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. We operate our stores in Hong Kong under our Japan Home Centre (日本城), City Life (生活提案) and Epo Gifts & Stationery (文具世代) brands, in Singapore under our Japan Home (日本の家) brand, in West Malaysia under our Japan Home Centre (日本城) brand, in the PRC under our Living Plus (泛美家) brand and in Macau under our Japan Home Centre (日本城) brand. Further, we have ten licenced stores in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. All of our stores are situated in residential areas or well-populated locations. 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.

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 continue to expand our operations by leveraging the strength of our brand, our extensive retail network and our large global supplier network. We will also continue to introduce new products and product categories at our stores in order to capture additional market opportunities and to expand our customer base.

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.

During the Track Record Period, we achieved growth in our revenue, which increased from HK$1,017.6 million to HK$1,211.2 million and further to HK$1,498.7 million for our financial years ended 30 April 2011, 2012 and 2013, respectively, representing a CAGR of 21.4%. Our profit for the year increased from HK$62.4 million to HK$86.5 million and further to HK$103.2 million for our financial years ended 30 April 2011, 2012 and 2013, respectively, representing a CAGR of 28.6%.

COMPETITIVE STRENGTHS

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

Market leader with an iconic brand

We are 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, according to the Frost & Sullivan Report. In the calendar year 2012, we had a market share of approximately 69% and

75% of the housewares retail chains market in Hong Kong and Singapore, respectively, according to the Frost & Sullivan Report. We had a market share of approximately 49.0% and 10.4% of the housewares specialised stores market in Hong Kong and Singapore, respectively, in the calendar year 2012, according to the Frost & Sullivan Report. As at 30 April 2013, we operated 283 stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau, and had nine licenced stores in East Malaysia, Saudi Arabia, New Zealand and Indonesia.

We believe that we were one of the first to introduce the "HK$10 shop" concept to the Hong Kong housewares products market in 1993. Over our 20 years of operations as a housewares retail chain, we have built a strong brand that is trusted and recognised among the consuming public in Hong Kong. Today, through our extensive retail network across Hong Kong and other localities such as Singapore, West Malaysia and the Yangtze River Delta region in China, we offer a full range of more than 20,000 housewares products in 11 primary categories, including household electronics, housekeeping products, stationery, plasticware, kitchenware and other household products. This 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, which we believe are key reasons that our customers choose to shop at our stores. We believe these factors have also generated a high level of brand recognition for our Japan Home Centre stores among consumers in Hong Kong. Based on a customer survey conducted by Frost & Sullivan, over 99% of respondents are aware of our Japan Home Centre brand in Hong Kong.

In 2007, we were awarded the Hong Kong Top Service Brand Award by the Hong Kong Brand Development Council. We believe that this is a testament to our brand's iconic position and market leadership.

Our established brand and reputation and our leading market position also make us desirable business partners, and provide us with substantial bargaining power in securing and negotiating business contracts. We believe the strength of our brand will enable us to further develop and expand our business in existing markets and to penetrate into new markets.

Extensive retail network with a proven track record of stable growth

As at the Latest Practicable Date, our retail network comprised 293 stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau and ten licenced stores in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. All of our stores are situated in residential areas or well-populated locations in strong or growing markets.

We leverage our retail operating experience and our in-depth understanding of local markets gathered from over 20 years of operations to select optimal store sites which balance convenience to our customers and cost efficiency to us. We keep abreast of changes in the consumer spending habits and characteristics of each area that we serve, and strategically locate our stores to best serve the daily household needs of our target consumer. Due to our strong brand and reputation in Hong Kong, we do not heavily rely on passing foot traffic, and it is therefore not necessary for us to place our stores at premium street level spaces or prime locations within shopping centres. This enhances our flexibility in choosing new store sites, and also helps stabilise our rental expenses as a percentage of our revenues despite increases in prevailing rental rates.

During the Track Record Period, we expanded our retail network considerably, increasing the number of stores we operate from 204 as at 30 April 2010 to 283 as at 30 April 2013. We began our operations in Hong Kong, and now have a business presence in ten jurisdictions. We also achieved comparable store sales growth in Hong Kong of 4.9%, 11.8% and 12.1% for our financial years ended 30 April 2011, 2012 and 2013, respectively.

Many of the products we offer are affordable household necessities for which demand does not fluctuate significantly regardless of changes in overall market conditions. We have therefore been able to achieve sustained growth in our sales, even during the global and Asian economic downturns in 2008.

Large global supplier network

We have built up a large global network of over 650 suppliers and manufacturers in 13 regions, which we believe provides us with significant competitive advantages in both product quality and pricing. The large number of international and Hong Kong suppliers with whom we have relationships facilitates our ability to procure a stable and continuous supply of a wide variety of products at competitive prices, as we are not reliant on any one supplier for any of our products. We are therefore better positioned to negotiate favourable pricing and other contract terms when evaluating and selecting a supplier. Our relationships with international suppliers allow us to primarily source our merchandise directly from the manufacturers in order to avoid pricing mark-ups often added by our Hong Kong distributors. The gross profit margin from our Hong Kong retail business for our private label products and internationally sourced products was over 50% for each of the financial years ended 30 April 2011, 2012 and 2013, compared with under 35% for our Hong Kong sourced products for the same years. In the financial years ended 30 April 2011, 2012 and 2013, the Hong Kong retail revenue contributed by our private label products and internationally sourced products increased from 45.0% to 50.7% and further to 51.3%, respectively, compared to the Hong Kong retail revenue contributed by our Hong Kong sourced products, which decreased from 53.4% to 47.7% and further to 47.2%, for those same years. We are also able to further negotiate pricing as a bulk purchaser due to our large scale of operations, thereby leveraging our economies of scale to reduce our costs and improve margins.

We believe that our global sourcing network distinguishes us from competing housewares retailers and new market entrants and provides us with competitive advantages in both product quality and pricing, as we believe that these competitors are not able to easily replicate our business model and achieve a scale of operations comparable to ours. This in turn strengthens our competitive position, demonstrates our uniqueness and enhances our bargaining power in the market.

Unique private label products with higher profit margins

We have collaborative relationships with various manufacturers for the production of our own private label products for sale exclusively in our stores. These products are custom manufactured for us in accordance with our requests and specifications, which allows us to leverage our knowledge of consumer trends to provide products that are responsive to customer preferences in the various markets in which we operate. Our private label brand offering is complementary to our international brand offering, enhancing our unique and varied product mix and enabling us to provide a wide selection of merchandise capable of catering to a broad customer base and varying household needs. Our ability to provide our private label products has been a hallmark of our business and we believe it is key to customer retention and loyalty to our brand. Currently, we have 12 key private labels, such as “Kato” for bedding and linens, “JHE” for household electronics, “Kagaku” for stationery, and “japanhome” for DIY & hardware.

Our collaborations with private label product manufacturers provides us with substantial negotiating leverage as a large scale purchaser, enabling us to purchase these products at competitive prices. In addition, because our private label products are custom manufactured for us, they are not widely available in Hong Kong and are therefore less prone to competitive pricing pressure. As a result, we have considerable flexibility in our product pricing, which in turn enables us to maintain and improve our margins while offering attractive and reasonable prices which retain customer loyalty. The gross profit margin from our Hong Kong retail business for our private label products was 54.9%, 55.4% and 55.6% for the financial years ended 30 April 2011, 2012 and 2013, respectively. Hong Kong retail revenue contributed by our private label products increased from 28.7% to 31.6% and decreased to 30.4% in the financial years ended 30 April 2011, 2012 and 2013, respectively.

Proven track record of expansion through standardised yet flexible operational model

We have developed a standardised operational model across all of our stores, characterised by uniform procedures and policies which are easy to integrate and build upon as we expand our operations. Our established operations systems and standardised procedures can be readily applied to all of our stores, and we maintain an efficient logistics and delivery system to support our retail operations. As a result, we are able to keep our initial capital expenditures relatively low when opening and running a new store, and have also achieved breakeven for 97 out of the 100 new stores we opened in Hong Kong and overseas during the Track Record Period. These stores generally achieved breakeven in less than two months. In addition, we utilise standardised store schematics, such as lighting, signage and layout, that are consistent with our overall branding strategy and can easily be adapted to various store sizes and configurations. We are also able to leverage our global sourcing network to expand our operations, as it provides a readily available supply of merchandise for all of our locations. In addition, our extensive and diverse range of merchandise allows us to be flexible with our product offering. This enables us to tailor the product mix of any given location to capitalise on that location's characteristics, such as store size and local customer demographics. These factors have significantly facilitated the expansion of our operations both in Hong Kong and abroad.

As a result, we have been successful in growing our retail network quickly, efficiently and cost effectively, and have a successful track record of integrating acquired businesses. We acquired the business of Nippon Warehouse Limited in 2000 and Quality Housewares in 2007, which operated approximately 30 and 19 stores in Hong Kong, respectively, and have since integrated these businesses into our operations. We also acquired a business which operated 17 stores in Singapore through Japan Home Retail Pte Ltd., and a business which operated five stores in the PRC. Since then, we have been operating our stores in Singapore and the PRC through our majority interest in the relevant joint ventures. In April 2013, we acquired JHC (Macau), which operated five stores in Macau. We have introduced our store concepts and operating philosophy to our overseas stores, and modify them to cater to the local needs of each market. We will continue to explore suitable acquisition opportunities globally, and with our substantial industry experience, we believe that we will be able to identify and pursue acquisitions that will be beneficial to our future development.

Dynamic, enterprising and experienced management team

We have an experienced management team led by our co-founders, Mr. Lau and Ms. Ngai, both of whom have substantial management skills, operating experience and expertise in the housewares products market. Mr. Lau has over 30 years of experience in sourcing and marketing in the housewares retail market, which is complemented by Ms. Ngai's over 20 years of experience in the leasing and operational aspects of our industry. Under their leadership, we grew from opening our first store in Hong Kong in 1991 to a leading housewares retail chain operating over 290 stores in multiple jurisdictions. The vision and entrepreneurial spirit of Mr. Lau and Ms. Ngai have played a critical role in building our brand and developing our business.

Our co-founders are supported by an experienced management team with substantial experience in the retail business in Hong Kong. We have maintained a stable and devoted senior management team, with eight senior management members, a majority of whom have worked with us for over seven years. Our strong management profile has enabled us to successfully recruit several senior management members with experience working for other major retail businesses. We believe that under our strong management, we will continue to compete successfully and grow our business profitably. Our success has also attracted international investors such as EQT Greater China II, which is part of the EQT group of private investment funds advised by EQT Partners. EQT Partners has been recognised as a leading investment adviser in the Nordic Region and in German-speaking Europe. EQT Greater China II has enhanced our corporate governance and further expansion with their knowledge and resources.

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

We have successfully expanded our operations outside Hong Kong, particularly in Singapore, West Malaysia and Macau. As in Hong Kong, we strive to provide our customers in Singapore with the convenience of a "one-stop" shopping experience and a wide variety of unique, quality products at reasonable and competitive prices. We believe that we can leverage our competitive advantages as a housewares retail chain to capture market share from other retail channels, such as mom-and-pop housewares stores, in Singapore and West Malaysia. The housewares products market in Singapore is similar to the Hong Kong market in many respects, including the average consumer shopping and spending habits. As a result, we have been able to capitalise on our operational experience and industry knowledge to enter this market and quickly establish our business presence and reputation there. For the financial year ended 30 April 2013, we achieved gross profit margins of approximately 52.9% in respect of our Singapore operations. We believe we are well positioned to further expand our operations and market share in Singapore, where our capability to grow steadily is demonstrated by our successful opening of 16 stores since our entry into that market in November 2011. As at 30 April 2013, we operated 32 stores in Singapore and plan to increase our number of stores by 70 by 30 April 2016.

