations. Further, as our ability to obtain additional capital on acceptable terms depends on a variety of uncertainties, including factors beyond our control, we cannot assure you that future financing will be available to us in amounts or on terms acceptable to us, or at all. If we cannot obtain financing on terms acceptable to us, or at all, our business, financial condition, results of operations and growth prospects may be adversely affected.

In addition, our expansion plans may place substantial demands on our management and our operational, technological, financial and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems, improve our financial and management controls, enhance our ability to recruit, train and retain additional qualified management personnel and other administrative, sales and marketing staff, and continue managing our relationships with our suppliers, customers and local business partners. All of these endeavours will require substantial attention and time from our management and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which would in turn materially adversely affect our business, financial condition, results of operations and prospects.

We cannot assure you that our newer operations outside of Hong Kong, and in particular our operations in West Malaysia and the PRC, which both generated net losses in the financial year ended 30 April 2013, will be able to make a meaningful contribution to the Group's revenue and profit in the three years ending 30 April 2016. See "– Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results" for more information on the risks of our PRC and West Malaysia operations. In addition, only 25 out of our 28 new stores opened outside of Hong Kong during the Track Record Period had achieved breakeven as at 30 April 2013 and only ten out of our 28 new stores opened outside of Hong Kong during the Track Record Period had reached payback as at 30 April 2013. We cannot assure you that our new stores will be able to achieve breakeven or reach payback at the same rate as our stores in Hong Kong. See "Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation" for more information on our stores' breakeven and payback.

We may not maintain our current or historical rate of expansion. We strategically select new retail store locations depending on a variety of factors, primarily targeting areas with an appropriate number of households and a sufficient population to support a retail location. We also consider the proximity of our own or other similar retail stores in the area, as the opening of new retail stores in or near an area in which we already have existing retail stores could result in the potential diversion of customers from our existing retail stores to our new retail stores, and vice versa. We therefore may be limited in the number of retail stores we are able to open in the future.

We are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs

We rent the retail spaces for all of our stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau. As a result, rental costs constitute a significant portion of our operating expenses. Rental expenses for our retail stores in the Group amounted to HK$136.8 million, HK$161.2 million and HK$205.0 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, representing 13.4%, 13.3% and 13.7% of our revenue during the same years. In the past few years, the overall cost for securing retail spaces in Hong Kong, Singapore, West Malaysia and the PRC through rental arrangements has increased significantly. This is particularly the case for prime retail locations. Although we have maintained stable rental costs as a percentage of revenue historically, this ratio may increase in the future as rental costs in these regions may continue to rise. As a result, our increased rental obligations may render us vulnerable to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash available for other purposes.

Our success depends partly on our ability to secure and renew the tenancy agreements for our retail stores in quality locations

The success of our retail operations depends partly on our ability to secure and renew tenancy agreements in quality locations. In selecting suitable sites for our retail stores, we consider factors such as available space, its convenience and accessibility to our target customers, and the degree of surrounding competition. Demand for suitable sites is high and we face intense competition from other retailers for these locations. Our ability to rent premises in suitable locations on terms acceptable to us is crucial to the success of our expansion strategies. If we fail to secure or renew tenancy agreements for our retail stores in quality locations, our business, financial condition, results of operations and future prospects could be adversely affected.

Our tenancy agreements typically have an initial term of three years and may provide for payment of "turnover rent" when monthly store revenue exceeds a specified level. We cannot assure you that we will be able to renew our tenancy agreements on acceptable terms. As at 31 July 2013, we had entered into 295 tenancy agreements for our retail stores. Of these tenancy agreements, 37, 94, 110 and 41 tenancy agreements will expire on or before 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016, respectively, and 13 will expire on or after 1 January 2017. Four of our tenancy agreements are renewable on a monthly basis. See "Business – Properties" for more information. If we are unable to renew our tenancy agreements on terms commercially acceptable to us, or if our tenancy agreements are terminated for any reason prior to their expiration, we will need to close or relocate the relevant retail stores. Such relocations will cause disruptions to our business, including loss of revenue during the period of closure, and may incur significant expenses. In addition, relocated stores may generate less revenue.

Our business could be adversely affected by difficulties in employee recruiting and retention

We believe hiring, motivating and retaining qualified employees are a critical part of our success as retailer. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including sales staff, logistics staff and office clerks. As at 30 June 2013, we employed 1,942 employees, 15 of whom were management personnel and 1,674 of whom were part of our retail operations team. Highly service-oriented and qualified individuals are in short supply and competition for these employees is intense.