In West Malaysia, we also believe the size and scale of our stores and the "one-stop" shopping experience we provide set us apart from our competitors. We will continue to diversify and expand our product mix in West Malaysia in response to customer demand; in particular, we intend to offer more stylish, high value products to cater to the demographic of middle class consumers with higher spending power, and to locate our stores in shopping centres and other premier locations. Our stores in West Malaysia are typically larger than our Hong Kong stores, reflecting the characteristics of the property market in that region, which allows us to stock larger size products, as well as a larger variety of products. As at 30 April 2013, we operated nine stores in West Malaysia and plan to increase our number of stores by 50 by 30 April 2016.

We acquired five stores in Macau in April 2013. We intend to increase the variety of products offered in our Macau stores, with a particular focus on stylish, high value products to cater to customer demand. As at 30 April 2013, we operated five stores in Macau and plan to increase our number of stores in Macau by 15 by 30 April 2016 to capture additional market share.

Further expand our operations in the PRC

As at 30 April 2013, we operated seven stores in the PRC. We intend to work towards enhancing our brand and expanding our retail network in the PRC to establish our position as one of the leading housewares retail chain in our PRC target regions. We plan to increase our number of stores in the PRC by 25 by 30 April 2016.

According to the Frost & Sullivan Report, the PRC housewares retail market is primarily dominated by hypermarkets and supermarkets, which generally cater to the mass market by offering basic necessities. Due to an increase in disposable income, improving living standards, and a growing urban population, the demand for quality products has been increasing in recent years. We differentiate ourselves from domestic housewares retailers by targeting the growing middle class population, meeting the demand of this demographic by offering a range of higher quality international products at affordable prices. Our initial focus is on the Yangtze River Delta area, which is characterised by the large and growing middle class population that comprises our primary target consumer base in the PRC. As we continue to grow our PRC operations, we intend to expand to the Pearl River Delta area, which also has higher levels of disposable income.

To accommodate the preferences of our target customer groups in the PRC, our product mix includes a higher proportion of tasteful housewares merchandise or merchandise aimed at improving lifestyle by emphasising stylish designs, such as items for home decoration. The products we offer in our PRC stores typically have a higher average retail value than those offered in Hong Kong. Consequently, for the financial year ended 30 April 2013, the average spending amount per transaction in our PRC stores was higher than in Hong Kong.

Building upon the strong base of our Hong Kong operations, we have introduced a variety of quality products to the PRC consumer market and applied our standardised practices to our PRC retail operations. In managing our PRC stores, we also benefit from the local expertise of our joint venture business partner, and have designated Hong Kong management team members who work closely with them to ensure the smooth operation of our stores. As in Hong Kong, we promote our brand and reputation in the PRC by offering different product promotions, building on our customers' positive shopping experiences to increase our market penetration by word of mouth rather than traditional advertising. We will expand and manage our product portfolio in the PRC to respond to changes in the preferences of our target customer groups. To achieve this objective, we will engage new suppliers, including PRC focused suppliers which offer products specifically targeting these markets. We currently utilise a warehouse in Nanjing, and plan to establish logistics centres as we expand in the PRC and our sourcing volume increases.

Diversify our stores and customer base to maintain stable growth and profitability in Hong Kong

We are committed to enhancing our comparable store sales growth in Hong Kong as well as to opening new stores, which we believe will contribute to higher profits. For our financial years ended 30 April 2011, 2012 and 2013, the comparable store sales growth achieved by our Hong Kong stores was 4.9%, 11.8% and 12.1%, respectively. As at 30 April 2013, we operated 230 stores in Hong Kong and have planned a net increase of 40 stores by 30 April 2016. We intend to continue to steadily increase our comparable store sales by broadening our customer base through remodelling selected existing stores to improve the quality of the shopping experience and by diversifying our product offerings. We believe this will allow us to capture market share from other retail channels as the housewares products market continues to consolidate.

We regularly monitor market and sales information to keep track of the demand for and sales of different types of products sold at our stores. We classify our stores by size and customer spending power in tailoring an optimal product mix for each store. In order to reach a broader customer base, we will continue to evaluate and remodel selected stores to cater to the characteristics and specific customer needs and preferences of the surrounding areas. We proactively seek to introduce new product categories where we see the potential for customer demand and to capture additional market share. For example, we offer a wider selection of higher-end products in our larger stores in areas with higher customer spending power, and further adjust the merchandise mix after analysing the sales performance of those products. We also plan to expand our customer base by promoting our City Life stores, which offer a larger variety of higher-end housewares products. We believe that this will enable us to build our brand among higher income customers by leveraging our purchasing power and wide range of products, giving us a strategic advantage over independently operated or smaller scale competitors.

We believe that our primary customer base is middle-aged women. While we will continue providing quality products at attractive prices to retain our existing customers, we plan to diversify our customer base to male consumers and younger customers. For example, we offer men's personal and health items to attract male customers and tableware featuring animated characters for younger customers. In addition, we will promote our Epo Gifts & Stationery stores to target students and young customers.

Continue to adjust product mix to optimise profit margins

We will continue to adjust our product mix to cater to customer needs and preferences and to manage our costs and margins. As our private label products and internationally sourced products generate higher margins than our Hong Kong sourced products, we have been gradually increasing the proportion of private label products and internationally sourced products in our stores, with the long-term goal of approximately 70% of our revenue attributable to sales of (i) private label products and (ii) products shipped to our warehouses, including internationally sourced and Hong Kong sourced products. We have increased our Hong Kong retail revenue from private label products and internationally sourced products from 45.0% to 50.7% and further to 51.3% for the financial years ended 30 April 2011, 2012 and 2013, respectively. To further improve our profitability and enhance the uniqueness of our product offerings, we will continue to increase the proportion of our private label products and internationally sourced products in our total sales.

We will continue adjusting our product mix in our Singapore, West Malaysia, PRC and Macau stores according to local needs to improve our brand image and increase profits. We believe our unique mix of private label, internationally sourced and Hong Kong sourced products provides more purchasing options to customers and increases their confidence in our store brand as a unique and comprehensive housewares retailer offering quality products, thus distinguishing us from local competitors in these regions.

Improve the efficiency of our logistics

We believe that an efficient logistics and delivery system is a key factor in maintaining our competitiveness, attaining an optimal level of inventory and ensuring efficient stock replenishment at our stores and warehouses. As we expand our operations globally through opening new stores and acquiring businesses, we expect that the importance of our logistics and delivery system will increase. Accordingly, we will continue to improve our logistics and delivery system.

We currently utilise two warehouses in Hong Kong, one warehouse in Singapore, two warehouses in West Malaysia and one warehouse in Nanjing. These warehouses serve as central points of consolidation for the receipt of products purchased from our suppliers and subsequent distribution to our stores. We plan to establish logistics centres in order to consolidate products purchased from suppliers located in the PRC and other regions. We believe that establishing logistics centres in these locations will assist us in achieving greater operational efficiencies and cost savings in sourcing and logistics as we continue to expand our overseas operations.

OUR RETAIL NETWORK

Our housewares and stationery stores are operated under the brands Japan Home Centre, City Life, Epo Gifts & Stationery, Japan Home and Living Plus.

The following table sets forth the number of stores operated under our brands by region as at the dates indicated:

	As at 30 April						As at the Latest Practicable Date
	2011	Net change	2012	Net change	2013	Net change	
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
	213	39	252	31	283	10	293
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	223	39	262	30	292	11	303

(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.

Hong Kong is our primary market. The table below sets forth our revenue from our Hong Kong and non-Hong Kong operations and as a percentage of total revenue for the years indicated:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Revenue from Hong Kong operations	1,017,566	100.0%	1,154,175	95.3%	1,334,098	89.0%
Revenue from non-Hong Kong operations	–	–	57,047	4.7%	164,575	11.0%
Total revenue	1,017,566	100.0%	1,211,222	100.0%	1,498,673	100.0%

OUR HONG KONG OPERATIONS

Our stores in Hong Kong are located throughout Hong Kong Island, Kowloon and the New Territories and are conveniently accessible to customers throughout Hong Kong. All of the retail spaces for our stores in Hong Kong are rented. The table below sets forth the number of stores in Hong Kong by district as at the dates indicated:

	As at 30 April				
District	**2011**	**Net change**	**2012**	**Net change**	**2013**
Hong Kong Island	42	–	42	2	44
Kowloon	69	2	71	1	72
New Territories	102	5	107	7	114

We operate these stores under our Japan Home Centre, City Life and Epo Gifts & Stationery brands. Our stores are located in street level retail spaces, shopping centres and residential complexes. For our internal management purposes, we have 14 district managers, each of whom are responsible for overseeing up to 30 stores. We select our store locations based on availability and rental costs, evaluating the available retail spaces in terms of population density in the area and proximity to our stores or other stores that offer housewares products. See "– Our Operations – Leasing and New Store Selection." We implement standardised store layouts that allow ample shelf space and attractive displays for our products, with simple interior designs. We aim to provide our customers with an enjoyable and comfortable retail experience and train our employees to provide quality customer service.

Our success in Hong Kong is demonstrated not only by our strong comparable store sales growth over the Track Record Period of 4.9%, 11.8% and 12.1% for the financial years ended 30 April 2011, 2012 and 2013, respectively but also by the increase in average spending per transaction in those same years from HK$44.5 to HK$49.1 and further to HK$53.4 per transaction.

Japan Home Centre

Our Japan Home Centre stores offer a wide range of products, which include kitchenware, plasticware, household electronics and other household items for daily use. We expand our product range and adjust our product mix to cater to customer needs and preferences from time to time. As at 30 April 2013, we operated 216 Japan Home Centre stores in Hong Kong.

City Life

Our City Life stores provide a higher-end alternative for higher income households looking for the same convenient shopping experience as in our Japan Home Centre stores. These stores were previously named City Lifestyle, and we are in the process of renaming these stores as "City Life". As at 30 April 2013, we operated nine City Life stores, which are located in shopping centres and residential areas with large housing complexes, including Royal Ascot in Shatin, Kornhill in Quarry Bay and Stanley Plaza in Stanley, giving us access to a larger customer base. These stores offer the full spectrum of housewares categories offered in our Japan Home Centre stores, in addition to certain higher-end housewares products.

Epo Gifts & Stationery

Our Epo Gifts & Stationery stores cater to students and other younger customers and carry a wide variety of stationery items, small toys and accessories as well as travel accessories, books and household items. Certain of these stores also provide photocopying services. Due to their specialised nature, these stores are generally smaller in size than our Japan Home Centre and City Life stores. We believe that our purchasing power serves as a competitive advantage over independently operated or smaller scale competitors. As at 30 April 2013, we operated five Epo Gifts & Stationery stores in Kowloon and the New Territories. Our Epo Gifts & Stationery stores in Yau Tong, Shek Lei and Choi Wan are either located near schools or residential complexes in order to serve the surrounding student population.

For more information on the merchandise we offer in our stores, see "– Our Merchandise."