We have implemented a number of initiatives in an effort to attract, retain and motivate a sufficient number of qualified employees for our business operations and planned expansion such as specific skills-based training programmes and incentives for meeting sales targets. If these initiatives do not achieve the intended benefits generally or within our desired time frame, we may not be able to successfully recruit, motivate and retain a sufficient number of employees with necessary qualifications at commercially reasonable costs, or at all. Our failure to hire and retain enough qualified employees could delay planned new store openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

Our employee expenses may further increase due to factors beyond our control, such as changes in employees' protection legislation in the jurisdictions in which we operate

Our employee expenses amounted to HK$124.3 million, HK$157.5 million and HK$200.6 million for each of the financial years ended 30 April 2011, 2012 and 2013 respectively, representing 12.2%, 13.0% and 13.4% of our revenue during the respective periods. Although we have managed to maintain relatively stable employee expenses as a percentage of revenue historically, such ratio may increase in the future due to factors beyond our control, including rates of inflation, minimum wages and laws relating to employee salaries and benefits.

In particular, the salary level of employees in the retail industry in Hong Kong has been increasing in recent years. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into effect on 1 May 2011, with the initial statutory minimum wage rate being HK$28 per hour. Beginning on 1 May 2013, the statutory minimum wage in Hong Kong further increased to HK$30 per hour. Further increases to the minimum wage will lead to an increase in our employee expenses.

We may not be able to increase our prices enough to pass such increased employee expenses onto our customers, or we may lose certain customers due to our increased prices, in which case our business, financial condition and results of operations would be materially and adversely affected.

Our financial results depend on the success of our existing and new stores

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new stores. In particular, the success of our stores depends principally on our ability to increase customer visits and the average spending per transaction. Significant factors that might adversely impact our customer visits and the average spending per transaction include, without limitation:

- increased competition in the housewares industry;

- changes in consumer preferences;
- consumer budgeting constraints;
- customer sensitivity to our product price increases;
- our reputation and consumer perception of our brand and our offerings in terms of quality, price, value and service; and
- consumer experiences from shopping in our stores.

The profitability of our stores is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

- rental expenses for our existing and new stores;
- the price at which we purchase our products from our suppliers;
- employee expenses;
- information technology and other logistics costs; and
- costs associated with any material interruptions in our supply chain.

As at 30 April 2013, not all of our stores newly opened during the Track Record Period had achieved breakeven or reached payback, and not all of our stores were profitable in the financial year ended 30 April 2013. The failure of our existing or new stores to perform as expected could have a significant negative impact on our business, financial condition and results of operations.

Macroeconomic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations

As a retailer, we are sensitive to changes in economic conditions and consumer purchasing power, especially those in Hong Kong, where most of our revenue is currently generated.

We derived a substantial majority of our revenue from sales in Hong Kong in the financial years ended 30 April 2011, 2012 and 2013, respectively. We anticipate that despite our expansion plans, income generated from retail sales in Hong Kong will continue to be our Group's principal source of income for the foreseeable future. Consumer purchasing power 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. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn (including any actual or forecasted economic recession), natural disasters, contagious disease outbreaks or terrorist attacks, our overall business and results of operations may be materially and adversely affected. Therefore, if there is any perceived or actual weakening in the economic, political or regulatory environment in Hong Kong, in particular changes that affect consumer spending, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, continued weakness in the global economy, such as the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally, may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could make it difficult to finance and, consequently, expand and grow our operations. This would materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to respond effectively to changes in customer preferences and needs, our market share and result of operations could be adversely affected

The success of our business in the regions in which we operate depends on our ability to identify customer preferences and needs in those regions and to obtain such products from our manufacturers in a timely manner. Customer preferences differ across and within each of our regions depending on the local environment and climate, and shift over time in response to changing market trends and economic circumstances. We cannot assure you that we will anticipate or successfully respond to changes in customer preferences in one or more of the regions in which we operate. Even if we do anticipate and respond to such changes, we cannot assure you that we will bring to market in a timely manner enhanced or new products that meet these changing preferences. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy new preferences, our market share and our sales and profitability could be adversely affected.

Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results

As at 30 April 2013, we operated seven stores in the PRC and nine stores in West Malaysia. 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 a relatively early stage of development. We have not yet achieved profitability in these markets, and have incurred net losses of HK$4.8 million and HK$3.0 million in West Malaysia and the PRC, respectively, in the financial year ended 30 April 2013. In the financial year ended 30 April 2013, four out of nine of our West Malaysia stores, and all seven of our PRC stores, generated net losses. The average capital expenditure for opening a new store in West Malaysia and the PRC are approximately HK$714,000 and HK$311,000, respectively. We cannot assure you that we will be able to generate sufficient revenues in the future to achieve or sustain profitable operations or cover our investment costs in these regions. If we do not generate sufficient revenue, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We plan to increase our number of stores by 25 in the PRC, particularly in the Yangtze River Delta area, and 50 in West Malaysia by the year ending 30 April 2016. The markets in the PRC and West Malaysia may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns than our existing markets. Given our relatively limited operating experience in the PRC and West Malaysia, the retail stores we open in the PRC and West Malaysia may be less successful than those in our existing markets. Further, consumers in the PRC and West Malaysia may not yet be familiar with our brand and we may need to incur additional expenditures on advertising and marketing activities to build brand awareness. In addition, we may encounter difficulties in hiring, training and retaining qualified employees who share our business philosophy and culture. Any inability to replicate or successfully adapt our business model to local conditions of these new markets may affect the profitability of the retail stores in those new markets, which may adversely affect our business, financial condition and results of operations.

Our non-Hong Kong operations subject us to additional risks

We conduct operations in Singapore, West Malaysia, the PRC and Macau, and are subject to the laws and regulations, government policies and economic, social and political conditions of those jurisdictions. We also have licenced stores operated by our business partners in Saudi Arabia, East Malaysia, New Zealand, Indonesia and Cambodia. Our future growth depends significantly on our ability to expand into markets outside of Hong Kong. We will be exposed to a number of additional risks by operating outside of our core Hong Kong market, including, among others:

- exposure to local economic and political conditions;
- unexpected changes in laws and regulations (or the interpretation thereof), government policies, trade or monetary or fiscal policies, including interest rates, foreign currency exchange rates, changes in the rate of inflation, foreign investment, company organisation and management, business, tax and trade;
- social plans that prohibit or increase the cost of certain restructuring actions;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- difficulty of enforcing agreements, collecting receivables and protecting assets;
- reduced intellectual property protection;
- limitations on repatriation of earnings;
- withholding and other taxes on remittances and other payments by subsidiaries, or industry-specific taxes and fees;
- investment restrictions or requirements;
- violence and civil unrest;
- changing labour conditions and difficulty in staffing our international operations;
- changes in consumer preferences;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws;
- increases in taxes which we are obliged to pay and other changes in applicable tax laws; and
- political events, domestic or international acts of terrorism and hostilities or complications due to natural or nuclear disasters.

These uncertainties could have a material adverse effect on our business, results of operations and financial condition.

We have not obtained some of the required licences and approvals for our store operations in some of the jurisdictions in which we operate

The laws of Hong Kong, Singapore, West Malaysia, the PRC and Macau require that we obtain certain licences and approvals for the conduct of our business operations. For example, our PRC subsidiaries and PRC stores are required to seek licences, approvals and permits from the relevant authorities for their business operations. We have not obtained business licences for two of our PRC stores and have not obtained fire safety approvals for all of our PRC stores. We are in the process of applying for these outstanding licences or approvals except for the business licence for one PRC store and fire safety approvals for the two PRC stores which will be closed in October 2013. According to our PRC legal advisers, we will not be restricted or prohibited under relevant PRC laws from opening new stores as a result of these non-compliance incidents in respect of our PRC stores.

Certain of our operations are conducted through licenced stores operated by our business partners, which have unique risks

We have licenced stores operated by our business partners in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. These business partners may: (i) have different economic or business interests and goals than we do; (ii) take actions contrary to our instructions or requests; (iii) be unwilling or unable to fulfil their obligations under the agreements; or (iv) have financial or operating difficulties, which exposes us to credit risk. We cannot assure you that any of our business partners will not breach its obligations under the agreements to us. Such breaches may adversely affect the business and results of operations of the relevant licenced stores, which in turn may have an adverse effect on our Group's business, results of operations and financial condition.

We rely on our joint venture partners and business partners who operate licenced stores for our store operations outside of Hong Kong

We rely on the local expertise and decision-making of the managers and staff of our joint venture partners and business partners who operate licenced stores, and we cannot assure you that they will not make decisions or take actions that are not in our best interests, thereby harming our business and causing the diversion of management resources or exposure to litigation from third parties.

Poor selection of our joint venture and business partners or failure on our part to provide adequate guidance to such business partners and their staff may lead to situations which adversely affect the operational viability or our licenced stores, including the following:

- instances of negligence or non-compliance on the part of our business partners, possibly damaging our brand image or leading to infringement of our intellectual property rights;

- risks to our reputation from products sold by our business partners which are not sourced from us;

- failure by our business partners to maintain sufficient financial strength or to inject sufficient capital to effectively operate our licenced stores;

- business partners engaging in business activities in violation of non-compete provisions or communicating our commercial secrets to rival businesses; and

- legal liabilities brought about by operational faults on the part of the franchisee resulting in damages to the customer.