OUR NON-HONG KONG OPERATIONS

Our Stores in Macau

In April 2013, we acquired JHC (Macau), which operated five stores in Macau. These stores are operated under our Japan Home Centre brand, and prior to the acquisition, were operated under our management and sourced the majority of the merchandise from us. Since its incorporation in 1996, our co-founders together held 40% of JHC (Macau), representing the largest interest, and just prior to the acquisition, held 100%. Similar to our Japan Home Centre stores in Hong Kong, we offer a wide range of products, which include kitchenware, plasticware, household electronics and other household items for daily use in our Macau stores.

Our Joint Ventures

We began our overseas store operations in November 2011. We operate our stores in Singapore, West Malaysia and the PRC through our majority interests in our non-wholly-owned subsidiaries in those jurisdictions. We benefit from the business networks and local knowledge of our minority shareholder business partners in these regions in the daily operations of our stores. Our business partners also provide us with helpful information and recommendations for developing our expansion strategies in these regions, including insight into potential new store locations. Under these arrangements, we generally provide:

- a supply of merchandise, including internationally sourced products and Hong Kong sourced products;
- the use of our brand name and logo;
- guidance and instruction regarding daily store operations;
- our sales and marketing materials; and
- our expertise regarding the housewares retail market and store operations.

Under the terms of our joint venture agreements, our joint venture partners are generally responsible for:

- the renting of retail spaces;

- daily store operations in accordance with our guidelines and consistent with our brand image; and

- providing their local expertise regarding the market and customer demand.

For more information on the principal terms of the joint venture arrangements, see "History and Development, Reorganisation and Group Structure – Business Development" and "History and Development, Reorganisation and Group Structure – Corporate Development."

For the financial years ended 30 April 2012 and 2013, our revenue from our operations in Singapore, West Malaysia, the PRC and Macau was approximately HK$57.0 million and HK$164.6 million, respectively, representing 4.7% and 11.0%, respectively, of our total revenue. During the Track Record Period, there were no material disputes with, or alleged breaches of contract by, our joint venture partners.

Our Stores in Singapore

As at 30 April 2013, we operated 32 stores in Singapore through our 60% interest in a joint venture arrangement with our local partner. These stores are located in shopping centres, residential complexes and in street level retail spaces throughout Singapore. Our stores in Singapore are modelled after our Japan Home Centre stores in Hong Kong. The merchandise offerings, layout and appearance also generally follow that of our Hong Kong stores, taking into account local preferences and demand. Our successful expansion in Singapore is demonstrated by our net profit of HK$2.2 million for the six months of operation in the financial year ended 30 April 2012 and HK$5.5 million in the financial year ended 30 April 2013.

Our Stores in West Malaysia

As at 30 April 2013, we operated nine stores in West Malaysia through our 97.5% interest in a joint venture arrangement with our joint venture partners. These stores are located primarily in Klang Valley, Putrajaya and Penang in shopping centres with high levels of foot traffic. The average spending per transaction in our West Malaysia stores was approximately HK$60.2 and HK$59.8 in the financial years ended 30 April 2012 and 2013, respectively, which was higher than the spending per transaction in Hong Kong in the same years, which was HK$49.1 and HK$53.4, respectively.

Our Stores in the PRC

As at 30 April 2013, we operated seven stores in the PRC through our 85.6% interest in a joint venture arrangement with our local partner. Five of these stores, which we acquired in 2012, were operated under a third party's brand. We have not obtained consent from the brand owners for the use of this brand for two of our PRC stores. The previous store owners have issued a letter of undertaking to us, pursuant to which they have undertaken to indemnify us against any losses or liabilities arising from any disputes, claims or legal proceedings caused by the Group's continued use of this brand. These two stores will be closed in October 2013 upon expiry of their tenancy agreements. See "Risk Factors – Risks Related to 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." Our PRC stores are primarily located in shopping centres in Nanjing, Suzhou and Shanghai in the Yangtze River Delta region. We believe that this region of the PRC presents us with better growth opportunities due to higher customer spending power, which in turn drives the demand for tasteful, higher quality housewares products to support higher standards of living. We also believe that our product offerings, which are focused on higher-end housewares products comprising international products and our private label products, will cater to these growing upper-middle and middle class populations and will distinguish us from local stores that offer lower quality, locally sourced merchandise.

Licenced Stores

As at 30 April 2013, we had operating arrangements with a local entity in each of East Malaysia, Saudi Arabia, New Zealand and Indonesia with respect to a total of nine licenced stores in those regions. These arrangements provide an additional source of revenue for us in markets where, for strategic reasons, we do not operate our own stores. While we remain open to additional opportunities to open licenced stores, we are not currently actively seeking to increase our number of licenced stores in these or other regions.

Our business partners under these arrangements are independent third parties with retail operations that sell housewares products, who learn of our operations and wide selection of products through trade fairs and our international business networks. Prior to entering into agreements with business partners for licenced stores, our overseas business development division interviews the potential business partner regarding its business and financial status, and evaluates the business proposal prepared by the potential business partner, as well as its prior retail experience. We currently have operating arrangements with four such business partners. During the Track Record Period, our previous arrangement with our business partner in the United Arab Emirates was terminated when our business partner decided to cease operations, and we began an arrangement with one additional business partner in Indonesia.

Our agreements with our licenced store business partners are typically for an initial term of five years. The terms of these agreements may require our business partner to provide us with documentary evidence of the ownership or lease of the property for the licenced store, obtain all approvals, permits, licenses or authorizations required by law or contract, indemnify us against liabilities arising from non-compliance with these requirements, and comply with any relevant training requirements we may impose, prior to the commencement of the licenced store operations. Other than complying with the terms of the agreement, we do not require our business partners to obtain additional consent from us prior to opening a new licenced store and we do not specify a maximum number of stores that may be opened in a region. Although the agreements generally do not specify renewal provisions, we have historically renewed these agreements upon expiration by agreement between the parties. Under our arrangements with these business partners, we generally provide them with:

- guidance regarding the set-up and operation of stores;
- merchandise that we procure from our wide network of suppliers;
- the use of our brand name and logo;
- our guidelines on store layout and product displays; and
- our seasonal sales and marketing programme materials.

Under the agreements governing these operating arrangements, our business partners are responsible for:

- operating retail stores in accordance with our guidelines, including pricing guidelines for our products sold in these stores, and consistent with our brand image;

- overseeing daily store operations, including set-up and ongoing operation costs;

- maintaining a merchandise mix of at least 80% to 100% of products purchased from us; and

- maintaining compliance with local laws and regulations.

Our agreements require our business partners to ensure that a minimum proportion of 80% to 100%, depending on the specific agreement, of the products offered in our licenced stores are purchased from us. Our business partners purchase their inventory from us by letters of credit or telegraphic transfer. Under the letters of credit, we receive payment from our business partners upon their confirmation of receipt of the products purchased. After purchase of the products from us, our business partners assume all claims, debts and liabilities arising out of product liability, breach of warranty and other claims relating to the products after sale to their customers. Our arrangements with these business partners do not provide for obsolete or unsold stock arrangements. We allow our business partners to return or exchange items that are defective or damaged, upon notification to us within seven days after receipt of the shipment; the business partner is responsible for all expenses incurred in connection with returning the products (including shipping and other transportation costs and import taxes). None of our licenced store business partners returned any products during the Track Record Period.

Our licenced store agreements do not require a minimum purchase amount or sales targets for our business partners or any minimum investment amount for us. However, the agreements may specify reductions in the licencing fee payable to us for the use of our brand and trademark(s) if our business partners purchase a specified amount of products from us. We generally receive a licencing fee of USD10,000 per store for the initial five-year term, which may be negotiated with our business partner depending upon the number of stores and the quantity of purchases that are projected to be made by the business partner. Our licences granted under these arrangements are generally non-exclusive; however, some of our agreements provide our business partners with exclusivity within a geographical area and/or for a period of time.

Our business partners report annually to our overseas business development division and provide certain operational information with respect to the relevant licensed stores, including the number of stores in operation by that business partner and the brand under which the stores are operated. We may terminate the licenced store arrangements if, among other things, our business partners fail to comply with the terms of the agreement, if the licenced store's tenancy agreement is terminated other than as agreed for relocation reasons, or our business partners become insolvent. Our business partners may terminate these agreements with six months' advance notice to us. We are not liable for any non-compliance with laws or regulations by our business partners.

For the financial years ended 30 April 2011, 2012 and 2013, our revenue from these stores was approximately HK$3.4 million, HK$2.4 million and HK$2.4 million, respectively, representing 0.3%, 0.2% and 0.2%, respectively, of our total revenue. During the Track Record Period, there were no material disputes with, or alleged breaches of contract by, our business partners regarding our licenced stores.

Export Sales

On occasion, we sell merchandise to export customers who are located in regions where we do not operate any stores or licenced stores. Potential purchasers typically approach us at trade fairs and exhibitions with requests to purchase products for resale in their own retail outlets. These export customers place purchase orders with us, which are generally negotiated on a case-by-case basis. Our export customers typically purchase a wide variety of products in smaller quantities rather than in bulk. We are able to provide them with this option due to the scale of our operations and the large quantities and wide variety of merchandise that we source from our suppliers. Because we maintain an inventory of a full range of housewares products, we are able to efficiently assemble a shipment of products for our export customers as and when they place their orders with us. For the financial years ended 30 April 2011, 2012 and 2013, our revenue for our export business was approximately HK$25.3 million, HK$29.7 million and HK$29.0 million, respectively, representing 2.5%, 2.5% and 2.0%, respectively, of our total revenue.

PLANNED EXPANSION

New Store Openings

As we continue to expand our operations in Hong Kong and overseas, we plan on opening stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau as set forth in the table below.

	During the year ending 30 April		
	2014[(2)]	**2015**	**2016**
Hong Kong[(1)]	10	15	15
Singapore	18	20	32
West Malaysia	10	20	20
PRC	5	10	10
Macau	5	5	5
Total	48	70	82

(1) We plan to open new stores in Hong Kong under each of our brands in each year as follows:

	During the year ending 30 April		
	2014	**2015**	**2016**
Japan Home Centre	7	5	5
City Life	2	5	5
Epo Gifts & Stationery	1	5	5

(2) From 1 May 2013 to the Latest Practicable Date, we opened 13 new stores and closed three stores.

The opening of new stores in Hong Kong and Singapore is not subject to any regulatory approval. In West Malaysia, we are required to obtain approval for foreign involvement in distributive trade, including retail sales of housewares products. See "Regulations – West Malaysia." In the PRC, we are required to apply to provincial commerce authorities prior to opening new stores as a foreign-invested commercial enterprise, and must register with the local administration for industry and commerce, and obtain a business license for each new store.

See “Regulations – PRC.” In Macau, we are required to apply for registration with, and obtain a business license from, the Macau Finance Bureau prior to opening a store. See “Regulations – Macau.”

For more information on our overseas expansion strategy, see “– Business Strategies – Further expand our retail network outside Hong Kong with a focus on Singapore, West Malaysia and Macau” and “– Business Strategies – Further expand our operations in the PRC.” We are not currently actively seeking to increase our number of licenced stores.

Regions of Expansion

We believe that the increasing GDP and rising levels of disposable income in Hong Kong, Singapore, West Malaysia, the PRC and Macau will lead to an increased demand for housewares products in those regions. According to Frost & Sullivan, the increased popularity of branded housewares retail chains will allow us to capture additional market share in the housewares products market, in particular in Hong Kong, Singapore and West Malaysia. Because the housewares market in Singapore and Macau are very similar to the market in Hong Kong, and our operations in Hong Kong, Singapore and Macau were profitable during the Track Record Period, we believe that, other than as described in “Risk Factors – 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,” there is little operational and financial risk in expanding our operations in Hong Kong, Singapore and Macau.