Our management and co-founders contribute significantly to our success, and our business may be adversely affected if we lose their services

Our co-founders, Mr. Lau and Ms. Ngai, have historically played key roles in the management and direction of our business, and have contributed significantly to our success. The future development and expansion of our Group will rely on the continued dedication of the skills, knowledge and experience of these individuals. If one or both of these individuals are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if either of these individuals, any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we will lose the benefits of their contributions to our business and operations. Any failure to attract, retain and motivate these individuals, any member of our senior management team or any of our other key personnel, or to find suitable and qualified replacements should we lose their services, may materially and adversely affect our business and prospects.

We rely on third parties for certain services and the production of our products

We rely on third parties for the supply and manufacture of products sold in our stores. We also engage a limited number of third party service providers for logistics and delivery services. In the event that any of our manufacturers and/or logistics and delivery service providers breach our agreements with them, terminate such agreements or are unable or unwilling to perform their obligations to us, we may experience material disruption to the supply of products and provision of services from our external manufacturers and service providers. Any adverse impact on our ability to obtain sufficient quantities of products for sale and delivery to our customers in a timely manner and at acceptable prices may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to identify suitable manufacturers, suppliers and/or logistics and delivery service providers on a timely basis and on acceptable terms to us, in which case, our business, financial condition and results of operations may be adversely affected.

Certain of our tenancies have not complied with all requirements under the relevant laws in their respective jurisdictions

We have not obtained copies of the building ownership certificates from the landlords of two of the retail stores we operate in the PRC and one warehouse in the PRC, nor any documents evidencing their rights or authority to sub-lease the rented premises to us. As a result, we do not have any documentation evidencing these landlords' ownership rights over the premises we rent from them, that such ownership is not subject to any dispute, or that all requisite governmental approvals have been obtained in connection with the construction of these premises. If a dispute arises as a result of defective title to any of these properties, we may be evicted from these premises, which could result in a disruption of our operations. In addition, we have not registered the tenancy agreements for certain of our PRC properties as required under PRC law, which could result in the imposition of a fine.

Our Directors are aware that there are a number of building notices and building orders issued against third parties, including our landlords, in respect of our retail properties in Hong Kong under Section 24 of the Buildings Ordinance. As at 30 April 2013, building orders relating to building conditions affecting six stores which may result in the buildings being deemed dangerous if not remediated, were outstanding. Our revenue derived from each of these retail stores with outstanding building notices or building orders accounted for approximately 0.2% to 0.6%, approximately 0.2% to 0.5%, and approximately 0.2% to 0.5% of our total revenue in the financial years ended 30 April 2011, 2012 and 2013, respectively. If we are required to suspend or terminate operations at these retail stores, we estimate that the average cost of relocating each of these retail stores would range from approximately HK$200,000 to HK$500,000. As these building orders are against third parties, including our landlords, we do not have any control over these third parties' remedial actions, including whether the conditions will be addressed on a timely basis or at all. If the properties which are the subject of these building orders are not remediated, whether on a timely basis or at all, we may be evicted from the relevant premises, which could result in a disruption to our operations. If the dangerous conditions result in property damage or personal injury before they are remediated, we may be subject to liability, including occupier's liability, which could result in fines, lawsuits or monetary liability to third parties.

We are subject to product liability risks

As with other retailers, our Group is subject to product liability claims if our products sold are defective. Generally, manufacturers and suppliers who produce or sell defective products are liable for any damages or personal injury caused by the defects of such products. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in product quality in the regions in which we operate in the future. In addition, we do not have control over all of the merchandise sold in our licenced stores, which are only required to source 80%-100% of their merchandise from us. Therefore, if any products sourced from third parties and sold by our business partners to their customers are defective or faulty, these customers may bring product liability or other claims against us. Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, the full amount of our financial liability under a product liability claim may not be covered by our insurance, and any claim may also result in legal costs and costs incurred in connection with a product recall campaign or in rectifying any product defects, any of which could have an adverse effect on our business, results of operations and financial condition.