As we further expand into Singapore, West Malaysia, the PRC and Macau, we will adjust various aspects of our store operations in each of these regions while remaining committed to our group-wide goal of providing customers with a one-stop shopping experience for a wide variety of quality products at reasonable and competitive prices. Our stores in Singapore will continue to closely resemble our stores in Hong Kong in terms of product mix and store size due to the similarities in the consumer shopping and spending habits in those two regions. Our store operations in Macau also closely resemble our Hong Kong operations due to the similarity of the housewares products market in these two regions. Our stores in West Malaysia are typically larger and located in shopping centres, which we believe provides us with greater visibility to consumers and the ability to stock both a wider variety and larger number of products. Our stores in the PRC primarily target the growing middle class and their demand for higher end housewares products. Therefore, the product mix in these stores tends to have a higher proportion of higher-end housewares products.

Expansion into West Malaysia and the PRC

We opened our first retail store in West Malaysia in October 2011 and acquired our operations in the PRC in March 2012 in order to strategically position ourselves in these growing markets. Our Directors believe that these markets, in particular the PRC, have strong growth potential for housewares retail chains such as ours due to the rising demand for housewares products along with increase in disposable income and the lack of a single, dominant housewares retail chain competitor in either of those regions. Our operations in West Malaysia and the PRC are still at a relatively small scale and as at 30 April 2013, we only operated nine stores and seven stores, respectively in these regions. We believe our operations in West Malaysia can leverage our existing, stable operations in Singapore due to their geographical proximity. Similarly, we believe our operations in the PRC can leverage our existing, stable operations in Hong Kong due to their geographical proximity. We also intend to leverage our experience from our Hong Kong and Singapore operations to expand and improve upon our West Malaysia and PRC operations. See "Risk Factors – Risks Related to our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results" for information on risks associated with our operations in these regions.

Historical and Estimated Financial Performance

We are relatively new to the West Malaysia and the PRC markets, and our expansion in those regions is therefore subject to various operational and financial risks. See "Risk Factors – Risks Related to Our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results." Our operations in West Malaysia and the PRC are still at a relatively small scale and as at 30 April 2013, we only operated nine stores and seven stores, respectively, in these regions. Therefore, these operations have not yet begun to contribute significantly to our Group's revenue and profit. We expect that we will be able to leverage our experience from our Hong Kong operations to expand and improve upon our West Malaysia and PRC operations. We believe that our entry into these markets provides a platform for us to position ourselves in the housewares retail chain industry in these regions as demand for housewares products increases with rising levels of disposable income.

Because our store operations in West Malaysia and the PRC are at early stages of development, consumers may not yet be familiar with our brands in these regions. However, our Directors believe that the greater economies of scale resulting from our planned increase in number of stores in these regions will contribute to an increase in our revenue, and accordingly our profit, from these regions. For more information on our profit and margins by region, see "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin."

Breakeven and Payback

We expect that our average time for new stores to achieve breakeven and reach payback point to be similar to our historical breakeven and payback in the short term. The table below sets forth the estimated average time for our new stores to breakeven and payback period by region, based on our historical results of operations and experience.

	Average time to breakeven	Average payback period
	(months)	
Hong Kong	1.7	9.9
Singapore	1.2	6.1
West Malaysia(1)	1.6	–
PRC(2)	–	–
Macau(3)	–	–

(1) As our stores in West Malaysia have not reached payback yet, our Directors believe that the limited historical information available does not provide a basis for estimating payback period information for our planned store openings in West Malaysia.

(2) As our stores in the PRC have not achieved breakeven or reached payback yet, our Directors believe that the limited historical information available does not provide a basis for estimating breakeven and payback period information for our planned store openings in the PRC.

(3) As we did not open any new stores in Macau after we acquired the operations there on 15 April 2013, our Directors believe that the limited historical information available does not provide a basis for estimating breakeven and payback period information for our planned store openings in Macau.

Our breakeven and payback estimates are based on our historical results of operations and various assumptions and estimates, and are not indicative of the future financial performance of our Company or our Group. See "Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation" for more information on the calculation of our breakeven and payback.

Revenue Contribution by Region

We may face challenges when we expand our operations in overseas markets, which may lead to fluctuations in our results, including our profit margins, with respect to our operations in those markets. With respect to our non-Hong Kong operations, and in particular in West Malaysia and the PRC which are still in their investment phases and not yet profitable, our Directors expect that our revenue contributed by these regions will cover our initial capital expenditures once our operations reach certain economies of scale. Furthermore, because we acquired our PRC operations while they were operating at a loss, we are making significant adjustments to those operations. However, historically, our Hong Kong operations have enjoyed a stable financial performance and contributed predominantly to our overall revenue and profit. In addition to our expansion outside of Hong Kong, we will continue to expand our operations in Hong Kong. As at 30 April 2013, we operated 230 stores in Hong Kong, with a net profit margin of 7.9%, out of a total of 283 stores, and according to our expansion plans, as at 30 April 2016, we will operate 270 stores in Hong Kong out of a total of 483 stores. Therefore, we expect that our operations in Hong Kong will continue to contribute a significant majority of our Group's revenue and profit in the three years ending 30 April 2016. During the Track Record Period, our operations in Singapore and Macau also recorded net profit, and according to our expansion plans, as at 30 April 2016, we will operate 122 stores in Singapore and Macau out of a total of 483 stores. Accordingly, we expect that our operations in Hong Kong, Singapore and Macau will contribute a significant majority of our Group's revenue and profit, as well as offset the net losses of our operations in the PRC and West Malaysia, through the three years ending 30 April 2016. For more information on our profit and margins by region, see "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin." Therefore, despite the challenges and uncertainties we may face in our planned expansion in overseas markets, our Directors believe that in the foreseeable future and on a consolidated basis, we are able to offset any fluctuations in our results or profit margins that may arise from such expansion by the anticipated continued improvement that we may achieve in our performance and profit margins for our Hong Kong operations. This assumes that the general economic environments and operating conditions remain stable in the markets in which we operate. On the basis of the above, our Directors believe that as compared to our historical results, uncertainties relating to our expansion of operations outside of Hong Kong will not have any material adverse impact on our Group's overall performance and profit margins.

Increased Supply of Products

We expect to increase our inventory levels to ensure a sufficient stock of products to support our new stores. Our planned additional warehouses in Hong Kong and Guangzhou will allow us to stock additional inventory for our stores. In connection with our increased inventory purchases, we will continue to maintain our large global supplier network, and may seek additional suppliers as and when necessary. Consistent with our current practice, we intend to maintain a large number of suppliers so that we will not be dependent on any key supplier for our products. In addition, we expect the planned improvements to our information technology systems to increase the efficiency of our purchasing department, our logistics systems and our retail stores as well as the supply and replenishment of the products sold in our stores.

Improved Warehouse and Logistics

We plan to rent an additional warehouse in Hong Kong in the financial year ending 30 April 2015 to support our planned increase in number of stores. We also plan to rent property for, and to construct, a warehouse facility in Guangzhou in the financial year ending 30 April 2015 where we will be able to consolidate merchandise sourced from suppliers in the PRC for further shipment to our stores in Hong Kong and overseas.

Our plans for expansion are based on various assumptions and uncertainties, including the following:

- industry trends continuing to develop as we anticipate;
- our ability to respond to changes in the competitive landscape;
- our ability to maintain our global supplier network;
- favourable economic, political and other conditions in the regions where we operate; and
- our future financial condition, results of operations and cash flows.

Funding

Our average capital expenditure for each new store opening during the Track Record Period in Hong Kong, Singapore, West Malaysia and the PRC was approximately HK$400,000, HK$274,000, HK$714,000 and HK$311,000, respectively. Based on the capital expenditure for opening a new store in Hong Kong and the cost of relocating a new store in Macau, our Directors estimate that the capital expenditure for opening a new store in Macau is approximately HK$400,000. We intend to fund our new store openings and logistics and warehouse expansion in part with the net proceeds of the Global Offering and in part with our cash generated from our operations. See “Future Plans and Use of Proceeds” for more information. For a breakdown of the capital expenditures for our planned expansion, see “Financial Information – Capital Expenditures.”

We believe that our current cash (including cash equivalents), anticipated cash flow from operations, available banking facilities and the net proceeds from this Global Offering will be sufficient to satisfy our anticipated cash requirements for at least the 12 months following the date of this prospectus.

OUR MERCHANDISE

Through our retail network, we offer a full range of quality housewares products to our customers. Our store merchandise can be broadly divided into the following categories:

- *Household electronics* – alarm clocks, rice cookers, portable stoves, fans, space heaters, power cords, electrical converters and other small appliances and accessories.
- *Housekeeping* – cleaning products, household tools, trash cans, brooms, dustpans.
- *Plasticware* – plastic containers of all sizes, shapes and uses.
- *Kitchenware* – cooking utensils, kitchen tools, pots and pans.
- *Stationery* – paper, writing instruments, scissors, erasers, notebooks.
- *DIY & hardware* – small tools, hooks, locks, home safety items.
- *Interior and textiles* – table mats, table linens, bedding, pillows, cushions, floormats, rugs.
- *Personal & health* – toiletries, towels and small hardware items for the bathroom.
- *Tableware* – plates, cups, flatware and other utensils, condiment containers, placemats, coasters.
- *Interior and small furniture* – desks, shelves, chairs, cabinets, mattresses.
- *Others* – gardening items, potted plants, toys, gifts and accessories.

The following table sets forth our retail revenue attributable to each of our merchandise categories during the Track Record Period:

	Financial year ended 30 April					
Merchandise	**2011**		**2012**		**2013**	
	(HK$ thousands, except for percentages)					
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%

Our merchandise comprises private label products, internationally sourced products, in-house manufactured products and Hong Kong sourced products, as further described below. The following table sets forth our retail revenue breakdown in Hong Kong by source:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
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%

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%

Private Label Products

"Private label products" refers to products custom manufactured for us on either an OEM or ODM basis, by various manufacturers in accordance with our requests and specifications and for sale exclusively in our stores. This allows us to leverage our knowledge of consumer trends to provide products that are responsive to customer preferences in the various markets in which we operate. We have arrangements with over 250 private label manufacturers, which are primarily located in the PRC, Hong Kong and Taiwan. These manufacturers generally specialise in certain product categories and may also manufacture products under their own or third party brands. We have varying degrees of involvement in determining the specifications of our private label products, such as colours, patterns or packaging. We have final approval over the finished product. For certain of our private label products, we enter into agreements with our private label manufacturers for the manufacture of a specified number of one or more product types. We generally settle these purchases by letters of credit at sight. These agreements specify the design and quantity of the relevant products, as well as terms relating to pricing, delivery, payment, product quality and product liability. These agreements generally do not specify a termination date, as they are not on-going agreements and therefore terminate upon completion of the order.

For other private label products, we authorize the manufacturer to use our private label branding on specific products, and place purchase orders with the manufacturer on an individual and as-needed basis which specify pricing, delivery and payment.

Our agreements with our private label manufacturers do not provide for product returns; however, the manufacturer typically indemnifies us against losses incurred as a result of product liability or intellectual property infringement (except with respect to specifications provided by us) claims. In the event that the products purchased are defective, we negotiate with the manufacturer on a case-by-case basis for the replacement of the defective products or a refund. We are generally not subject to any minimum purchase requirements under our private label arrangements; however, if a mold or other cast is required in order to manufacture the item according to our specifications, we are generally required to purchase a minimum quantity of the relevant product, on an annual basis, until the aggregate purchase amount equals the cost of the mold or cast. If we anticipate that we will not purchase this minimum quantity, we typically allow the relevant manufacturer to use the mold or cast to manufacture products for its other customers. These arrangements do not provide us with any rebates.