Our insurance coverage may not be sufficient to cover all losses

We maintain insurance policies which cover, among others, the assets in our retail stores, warehouses and offices (including all our inventories), physical loss or damage to properties, fire, employees' compensation and third party liability. However, there may be circumstances in which we will not be covered or compensated for certain types of losses, damages and liabilities we may incur. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

We operate in a competitive industry

We believe that the housewares products market in general is competitive, with relatively low barriers to entry. We indirectly compete with mom-and-pop housewares stores, supermarkets, hypermarkets, furniture stores and department stores. Our larger-scale competitors may have greater financial, marketing, personnel and other resources than we do, and our small-scale competitors may be able to better react to changes in pricing and consumer preferences than we can, due to their smaller scale. Key competitive factors in our industry include price, product quality, product choice and variety, product brand and store location. If we fail to compete effectively against our competitors, we may lose or be unable to expand our market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be unable to detect, defer and prevent misconduct by our employees, customers and other third parties

As at 30 June 2013, our Group had 1,942 employees. Fraud or other misconduct by employees at different operational levels of our Group, whether individually or in collusion with other employees, customers or other third parties, could reduce our operational efficiency and business performance, and may even result in violations of laws by our Group, third party claims and regulatory actions against our Group and serious reputation or financial harm to our Group. Although we have certain internal control procedures and systems in place, including cash handling procedures, we cannot assure you that all our employees will fully comply with our Group's internal control procedures and systems when performing their duties. In addition, we may also be subject to misconduct by third parties such as our manufacturers, suppliers and customers, including (among others) our manufacturers providing us with defective products or customers stealing merchandise or paying for purchases with counterfeit banknotes. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoings by third parties. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

Interruption or security breaches to our information systems, especially with respect to our retail stores and inventory management systems, may have a material adverse effect on our business, financial condition and results of operations

We rely on various information technology systems, such as our central accounting system and POS system, for the timely exchange of business information between our headquarters and individual retail stores, and these systems are critical to our daily business operations. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our information systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems and have back-up systems in place, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and as a result, may restrain our ability to manage our future growth.

Cyber security threats, including a privacy or data security breach, could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business

We depend to a certain extent on information technology and systems for our business operations. Although we have in place various measures and controls that enable us to identify, detect and prevent unauthorised access to data on our private networks, we cannot guarantee that a security breach will not occur. Anyone who gains unauthorised access to confidential data, or parties who have permitted access to such data such as current or former employees and third party manufacturers, may be able to misappropriate, publish, delete, modify and/or otherwise deliberately or unintentionally misuse confidential information that is stored or transmitted on our networks. Any such security breaches may subject us to liability under applicable data protection laws and regulations, as a result of which we could be subject to substantial fines or may face litigation. We may also incur significant costs resulting from remedial actions, such as implementing additional security measures. Any of these consequences could have a material impact on our business, including damaging our reputation and our relationships with our customers and employees.

Our business in Hong Kong and Singapore depends significantly on the market recognition and strength of our Japan Home Centre and Japan Home brands

Our success in Hong Kong and Singapore depends significantly on the strength of our Japan Home Centre and Japan Home brands, respectively, and our reputation for consistent, high-quality products and shopping experience. Our other trade names and trademarks, including City Life and Epo Gifts & Stationery, are also important to the success of our business and our competitive position in the Hong Kong market. We have invested significant resources to establish brand recognition among consumers, and we believe that our continued success will depend largely on our ability to protect and enhance the value of our brands. In addition to effectively managing customer perception of our brand, our image is also built on the selection, presentation and quality of products in our stores, and the image and design of our retail stores. Any incident that erodes consumer trust in or affinity for our brands could negatively impact our reputation and our business.

The loss or infringement of our intellectual property rights, or allegations that we have infringed third parties' intellectual property rights, could have an adverse effect on our business, financial condition and results of operations

We have taken appropriate actions to register and protect our trademarks in the jurisdictions in which we are active. We cannot assure you, however, that we will be able to successfully obtain registrations of our trademarks, nor that we will be able to adequately guard against future infringement of our trademarks or that others will not challenge our rights in, or ownership of these trademarks. In addition, the laws of certain countries, particularly those of the PRC, may not offer the same legal protections against imitation and infringement as are offered in Hong Kong, making the preservation of these trademarks more difficult. Our inability to adequately maintain and protect our trademarks could have a material and adverse effect on our business, financial condition and results of operations.

If we infringe or are alleged to infringe a third party's intellectual property rights, we may be required to defend an infringement action. The defence and prosecution of intellectual property actions and related administrative proceedings can be costly and time consuming, with unpredictable outcomes, and may divert the attention, efforts and resources of our management personnel. For example, we have not transitioned the branding of two of the stores we operate in the PRC, which we acquired during the financial year ended 30 April 2012, to our Living Plus (泛美家) brand. We did not acquire the rights to use the brand used by the previous owner, but we have continued to operate these stores under the previous brand pursuant to the whole requirements of the tenancy agreements for these stores. While the previous owner of these stores was not the owner of the brand it used, we are given to understand that the previous owner had consent or authority from the brand owner to use this brand. The previous owner has issued a letter of undertaking pursuant to which they agreed to indemnify us against any losses or liabilities arising from any disputes, claims or legal proceedings caused by our continued use of this brand. However, although these stores will close in October 2013 upon the expiry of their tenancy agreements, our continued use of the brand used by the previous owner before the close of these stores may become the subject of an infringement claim or dispute. In the event of any such claim or dispute, we cannot assure you that the previous owner will have sufficient financial resources to indemnify us, in full or in part, nor that the previous owner will honour its undertaking to us.

Our trademarks that are material to our business may be registered by third parties in jurisdictions in which we do not have operations

Certain of our trademarks are material to our business, operations and competitive position, and we register our material trademarks to protect our intellectual property rights in the jurisdictions in which we currently operate. As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong, two registered trademarks in Singapore and 14 registered trademarks in the PRC. In jurisdictions in which we do not conduct business operations and have not registered our trademarks, subject to relevant local laws and regulations, we are subject to the risk of third parties using and/or registering our trademarks under their own name, and we may thereby be precluded from or encounter obstacles in pursuing business opportunities in those jurisdictions in future.

Third parties may register our trademarks under their names in other jurisdictions. For example, one of our export customers, a retail store operator in the Philippines, registered our Japan Home Centre trademark under its name in the Philippines. We cannot assure you that consumers at those stores would not mistakenly associate that trademark with our Group, or that lower quality products sourced from other suppliers offered at those stores would not materially and adversely affect our brand name and reputation. If this occurs, we may encounter difficulties in the event that our expansion strategy changes in the future.

We may face difficulties in identifying appropriate acquisition targets or in integrating acquired businesses into our operations

We have in the past, and may in the future, expand our business operations through selective acquisitions. Acquisitions and expansion involve numerous risks and uncertainties, including:

- inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices;
- availability, terms and costs of any financing required to fund acquisitions or complete expansion plans;
- inability to secure necessary governmental approvals or third party consents;
- costs of and difficulties in integrating acquired businesses, managing a larger and growing business or operating in new markets and geographic regions;
- potential on-going financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other unidentified risks;
- failure to capitalise on the expected synergies arising from acquisitions and to achieve other intended objectives or benefits, or to generate sufficient revenue to recover the costs or expenses of an acquisition or expansion plan;
- an acquired business' failure to perform as expected and impairment costs;
- decrease in our overall margins due to the lower margins of our acquired businesses;
- potential negative effect on our liquidity position due to the net cash outflow of an acquired business;
- failure to retain the management teams of the acquired businesses and their expertise; and
- the diversion of resources and management attention from our existing businesses.

Any failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may fluctuate from period to period due to seasonality and other factors

Our overall results of operations may fluctuate from period to period due to various factors, including the timing of new store openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened stores, any losses associated with our store closings and seasonal fluctuations that may vary depending upon the region in which a particular store is located. We sell certain season-specific products during particular periods, for example Christmas trees during the winter holiday season, and air conditioners during the summer season. During the Track Record Period, we generally derived a higher amount of revenue from December to February. As a result of the above factors, our results of operations may fluctuate significantly from period to period and a comparison of different periods within a financial year may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

We may be subject to acts of God, acts of war, epidemics and other factors beyond our control which may cause damage, loss or disruption to our business

Our business is subject to the general economic and social conditions in the places where our Group has operations, particularly Hong Kong, Singapore, Malaysia, the PRC and Macau. Natural disasters, including fire, typhoons, and other events, such as electricity black-outs, epidemics or pandemics and other acts of God beyond our control may adversely affect the economy, as well as consumer spending power and livelihoods. In the event that such natural disasters occur, our business, operating results and financial conditions may be materially and adversely affected. For example, the recurrence of the severe acute respiratory syndrome, or an outbreak of swine or avian influenza or severe acute respiratory infection caused by the novel coronavirus recently discovered in Hong Kong or other places where we have operations, could cause material disruptions to our Group's operations and/or a downturn of the economy in such areas, thereby materially and adversely affecting our business, financial condition and results of operations.

The costs of the options granted under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of such options may result in dilution to our Shareholders

On 4 September 2013, we conditionally adopted the Share Option Scheme. Under the Share Option Scheme, we may grant options to the eligible participants of the scheme to subscribe for our Shares. As at the Latest Practicable Date, options to subscribe for an aggregate of 8,424,000 Shares had been granted under the Pre-IPO Share Option Scheme. Together, the options granted under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme may not in the aggregate exceed 10% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue.