We currently have over 1,000 private label products. The table below sets forth our key private label brands and corresponding product categories:

Private label brand	Logo	Product category
Colo	Colo®	Umbrellas
ECOPAL	ECOPAL	Stationery
Epo	A Epo 文具世代 GIFTS & STATIONERY B 文具世代 Epo C Epo 文具世代 GIFTS & STATIONERY D 文具世代 Epo	Stationery
EZ KEEP	EZ KEEP	Storage containers
japanhome	japanhome®	DIY & hardware
JHE	J·H·E	Household electronics
Kagaku	Kagaku	Stationery
KATO	加藤® KATO KATO®	Bedding and linens
MATSUSHO	MATSUSHO	Electrical appliances
Naxos	NaxoS	Personal & health items
peter bear	peter bear ピーターベア	Personal care items

Private label brand	Logo	Product category
本瓷		Porcelain kitchenware

For the financial years ended 30 April 2011, 2012 and 2013, our private label products accounted for 28.7%, 31.6% and 30.4%, respectively, of our retail revenue in Hong Kong.

Internationally Sourced Products

"Internationally sourced products" refers to products that we purchase from our global suppliers, in jurisdictions such as Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. We select our suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them. We generally source our merchandise directly from the manufacturer or brand owner in order to avoid pricing mark-ups added by distributors. Furthermore, internationally sourced products are not subject to additional mark-ups added by Hong Kong distributors. We do not enter into standard agreements with these suppliers, in order to maintain our flexibility in purchasing from different suppliers, adjusting our product mix and introducing new products. We place purchase orders for these products on an individual and as-needed basis, which specify pricing, delivery and payment. Our purchasing arrangements for these products do not provide for product returns, minimum purchase amounts or rebates. We settle these purchases mainly by letters of credit at sight. We have developed stable relationships with international brand owners by acting as their official, and in some cases, exclusive, agent in certain regions in which we conduct operations. Some of these brand owners tailor certain of their branded products to our colour and packaging specifications.

In the financial years ended 30 April 2011, 2012 and 2013, these internationally sourced products accounted for 16.3%, 19.1% and 20.9%, respectively, of our retail revenue in Hong Kong.

In-house Manufactured Products

"In-house manufactured products" refers to our products that we design and manufacture in-house at our manufacturing facilities in Hong Kong. The majority of our in-house manufactured products are sold under our private label brands; the remainder are unbranded. We are the majority owner of two manufacturing facilities in Hong Kong where we manufacture a variety of plastic containers, small hand-held and household mirrors and mirror frames exclusively for sale at our stores and licenced stores. We handle all aspects of production, from design, manufacture and quality control to logistics and delivery to our stores and warehouses. We inspect and perform quality tests on random selections of these products to ensure they are fully functional.

The types of products that we manufacture in-house may also be available for purchase from our third party private label manufacturers, and because the focus of our operations is on retail sales and not manufacturing, we generally prefer to purchase the majority of our products from third party manufacturers. However, in-house manufacturing has the advantages of allowing us to better control our margins and to design unique products with specifications that we believe are best suited to our customers' preferences, with the flexibility of producing them in the quantities we require. Therefore, while we generally engage our private label manufacturers to produce these products, we utilise our in-house manufacturing capabilities in order to fill our requirements under circumstances in which it would be more cost effective, faster or efficient to do so. For example, we compare the cost of purchasing a private label product from a third party manufacturer and the cost of manufacturing the product at our in-house facilities. If the cost is significantly higher to purchase the product from a private label manufacturer and our manufacturing facilities have sufficient capacity, we consider manufacturing the products in-house. We intend to continue manufacturing some of our merchandise in-house, as these products generate higher margins than our other private label, internationally sourced and Hong Kong sourced products.

Our manufacturing facilities in Hong Kong have an aggregate gross floor area of approximately 1,360 sq.m. Our manufacturing facilities had a production volume of 583,000 units, 628,000 units and 616,000 units for the financial year ended 30 April 2011, 2012 and 2013, respectively, and we estimate that they are operating at over 90% capacity, which is near full capacity. We believe that our manufacturing capacity is sufficient for our current needs, and do not currently have plans to expand our manufacturing facilities. Our management may consider increasing our manufacturing capabilities as necessary and if the opportunity arises as we expand.

For the financial years ended 30 April 2011, 2012 and 2013, our in-house manufactured products accounted for 1.6%, 1.6% and 1.5%, respectively, of our retail revenue in Hong Kong.

Hong Kong Sourced Products

"Hong Kong sourced products" refer to products that we purchase from Hong Kong suppliers, including distributors, brand agents and direct representatives of international brands. Our Hong Kong sourced products are either shipped to our warehouses for further distribution or shipped directly to our individual stores. As with our suppliers of internationally sourced products, we select our Hong Kong suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them. We generally settle these purchases within 30 to 90 days, under varying terms of open credit. Some of these suppliers and brand agents grant us discounts due to the large volumes that we purchase.

Our purchases of Hong Kong sourced products are made by purchase orders and governed by standard agreements. Our standard agreements are legally binding framework agreements that have no termination date, and are amended periodically as circumstances require. Generally, all products and pricing purchased from these suppliers must be approved by our purchasing department. Our standard agreements with our Hong Kong suppliers generally do not specify any minimum purchase amount. However, pursuant to certain of our standard agreements, we are entitled to receive annual rebates equal to a percentage of our annual purchase amount from the supplier; some agreements provide for an additional fixed percentage rebate when specified purchase targets exceeding the minimum purchase target for receiving a rebate are met. These rebates may be in the form of cash or credit. At our option, we may return or exchange products which are defective or do not meet the specifications provided by us to the supplier. In the financial years ended 30 April 2011, 2012 and 2013, we received approximately HK$5.9 million, HK$7.8 million and HK$8.4 million, respectively, in sales rebates.

For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products accounted for 53.4%, 47.7% and 47.2%, respectively, of our retail revenue in Hong Kong. For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products which were shipped to our warehouses for further distribution accounted for 3.5%, 6.0% and 8.4%, respectively, of our retail revenue in Hong Kong and had gross profit margins of 52.8%, 47.9% and 45.8% for those same years. For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products which were shipped directly to our individual stores accounted for 49.9%, 41.7% and 38.8%, respectively, of our retail revenue in Hong Kong and had gross profit margins of 30.2%, 30.7% and 31.5% for those same years.

SUPPLIERS

We select, engage and maintain relationships with over 650 suppliers in 13 regions, including Hong Kong, Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. As we have a wide network of suppliers, we are not reliant on any single supplier for our merchandise. We have conducted business with our top ten suppliers in the financial year ended 30 April 2012 for an average of ten years. During the Track Record Period, our top five suppliers, most of which were distributors operating primarily in Hong Kong and Japan, accounted for 19.7%, 19.4% and 17.3% of the total purchases of our Group in the financial years ended 30 April 2011, 2012 and 2013, respectively. We primarily purchased household electronics, housekeeping items, plasticware and light bulbs from our top five suppliers during the Track Record Period.

CUSTOMERS

Our customers, other than the export customers who purchase merchandise from us through our export business and our licenced stores, are primarily retail customers. We do not sell our products through any distributors. We believe the majority of our retail customers are middle-aged women. We aim to expand our customer base to include younger individuals and male consumers. Our top five customers were export customers and our licenced stores. 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.

Customer service is important to us, and we believe that it has contributed significantly to the success of our business. Accordingly, we provide training to our sales employees to provide helpful and efficient service to our customers. We have a telephone hotline which customers may call to raise complaints or concerns. We believe that our return policy, which generally allows customers to return defective products within seven days of purchase with a receipt for a product exchange or a cash refund, also attracts customers to our stores as it differentiates us from smaller-scale, individual “mom-and-pop” stores that typically do not allow any returns. We did not have a significant amount of product returns or customer complaints during the Track Record Period.

OUR OPERATIONS

We have developed and implemented standardised operations, which we believe distinguishes us from competing small scale housewares stores. We have a set of standard operating procedures for our operations that are detailed in our employee manual, store opening and operations manual, and settlement and cash management manual, as well as a comprehensive master product list for our product sourcing.

Management Structure

Our management structure is designed to promote efficiency in supervising, directing and supporting our operations, quality control, recruitment and employee training. The overall management of our business and operations, including the corporate business and administration, operational management and supervision, management-level recruitment and sales and marketing for our Group as a whole, is conducted in Hong Kong. Our operations are organised by function and we have teams that handle our purchasing, day-to-day store operations, warehouse management and logistics, information technology, leasing and accounting and finance. In addition, we have personnel dedicated to our Singapore, West Malaysia and PRC store operations, licenced stores and export customers.

Store Profiles

We categorise our stores by size and customer spending power in each region. For example, in Hong Kong, we categorise our stores into three major sizes: small stores are below approximately 140 sq.m., medium stores range from approximately 140 sq.m. to 230 sq.m.; and large stores are approximately 230 sq.m. and above. We select our store sizes based on the availability and cost of rental spaces, the population density and customer needs in the surrounding area and the proximity of our own or other similar stores in the area.

Our store profiles serve as a framework for decisions regarding the types and quantities of products to stock in our stores and the types and quantities of new products to introduce in our stores. We build these store profiles from data on customer spending habits and store sales based on our experience and understanding of the market. Within the context of our store size and customer spending power categorisations, this information allows us to make informed, strategic decisions relating to product strategy. For example, the product mix in stores located in higher income areas generally include more higher value merchandise than stores located in lower income areas.

Leasing and New Store Selection

We have a dedicated team led by Ms. Ngai that monitors the tenancy agreements for our retail spaces, keeping track of our rental expenses and other terms of our tenancy agreements and staying informed about property rental market conditions in order to evaluate current and potential opportunities for leasing retail spaces. This team also actively seeks suitable locations for opening new stores and relocating stores.

Identifying suitable locations is key to our success. The factors we take into account when selecting retail spaces for new stores include size, accessibility, geographic location, proximity to competitors, local demographics and our own stores and rental rates. The key steps in preparing a retail space for a store opening are rental negotiation and execution, renovation, store set-up and staffing. Once our leasing team has identified and selected a site for a store, we are typically able to open the store within three to four weeks. Our capital expenditures for setting up a store, which include renovation costs and the purchase of shelving and other equipment, may vary depending on the size and condition of the retail space rented. Our average capital expenditure for each new store opening during the Track Record Period in Hong Kong, Singapore, West Malaysia and the PRC was approximately HK$400,000, HK$274,000, HK$714,000 and HK$311,000, respectively. Our average capital expenditures for new store openings in Singapore were relatively low because these stores required relatively less renovation and redecoration. Our average capital expenditures for new store openings in West

Malaysia were relatively high because our stores in West Malaysia are typically significantly larger in terms of gross floor area, and therefore require us to incur more initial capital expenditures for renovations and purchases of shelving and other fixtures. We also incurred significant expenditures for renovating and decorating our West Malaysia stores in order to improve the overall shopping environment. Based on the capital expenditure for opening a new store in Hong Kong, our Directors estimate that the capital expenditure for opening a new store in Macau is approximately HK$400,000. We communicate frequently with major landlords in order to stay up-to-date on the latest rental market information and opportunities. We primarily negotiate directly with landlords, and renting multiple retail spaces from the same landlord gives us added bargaining power when negotiating rental fees and other terms. After signing a tenancy agreement and upon completion of renovation, decoration and other preparation work, our management assigns a team of employees to the new store.

Because our brand is well-established in Hong Kong, we have been able to diversify our store locations to retail spaces other than premium street level sites, thereby benefitting from the lower rental costs for these locations. We also have the flexibility to rent retail spaces of varying sizes as we do not require special storage accommodations or large display areas for our products, and our product mix is easily adjusted for various store sizes or other characteristics.

Pricing Strategy

As a retailer of a wide range of common, everyday housewares, competitive pricing of our products is vital to the success of our business. We have a pricing policy pursuant to which we set targets for profit margins on our products. We compare the pricing of similar products offered by our competitors, and based on our experience, we set a price that we believe represents value-for-money and therefore will be sufficiently competitive while meeting our targeted profit margin. We continue to conduct regular checks on pricing in our competitors' stores as points of reference for all products in our stores. In addition to benchmarking against our competitors' pricing, we determine the retail price of our products with reference to market trends and seasonality and the pricing strategy as determined by our management.

Merchandising Strategy

We introduce new merchandise in our stores on an ongoing basis, and we offer seasonal items according to local cultures, customs and other characteristics. Our merchandise mix is based on the evolving preferences and needs of customers based on customer feedback and sales information collected from our stores.

We have established centralised purchase procedures for our merchandise. Our purchasing team proactively seeks to introduce new product categories. They evaluate all product and pricing information provided by new and existing suppliers, based on which decisions are made regarding introducing new products and replenishing our inventories.

LOGISTICS & INVENTORY

Product Distribution

We place orders for merchandise with our suppliers on an as needed basis. Our management is able to monitor merchandise and inventory levels in our Hong Kong stores and warehouses on a weekly basis with data collected through our information technology systems. We monitor inventory for our overseas operations through reports regularly submitted by management in those locations. Based on these reports from our information technology systems and input from our district and store managers, our purchasing team places orders with our suppliers to replenish merchandise sold, maintain adequate inventory levels and also to introduce suitable new products. See "– Inventory Management" for more information.

Delivery Through Warehouses

We have warehouse facilities in Hong Kong, Singapore, West Malaysia and Nanjing. Upon delivery to these warehouses, our products are checked, packed and consolidated for further delivery based on inventory needs. Our Hong Kong warehouses consolidate and ship merchandise to our stores and export customers. We have contracted with a logistics company for the regular delivery of our merchandise from our warehouses to our stores.

We are in the process of identifying suitable locations or premises for establishing logistics centres in our major suppliers' regions to support our planned expansion.

Our employees count and confirm the receipt of the correct quantity of the products delivered to our warehouses and routinely perform quality control checks of random selections of the delivered products for defects or damage. In the event that the quantity is inadequate or quality is unsatisfactory, we notify the responsible supplier or manufacturer, who supplements the shortfall or replaces the defective goods. Alternatively, the supplier or manufacturer may offer to credit the value of the defective goods in a subsequent invoice. During the Track Record Period, we did not encounter any material defects in our merchandise.

Quality Control

We select new suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them, including whether our suppliers have had any product liability issues or complaints. The engagement of new suppliers and purchase of new products is subject to review and approval by our purchasing department. We require our suppliers to provide a test certificate for households electronics products and check samples of our household electronics products prior to making a purchase decision. In order to minimize any safety risks associated with our food products, we only engage reputable suppliers of products widely sold throughout Hong Kong and generally only offer food products which have a long shelf life. We also only accept food products from our suppliers with expiry dates of at least six months after the date of purchase. Our store employees regularly check expiration dates of our food products as part of our ongoing inventory management. We inspect and perform quality tests on random selections of our in-house manufactured products to ensure they are fully functional.

We may negotiate returns or exchanges if we find products to be defective or otherwise in unsaleable condition. Under the terms of our agreements, our private label manufacturers indemnify us for losses incurred as a result of product liability. In the event that our products subject us to product liability claims, we may seek compensation from the relevant supplier under the terms of the contract or to the extent permitted by applicable laws. We may also cease our business relations with that supplier. For more information on product liability risks, see "Risk Factors – Risks Related to Our Business – We are subject to product liability risks."

During the Track Record Period, we were not subject to any product liability claims or adverse publicity due to deficiencies in product quality in Hong Kong, Singapore, West Malaysia, the PRC or Macau.

Delivery to Stores

Some of our Hong Kong sourced products are shipped by the supplier directly to our stores. We arrange for delivery of merchandise to our licenced stores and export business customers according to the terms of the relevant purchase order.

Inventory Management

Our inventory comprises our private label products, internationally sourced products, Hong Kong sourced products and in-house manufactured products. Historically, each store and warehouse in and outside of Hong Kong carried out stocktake on a yearly basis. Beginning in the financial year starting on 1 May 2012, each store and warehouse began carrying out stocktake twice per year. Our central management regularly monitors the inventory levels in our stores and warehouses tracks inventory movement, sales progress and adjusts levels of inventory accordingly. See "– Information Technology."

At the store level, each store in and outside of Hong Kong monitors its inventory on an ongoing basis, in order to replenish products sold as well as to identify slow-moving, damaged or expired inventory. At the end of each business day, employees identify the items that need replenishing. Each store places orders with the relevant warehouses or suppliers on an as-needed basis to ensure timely replenishment of products sold. Our employees also check our warehouse inventory on a monthly basis for damaged or expired inventory, including products returned from stores which are not in saleable condition. We prepare monthly reports on our warehouse inventory, which include information on inventory levels, inventory value, items that are out of stock and items that recorded no sales within the previous two months. This allows us to regularly assess the sales performance of our inventory and to identify slow-moving inventory or products we no longer plan to offer at our stores. We may occasionally offer discounts in order to clear out slow-moving inventory.

Our purchasing department monitors the inventory levels of each product in stores and in our warehouses. Our purchasing department holds weekly meetings with our chief operating officer for inventory management and procurement. Our purchasing department employees are each responsible for monitoring certain products and may refer to the monthly warehouse inventory reports as needed. Procurement decisions are made according to inventory levels and movement, expected sales and lead times of each product. This helps us to avoid overstocking in our warehouses. The increase in our inventory levels over the Track Record Period was due to an increase in bulk purchases of internationally sourced products as we expanded our operations.

As we do not rely on inventory aging reports to identify slow-moving inventory, we do not prepare inventory aging reports. Our management and purchasing department assesses each product individually to identify slow-moving inventory. Generally, we deem our products to be slow-moving if they remain in our inventory longer than we anticipate at the time of our purchase. Some products are not deemed slow-moving unless they remain unsold for a year; other products may be deemed slow-moving after a few months. Due to the different turnover rates of our various products, we believe that a Group-wide aging analysis would not provide meaningful information for evaluating our inventory turnover. Instead, we utilise our monthly warehouse inventory reports to track and manage our inventory movement.

We believe that our inventory, which primarily comprises housewares products, generally does not become obsolete due to its nature. We did not make provisions for our inventory during the Track Record Period. We write off our inventory which is damaged or otherwise no longer in saleable condition. We may also write down our inventory that we believe will be sold at a lower price than originally expected. During the Track Record Period, the amount of inventory written off was no more than 1.0% of our revenue for each of the financial years ended 30 April 2011, 2012 and 2013.

INTERNAL CONTROL PROCEDURES AND CASH MANAGEMENT

Overseas Expansion Risk Management

As we continue to expand our operations in Singapore, West Malaysia, the PRC and Macau, we will monitor and manage the risks associated with our overseas operations. See "Risk Factors – Risks Related to Our Business – Our non-Hong Kong operations subject us to additional risks." Our management considers, among other things, the costs, current economic condition, sufficiency of funding and opportunity for growth, when opening new stores outside of Hong Kong. We manage our financial risk by preparing budgets in order to monitor our performance as we expand and adjust our expansion plans accordingly on an ongoing basis. Compared to our more established operations in Hong Kong, Singapore and Macau, our operations in the PRC and West Malaysia are still at relatively early stages of development, and therefore have not yet begun recording profit. We maintain as a Group, and require our overseas operations to maintain, sufficient cash and bank balances to manage our liquidity risk.

We are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations, primarily with respect to United States dollars, Renminbi and Japanese Yen. We believe that we have minimal foreign exchange risk as because we settle most of our purchases in Hong Kong dollars, do not enter into contracts with long payment or credit terms, and the vast majority of our sales are settled immediately. As at 30 April 2013, over 90% of our trade and other payables was denominated in Hong Kong dollars, with the remaining amounts denominated in Singapore dollars, Malaysian Ringgit, Renminbi, Taiwan New dollars, Macanese Patacas and United States dollars. For a breakdown of the currencies of our trade and other payables over the Track Record Period, see Note 23(c) to the Accountant's Report in Appendix I to this prospectus. Our foreign exchange risk primarily arises when we purchase products from our suppliers in a certain currency and sell them to our customers in a different currency, and the exchange rate between those currencies experiences significant fluctuations. In the event that foreign currency exchange rates fluctuate significantly, we pass on the cost to our customers by adjusting our product prices. We require our overseas joint venture partners to manage foreign exchange rates and exposure of transactions in currencies other than their functional currencies, and our financial controller performs regular reviews of our Group's net foreign exchange exposure. If there are major fluctuations detected in the relevant exchange rates, our joint venture partner may discuss with our purchasing department and financial controller, and adjustments will be made to our purchasing and pricing strategies accordingly. We do not use any hedging arrangements to hedge foreign risk exposure. See Note 3 to the Accountant's Report in Appendix I to this prospectus for more information on liquidity and foreign exchange risk and "Risk Factors – Risks Related to the Global Offering – Fluctuations in exchange rates may result in foreign currency exchange losses and may materially and adversely affect your investment" for more information on foreign exchange controls in the jurisdictions in which we operate.

Our overseas operations are subject to taxation. See “Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Income Tax Expense” for additional information on overseas taxation on our operations. In order to monitor our overseas tax exposure in Singapore and Malaysia, we have engaged PricewaterhouseCoopers Singapore and PricewaterhouseCoopers Malaysia to act as local tax representatives to oversee our tax filings and other obligations. In anticipation of our expansion in the PRC, we have engaged Jiangsu Surui Registered Tax Agent Office Co. Ltd. in the PRC to oversee our tax filings and other obligations and expect to finalize such engagement by Listing. Our auditor in Macau, Fong Mei Fan, also serves as our qualified tax representative, overseeing our tax filings and other obligations, in Macau.

We currently have minimal transfer pricing tax exposure. We price intra-Group sales to reflect costs of procurement and delivery of the products sold and purchased, and these prices are comparable to the prices of equivalent products offered by third party suppliers in the regions where we operate. As our overseas operations expand, we anticipate that our operating entities in each jurisdiction will independently be able to meet their respective suppliers’ minimum order quantities, and will therefore be able to place orders directly from suppliers rather than purchasing those products from within the Group. We expect that this will gradually eliminate our transfer pricing tax exposure.

We ensure that we own a majority interest in the overseas stores operated by our non-wholly-owned subsidiaries so that we may retain sufficient control over key decisions. We also select joint venture partners who we believe have sufficient knowledge, experience and expertise in their respective markets to ensure that our store operations can satisfy local requirements, customer demands and preferences. Our licenced stores are governed by operating arrangements which grant us control over their store operations. In addition, we may consult local counsel in order to ensure compliance with relevant local laws and regulations in the jurisdictions in which we operate if and when considered necessary.