We are required to expense our employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". We measure share-based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. In order to assess the fair value of share-based compensation, we use certain assumptions, including the probability of reaching the targets set for the Company's share performance in the market, if applicable, and our financial results of operations, the forfeitures and the service period of each employee. We expect to grant options under our Share Option Scheme and to incur additional share-based compensation expenses in future periods with respect to options to be granted under the Share Option Scheme, which will reduce our net income. We are not able to currently provide an estimate of expenses in relation to options that may be granted under the Share Option Scheme. Please see "Forward-Looking Statements" for information regarding the various risks and uncertainties inherent in estimates of this type. We may also adopt additional equity incentive plans in the future, and our results of operations will be adversely affected if we grant options under such plans.

In addition, issuances of Shares with respect to awards under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme, and other incentive plans which may be adopted in the future, will result in dilution of the percentage ownership of our Shareholders, as well as our earnings per Share and our net asset value per Share.

We face uncertainty from the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers ("Circular No.698") issued by the PRC State Administration of Taxation, effective 1 January 2008

Pursuant to Circular No. 698, other than in connection with the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an "Indirect Transfer"), and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, as the transferor, is required to report this Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such as Indirect Transfer may be subject to PRC tax at a rate of up to 10%. Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

The application of Circular No. 698 is uncertain. The relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations regarding how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Circular No. 698 may be determined by the tax authorities to be applicable to our Reorganisation, if our Reorganisation were to be determined by the tax authorities to lack a reasonable commercial purpose. Although we do not believe that our Reorganisation lacks reasonable commercial purpose, we are subject to the risk of being taxed under Circular No. 698, and we may be required to expend valuable resources to comply with Circular No. 698 or to establish that we should not be taxed under Circular No. 698. As a result, our tax liability may increase and our net profits and cash flow may be affected.

We have previous incidents of non-compliance with the Companies Ordinance

Some of our subsidiaries incorporated in Hong Kong have on various occasions not fully complied with certain statutory requirements in the Companies Ordinance with respect to matters such as failure to make timely filings in respect of company secretarial matters with the Companies Registry of Hong Kong. See "Business – Regulatory Compliance."

If the Hong Kong Companies Registry takes any action against the relevant subsidiaries in our Group, including the assessment of fines or other penalties, our reputation, cash flow and results of operation may be adversely affected.

RISKS RELATED TO THE GLOBAL OFFERING

Our Controlling Shareholders may exert substantial influence over us and their interests may conflict with the interests of other Shareholders

Following completion of the Global Offering and the Capitalisation Issue (assuming an Offer Price of HK$2.52 per Share, being the mid-point of the indicative Offer Price range of HK$2.22 to HK$2.81 per Share, and assuming that the Over-Allotment Option is not exercised), the Controlling Shareholders will own an aggregate beneficial interest of 45% in our issued Shares. Accordingly, subject to the Articles and applicable laws and regulations, the Controlling Shareholders will, should they choose to do so, be in a position to exert significant influence and control over the affairs of our Company, including with respect to the timing and amount of dividend payments and approving significant corporate transactions. The interests of the Controlling Shareholders may not align with those of our other Shareholders. We cannot assure you that the Controlling Shareholders will always take actions that are beneficial to our other Shareholders.

Due to a gap of up to five business days between pricing and trading of our Shares on the Stock Exchange, the initial trading price of our Shares may be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date by negotiations between our Group, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), however the Shares will not commence trading on the Stock Exchange until the Listing Date, which is typically expected to be approximately five business days after the Price Determination Date. Accordingly, you may not be able to sell or otherwise deal in our Shares during such period, and may be subject to the risk that the market price of our Shares could fall below the Offer Price before trading begins as a result of adverse market conditions or other adverse developments occurring during this period. As a result, you may suffer loss when reselling your Shares.

There has been no prior public market for our Shares, and an active trading market for our Shares may not develop or be sustained

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price will be determined by us after negotiations with the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and may differ significantly from the market price of our Shares following the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Listing or in the future. If an active public trading market for our Shares does not develop, the Shares could be traded at a price lower than the Offer Price, and you may not be able to resell your Shares for an extended period of time or at all.

Future sales or perceived sales of the Shares, or major divestment of Shares by any major Shareholder, could adversely affect the market price of our shares

The sale of or the perception of the sale of a significant number of Shares in the public market after the Global Offering may adversely affect the market price of our Shares. Save as disclosed in the section headed “Underwriting” in this prospectus, there are no major restrictions imposed on the future sale or other disposal of our Shares by our Controlling Shareholders and EQT Greater China II. Any future sales, or perceived sales, of Shares by any of our major

Shareholders upon the lapse, waiver or breach of these restrictions may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price the Directors deem appropriate, thereby limiting our Group's ability to raise capital.