Our senior management reviews and evaluates our expansion plans and progress on a quarterly basis with input from our heads of retail operations and our joint venture partners in each region. If needed, our heads of retail operations or joint venture partners communicate with senior management on a more frequent basis to make ongoing adjustments to our expansion plans. Our chief operating officer and general manager regularly report the status and performance of our stores in Hong Kong to the Board. Our heads of retail operations for Singapore and West Malaysia, the PRC and Macau each regularly report the status and performance of our stores in their respective regions to the Board. Based on the financial performance and the assessment by the heads of retail operations in these regions, our Board may decide to revise our expansion plans or otherwise adjust our operations.

In respect of our non-Hong Kong operations, our internal control consultant has reviewed the internal controls of, and identified areas for improvement in, our Singapore operations. The areas reviewed by our internal control consultant include the monitoring of sales and revenue, management of suppliers and accounts and inventory management. In addition, our internal control consultant has provided recommendations for the improvement of our internal controls related to the aforementioned areas, and has discussed the implementation of these measures with our relevant local management. As at the Latest Practicable Date, we had completed the implementation of internal control measures recommended by our internal control consultant which are considered significant to the Group’s operations. We believe these recommendations are also relevant to our operations in other non-Hong Kong jurisdictions and intend to apply them as appropriate as we continue to expand our operations. In particular, our internal control consultant has also reviewed the policy relating to the overall governance of our overseas operations, and we intend to implement this policy governing our overseas operations going forward. The internal controls review described above was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the internal control consultant.

Having considered the current status of our operations, reviewed our expansion plans and consulted our internal control consultant, our Directors believe that the planned and existing internal control measures and policies as described in "– Overseas Expansion Risk Management" will be adequate in reducing the risk of future non-compliance in the jurisdictions in which we operate. On the basis of the due diligence performed, having discussed the Group's existing and planned internal control measures with the Company, the Company's internal control consultant, and having considered the known circumstances of the Group, the Sponsor is satisfied that the Group's internal control measures and policies as described in "– Overseas Expansion Risk Management" will be adequate under such circumstances when they are implemented as planned.

For further information on risks relating to our non-Hong Kong operations, see "Risk Factors – Risks Related to Our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results", "Risk Factors – Risks Related to Our Business – We rely on our joint venture partners and business partners who operate licenced stores for our store operations outside of Hong Kong" and "Risk Factors – Risks Related to Our Business – Certain of our operations are conducted through licenced stores operated by our business partners, which have unique risks."

Cash Management

Over 80% of our sales in Hong Kong were in the form of cash transactions in the financial years ended 30 April 2011, 2012 and 2013. Each of our stores in Hong Kong, Singapore, West Malaysia and Macau is linked to our POS system so that management in Hong Kong may monitor sales on a daily basis. Our management in Hong Kong can also access sales data from our PRC stores on a daily basis. We deposit cash received from sales into our Group bank account every day, and maintain a specified level of cash-on-hand in each store as designated by management guidelines. Each store manager is responsible for the cash count, reconciliation and deposit for that store. We engage a reputable cash transport service provider to deliver cash from selected stores.

Other procedures for cash management include daily reconciliations of sales and actual cash receipts. Reports from our Hong Kong stores are sent to management through our central accounting system for reconciliation at the close of business each day, and management utilises this information to monitor the deposit of cash into our bank account. If there are late or missing cash deposits, our management informs the district manager who in turn follows up with the relevant store to resolve the issue.

In Hong Kong operations, our cash management policies provide guidelines with respect to the following areas:

- procedures for handling the cash register;
- treatment of discrepancies between prices in the POS system and shelf prices;
- procedures for verifying HK$500 and HK$1,000 banknotes;

- surveillance cameras;
- custody of cash at stores; and
- required daily deposits into bank accounts for cash generated from daily sales.

Similarly, our stores in Singapore, West Malaysia, the PRC and Macau reconcile sales and actual cash receipts at the store-level and deposit cash into bank accounts regularly. Our management in Hong Kong is able to access the sales data and bank account information of these overseas stores on a daily basis. Our management in Hong Kong regularly checks the bank balances for the deposit of cash from sales for these stores and contacts the stores directly to clarify any discrepancies.

During the Track Record Period, we did not experience any misappropriation of cash by our employees that had a material adverse impact on our business and results of operations.

SALES AND MARKETING

We have implemented various advertising and promotional activities to maintain and further strengthen our brand. Since we have established a strong and reputable brand, the main focus of our advertising and promotional efforts is to maintain brand awareness among public consumers and promote sales of our products. Our strongest advertising asset is our strong brand and the customer goodwill we have earned through consistent delivery of a convenient, one-stop shopping experience for quality products at competitive prices. Our sales and marketing team develops marketing plans, regular advertisements and promotional activities for our stores and licenced stores which are then modified to meet local customer preferences and seasonal demand in each region. However, we do not spend significant time and resources on advertising activities as we believe the interactive nature of our relationship with our customers through their shopping experience and our customer service allows us to obtain new customers and retain existing customers' loyalty. For the financial years ended 30 April 2011, 2012 and 2013, we spent approximately HK$6.5 million, HK$6.8 million and HK$10.7 million, respectively, on advertising and promotion expenses, which represented 0.6%, 0.6% and 0.7%, respectively, of our revenue for those same years.

Charity and Corporate Social Responsibility

Our Group attaches great importance to corporate social responsibility and participates in many charitable initiatives. For example, we have sponsored activities organised by the Care for the Elderly Association, as well as other community groups which focus on aid to the elderly or impoverished. We have also partnered with Oxfam, an international association combating poverty and injustice, ORBIS, a non-profit organisation dedicated to fighting preventable blindness, and Heifer International, an organisation combating world hunger, to set up donation boxes at certain of our stores.

We also support environmental awareness organisations such as WWF-Hong Kong, of which we are a Silver Member based on our regular donations and Eco Association, through donations and participation in environmental awareness activities. Certain of our stores serve as collection points for the Fluorescent Lamp Recycling Programme where customers can return used fluorescent lamps for safe and environmentally-friendly disposal. We also participate in and assist in promoting the Eco Association's office paper recycling campaign.

INFORMATION TECHNOLOGY

Our information technology systems support our store operations, inventory control, sales management and overall management function. Our information technology systems include a point of sale ("POS") system, an electronic replenishment system and a central accounting system. Our proprietary POS system is used in all of our stores to handle sales. It tracks the sales of each product in all of our stores, which allows us to monitor our sales and inventory. Access to this daily inventory and sales data of our stores allows our management to monitor store performance and make appropriate adjustments in response to customer purchasing behaviour. Our proprietary electronic replenishment system allows each store in Hong Kong to place direct orders for all of the products stocked in our Hong Kong warehouses. We also use this electronic replenishment system to generate orders for products that are shipped directly to individual stores, which are then forwarded to the relevant supplier. We collect and monitor sales from each of our Hong Kong and Macau stores on a daily basis through a centralised accounting system. Our Singapore, West Malaysia and PRC stores also regularly submit their accounting information to our central management.

INTELLECTUAL PROPERTY

Our intellectual property rights, in particular our store brands and private label products, are critical to our business and we rely on trademark laws to protect them.

As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong and two registered trademarks in Singapore and 14 registered trademarks in the PRC. The following selected trademarks are material to our business, operations and competitive position.

Trademark	Registrant	Registration Date	Expiry Date	Jurisdiction
A 日本城 B 日本城 C 日本城	JHC (HK)	4/12/2003	10 years after registration (renewal granted for a period of 10 years from 3/12/2013)	Hong Kong
A Epo 文具世代 B 文具世代 Epo C Epo 文具世代 D 文具世代 Epo	JHC (International)	14/2/2008	10 years after registration	Hong Kong
日本の家 JAPAN HOME	JHC (Singapore)	13/9/2011	10 years after registration	Singapore
Living plus	Familj	14/6/2013 21/6/2013 7/5/2013 7/7/2013	10 years after registration	PRC
泛美家	Familj	7/5/2013	10 years after registration	PRC
泛美家 Living plus	Familj	7/5/2013	10 years after registration	PRC

Trademark	Registrant	Registration Date	Expiry Date	Jurisdiction
生活提案 City Life	JHC (HK)	28/9/2012	27/9/2022	Hong Kong

EMPLOYEES

As at 30 June 2013, we had 1,942 employees, including 1,569 in Hong Kong, 252 in Singapore, 59 in West Malaysia, 35 in the PRC, 24 in Macau and three in Taiwan, and excluding employees at our licenced stores. Of these, approximately 1,267 were full-time employees and 675 were part-time employees. The following table sets forth the breakdown of our employees by department:

Function	No. of Employees
Management	15
Office	128
Warehouse	105
Manufacturing	20
Retail operations	1,674
Total	1,942

We aim to foster a strong sense of community in a motivating environment for our employees to enhance employee loyalty and dedication. We strive to motivate our employees with a clear career path which provides them with opportunities to improve their skills. We provide mandatory training to our employees upon hiring and further tailored training programmes on an ongoing basis as appropriate for their assigned duties. This training includes sales and customer service skills for our retail operations employees. We invite our employees from Singapore, West Malaysia, the PRC and Macau to Hong Kong for additional training courses from time to time. In order to remain attuned to the need for employee training and improvements in customer service, we regularly send members of our management to Singapore, West Malaysia, the PRC and Macau for ongoing assessment of employee performance and to provide further guidance and instruction as needed.

Compensation for our full-time employees typically comprises basic salaries, certain allowances and discretionary bonuses. Compensation for our part-time employees typically comprises basic salaries and discretionary bonuses. We also provide incentives for employees who meet certain sales targets to motivate them and to boost our sales. We provide a defined contribution to the Mandatory Provident Fund as required under Hong Kong law for our eligible employees in Hong Kong. We provide employees in our stores outside of Hong Kong with benefits as required under the relevant laws of those jurisdictions.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties, and we rented all of our store sites, office premises, warehouses, manufacturing and other facilities. Our rental expenses for our rented properties were HK$143.9 million, HK$171.8 million and HK$220.1 million for the financial years ended 30 April 2011, 2012 and 2013, respectively. We do not intend to acquire any properties for our retail sites in the future.

Our tenancy agreements typically have an initial term of two or three years with generally a rent-free period not longer than one or two months for new tenancies. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period.

As at 30 April 2013, we rented a total of 235 properties in Hong Kong, comprising stores, warehouses, office premises and manufacturing facilities. We rented 230 stores, which we categorise into three major sizes: small stores, which have a gross floor area of below approximately 140 sq.m., medium stores, which have a gross floor area ranging between approximately 140 sq.m. and 230 sq.m., and large stores, which have a gross floor area of approximately 230 sq.m. and above. We also rented two warehouses with a gross floor area of approximately 7,650 sq.m. and approximately 10,220 sq.m., respectively, office premises with a gross floor area of approximately 228 sq.m., and two manufacturing facilities with an aggregate gross floor area of approximately 1,360 sq.m. We rented 32 stores and one warehouse in Singapore, nine stores and two warehouses in West Malaysia, seven stores and one warehouse in the PRC and five stores in Macau.

The following table sets forth the expiration of our tenancy agreements for our stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau as at 31 July 2013.