Investors may experience immediate dilution due to the Offer Price being higher than net tangible book value per Share

As the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible asset value of HK$0.91 per Share (assuming an Offer Price of HK$2.52 per Share, being the mid-point of the indicative Offer Price range of HK$2.22 to HK$2.81 per Share, and assuming that the Over-Allotment Option is not exercised). If we issue additional Shares or equity-related securities in the future, the then-existing Shareholders may experience further dilution in their ownership percentage. Further, such new securities may have preferred rights, options or pre-emptive rights which make them more valuable than or senior to the Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may materially and adversely affect your investment

Certain portions of our revenue and expenditures are denominated in RMB, SGD and MYR. The PRC government regulates the conversion between RMB and foreign currencies. The MYR is also subject to certain foreign exchange restrictions.

In respect of the RMB, over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In addition, the value of the RMB is affected by, among others, changes in the PRC's political and economic conditions as well as government policies. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further, from 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of RMB against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. The floating band was further widened to 1.0% on 16 April 2012. These changes in currency policy resulted in RMB appreciating against the U.S. dollar and the H.K. dollar by approximately 30.2% from 21 July 2005 to 30 June 2012. The PRC government may adopt further reforms of its exchange rate system, including making the RMB freely convertible in the future.

Since 1981, Singapore's monetary policy has been centred on the exchange rate for the SGD. The Monetary Authority of Singapore (the "MAS") operates a managed float regime for the SGD. It manages the SGD against a trade-weighted basket of currencies of Singapore's major trading partners and competitors, and maintains it broadly within an undisclosed target band. From time to time, the MAS may intervene in the foreign exchange market to maintain the trade-weighted Singapore dollar exchange rate within the policy band.

In respect of the MYR, since July 2005, Malaysia's central bank, the Bank Negara Malaysia (the "BNM") has allowed the MYR to operate within a managed float against several major currencies, although still intervening from time to time to maintain stability of the value of the MYR. There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered by the Foreign Exchange Administration, an arm of BNM. The foreign exchange policies monitor and regulate both residents and non-residents. Under the current Exchange Control Notices of Malaysia and Foreign Exchange Administration Rules issued by BNM, non-residents are free, at anytime, to repatriate any amount of funds, upon conversion into foreign currencies, including capital, divestment proceeds, profits/dividends, rental, fees and interest arising from investment in Malaysia, subject to the applicable reporting requirements, and any withholding tax. In the event that BNM introduces any new foreign exchange policies which restrict such funds from being repatriated in the future, the ability to repatriate dividends or distributions to our Company could adversely affect our business, results of operations and financial condition.

The price at which we purchase our products from our suppliers or sell or products to overseas customers may also be affected if such products are imported or exported or subject to other foreign currency fluctuations. Any significant changes in the exchange rates of the HK$ against the RMB, SGD, MYR and MOP may adversely affect our cash flow, revenue, financial position, and the value of and dividends payable on our Shares in HK$.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

The Company is incorporated in the Cayman Islands and our corporate affairs are governed by our Memorandum and Articles, the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of minority shareholders' interests differ from those in Hong Kong in certain respects. Accordingly, some remedies available to our Company's minority shareholders may be different from those available to them under the laws of other jurisdictions. A summary of the applicable Cayman Island laws is set out in Appendix III to this prospectus.

RISKS RELATED TO THIS PROSPECTUS

You should read the entire prospectus carefully and should not rely on any information contained in press articles, other media or research analyst reports regarding us, our business, our industry and the Global Offering

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. Such press, media and/or research analyst coverage may include information that does not appear in this prospectus. We have not authorised the disclosure of any such information in such press, media and/or research analyst coverage and do not accept responsibility for any such press, media and/or research analysts coverage or the accuracy or completeness of any such information, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions regarding our Shares on the basis of the information contained in this prospectus only and should not rely on any other information.

Certain facts and statistics in this prospectus relating to Hong Kong, Singapore, Malaysia, the PRC, Macau and their respective economies in which we operate are derived from third party market research report and may not be reliable

We have derived information and statistics in this prospectus relating to Hong Kong, Singapore, Malaysia, the PRC and Macau, their respective economies and industry from a commissioned third party market research report. For more information, see "Industry Overview − Source of Information." We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, projected industry data and other information relating to the economy and the industry derived from the third party market research report may be inaccurate or may not be comparable to or consistent with information available from other sources and should not be unduly relied upon. In all cases, you should give careful consideration as to how much weight or importance you should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

Forward-looking statements may not be accurate

This prospectus contains certain statements that are "forward-looking" and uses terminology such as, among others, "anticipate", "believe", "expect" and "should". Those statements include, among others, discussions of our Group's growth strategy and future operations. You are cautioned that relying on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and the forward-looking statements made based on such assumptions could also be incorrect. Accordingly, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by our Group that our plans and objectives will be achieved.