	Calendar year of tenancy agreement expiry	**Number of tenancy agreements related to our stores**
Hong Kong(1)	2013	26
	2014	83
	2015	86
	2016	30
	2017 and after	12
	Sub-total	237
Singapore(2)	2013	7
	2014	5
	2015	16
	2016	9
	2017 and after	1
	Sub-total	38

	Calendar year of tenancy agreement expiry	Number of tenancy agreements related to our stores
West Malaysia[3]	2013	–
	2014	3
	2015	5
	2016	1
	2017 and after	–
	Sub-total	9
PRC[4]	2013	3
	2014	1
	2015	1
	2016	1
	2017 and after	–
	Sub-total	6
Macau[5]	2013	1
	2014	2
	2015	2
	2016	–
	2017 and after	–
	Sub-total	5
Total		295

(1) In addition to these 237 tenancy agreements, as at 31 July 2013, we had entered into three additional Hong Kong tenancy agreements which are renewed on a monthly basis. 146 of our Hong Kong tenancy agreements provide for both fixed rent and turnover rent, of a rate which generally ranges from approximately 4% to 8%, while the remaining 91 tenancy agreements only provide for fixed rent. Ten of these tenancy agreements will be continuing connected transactions upon Listing. See "Connected Transactions" for more information.

A total of 109 of our tenancy agreements in Hong Kong will expire in the calendar year 2013 and the calendar year 2014, as follows: two will expire in August 2013; four will expire in September 2013; six will expire in October 2013; eight will expire in November 2013; six will expire in December 2013; five will expire in January 2014; five will expire in February 2014; six will expire in March 2014; five will expire in April 2014; ten will expire in May 2014; six will expire in June 2014; 12 will expire in July 2014; four will expire in August 2014; nine will expire in September 2014; four will expire in October 2014; ten will expire in November 2014; and seven will expire in December 2014.

(2) Eight of our tenancy agreements in Singapore provide for both fixed rent plus turnover rent of a rate of 0.5% or 1.0%; eight of our tenancy agreements in Singapore provide for either fixed or turnover rent, whichever is higher; and 22 of our tenancy agreements in Singapore provide for fixed rent. Turnover rent is of a rate which ranges from approximately 10% to 20%.

12 of our tenancy agreements in Singapore will expire in the calendar year 2013 and the calendar year 2014, as follows: two will expire in August 2013 (one of which has been renewed with a new expiry date of August 2016, and one in respect of which a renewal is currently being negotiated); one will expire in November 2013 and has been renewed with a new expiry date of November 2016; four will expire in December 2013; and one will expire in each of May 2014, June 2014, July 2014, October 2014 and December 2014.

(3) Two of our tenancy agreements in West Malaysia provide for fixed rent; one of our tenancy agreements in West Malaysia provides for turnover rent; and six of our tenancy agreements in West Malaysia provide for either fixed or turnover rent, whichever is higher. Turnover rent is of rate which ranges from approximately 5% to 10%.

One of our tenancy agreements in West Malaysia will expire in October 2014, and two will expire in November 2014.

(4) Two of our tenancy agreements in the PRC provide for fixed rent; three of our tenancy agreements in the PRC provide for either fixed rent or turnover rent, whichever is higher; and one of our tenancy agreements in the PRC provides for turnover rent. Turnover rent is of rate which ranges from approximately 12% to 19%.

Four of our tenancy agreements in the PRC will expire in the calendar year 2013 and the calendar year 2014, as follows: one will expire in September 2013; two will expire in October 2013; and one will expire in February 2014.

(5) Two of our tenancy agreements in Macau were entered into by Mr. Lau in his personal capacity. See "Connected Transactions – Arrangements Involving a Connected Person" for more information.

Three of our tenancy agreements in Macau will expire in the calendar year 2013 and the calendar year 2014, as follows: one will expire in each of December 2013, April 2014 and September 2014.

In respect of the tenancy agreements in Hong Kong which will expire (or have expired) in the calendar year 2013, having considered the original rental amount under these agreements and the expected increase in rental rates upon their renewal, the expected increase in rental rates for the agreements expected to be renewed in aggregate will amount to less than 1% of our Group's revenue for the financial year ended 30 April 2013. Therefore, our Directors believe that the potential impact of the expected increase in rental rates for the expected renewals will be insignificant to our Group.

In respect of the tenancy agreements in the Group's non-Hong Kong jurisdictions which will expire (or have expired) in the calendar year 2013, our Directors believe that the Group is unable to provide a meaningful estimate of the potential impact of changes in rental rates upon renewal of these agreements, as the changes in rental rates are subject to many factors and are ultimately determined after negotiation between the parties. However, our Directors believe that the potential impact would be insignificant to the Group, as the number of leases expiring in the calendar year 2013 in these non-Hong Kong jurisdictions represents a small portion of the total number of leases held by our Group.

Our Directors believe that we are generally able to relocate our operations to other comparable properties without incurring substantial additional costs, and are therefore of the view that none of the properties occupied by the Group is material or crucial to our operations.

Because we do not own any property, 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. Accordingly, 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 Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Company's interests in land or buildings.

AWARDS AND RECOGNITION

Our Group has earned numerous awards and recognitions throughout our operating history, which we attribute to the reputation of the Group and the quality of our products. The following table sets out the major awards and recognitions we have received over the years:

Awards/Memberships	Year Awarded	Organiser/Association
Hong Kong Top Service Brand Award	2007–2013	Hong Kong Brand Development Council + CMA HK
No Fakes Pledge	2007–2013	IPD of HKSAR
Caring Company	2004–2013	HKCSS
Smiling Enterprise Award	2012	Mystery Shopper Service Association
Q-Mark	2006–2012	The Federation of Hong Kong Industries
Quality Tourism Services	2003–2012	HKTB
The Best for Home	2008–2011	Take Me Home Weekly District Newspaper
3 Magazine Smart Living 2009 Brand	2009	3 Magazine
Certificate Award for the Best Brand Enterprise	2007	Hong Kong Productivity Council
Retail Asia-Pacific Top 500	2008	Retail Asia Magazine
Hong Kong Quality Brand	2008	Hong Kong Encyclopedia
Most Favourable Hong Kong Brand – Golden Brand	2008	CERCAO
Superbrands	2004	Superbrands
Integrity Award	2003–2004	Guangzhou Daily

COMPETITION

We operate in the housewares products market. Our direct competitors are other housewares retail chains, and our indirect competitors are supermarkets, hypermarkets, department stores, furniture stores and "mom-and-pop" housewares stores. In Hong Kong, the housewares retail chains market is dominated by several leading market players. In Singapore, Malaysia and the PRC, the housewares retail chains markets are at an early stage of development. Limited retail space and high start-up costs are key barriers to entry in the housewares retail chains market.

We provide a "one-stop" shopping experience characterised by our convenient locations, distinct branding, reasonable prices, high quality merchandise and unique product mix. We believe that these factors differentiate us from competing mass merchandise retailers, multinational chain housewares retailers and hypermarkets in Hong Kong, Singapore, Malaysia, the PRC and Macau. We have built a strong brand image in Hong Kong, and are able to reinforce our brand's association with "value for money" product offerings through our various promotional and redemption programmes. Our strong bargaining power and large global supplier network give us leverage in purchasing products at competitive prices from our suppliers, which in turn allows us to offer quality products at reasonable and competitive prices to our customers.

For more information on our competitors and the housewares products market, see "Industry Overview."

INSURANCE

Our Group's operations are covered by insurance policies which cover, among other things, our inventory, assets and stores. We have a worldwide marine open cover policy which insures our merchandise while it is transported by sea from our suppliers to port in Hong Kong. We also have insurance coverage for risks and liabilities arising in connection with our stores and retail operations, including with respect to our employees, risks of physical loss or damage to properties, third party liability and employee compensation.

We believe that our insurance coverage is consistent with industry and regional practice and are adequate for our business operations. From time to time, we review and assess our risk and adjust our insurance coverage as appropriate. For more information, see "Risk Factors – Risks Related to Our Business – Our insurance coverage may not be sufficient to cover all losses".

LEGAL PROCEEDINGS

Our Group has been involved in legal proceedings or other disputes in the ordinary course of our business from time to time, which are primarily infringement claims made by third parties relating to certain products sourced from our suppliers. We have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not currently party to, or aware of, any material legal or administrative proceedings, claims or disputes pending or threatened against us.

REGULATORY COMPLIANCE

Our Directors confirm that, as at the Latest Practicable Date, the Company has obtained all material licenses and permits required to operate its business in Hong Kong, Singapore, West Malaysia and Macau. The following are incidences of non-compliance which, as at the Latest Practicable Date, are either in the process of being resolved or are not matters of a serious nature, and we believe that these incidents are not material to the Group.

No.	Matter	Laws and regulations concerning penalty	Rectification
1.	Failure to obtain the requisite MDTCC approvals in respect of four stores in West Malaysia.(1)	Foreign entities that are involved in distributive trade in Malaysia are required to obtain approval from the MDTCC prior to commencing such operations. According to our West Malaysia legal advisers, there are no legal sanctions for non-compliance with this requirement, as it is set forth in a guideline issued by the MDTCC and is not legislation passed by the Malaysian Parliament nor a regulation under any existing laws. However, the MDTCC may impose other sanctions for such non-compliance. For example, local authorities may withhold operational licences or permits that may be required under Malaysian law.	We submitted complete sets of the requisite documents to MDTCC on 12 July 2013. MDTCC granted its approvals for these four stores in West Malaysia on 25 July 2013. The non-compliance has been fully rectified.
2.	Failure to register two of our stores in the PRC as branches and to obtain business licenses for these two stores.(2)	PRC law requires that a company which operates business outside its domicile is required to establish a branch and obtain a business license for such branch issued by the local administration for industry and commerce. According to our PRC legal advisers, failure to register the branches may result in confiscation of income and/or imposition of fines up to RMB30,000 for each store by the relevant authorities.	One of these stores will be closed upon expiry of the relevant tenancy agreement on 31 October 2013. We are in the process of applying for business license for the remaining store and expect to obtain the business license before Listing. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance.

No.	Matter	Laws and regulations concerning penalty	Rectification
3.	Failure to obtain fire safety inspection approvals or certificates for all of our PRC stores.(2)	PRC law requires that any store operated in a public gathering place apply for a fire safety inspection and obtain a fire safety approval or certificate prior to the commencement of its operation. According to our PRC legal advisers, we may be required to suspend our operation of the stores on the relevant properties, and may be subject to a fine of up to RMB300,000 for each store for which we fail to obtain a fire safety inspection approval or certificate.	We are in the process of applying for fire safety inspection approvals or certificates for all of our stores except for the two stores which will close in October 2013 upon the expiry of their tenancy agreements. On 21 August 2013, Jiangsu Zhongxing Fire Fighting Co., Ltd (江蘇鍾星消防工程有限公司) was appointed as our agent to apply for fire safety inspection approvals or certificates for our PRC stores. After performing inspection work, our agent will submit on our behalf the formal application for fire safety inspection approvals or certificates. We expect that the applications for our stores (except for the two stores which will close in October 2013 as mentioned above) will be made before Listing. According to our PRC legal advisers, the fire safety inspection approvals or certificates will normally be granted in around one to two month(s) upon submission of application, assuming that no extension is requested by the relevant authority. On this basis, and assuming that there are no other unforeseen circumstances or complications with our applications, the Company expects to obtain the approvals or certificates by the end of this year. The Company will disclose the progress of this rectification in its interim and annual reports after Listing. Any potential loss from fire is covered by fire insurance starting from 3 September 2013. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance.

No.	Matter	Laws and regulations concerning penalty	Rectification
4.	Failure on the part of some of our Hong Kong subsidiaries to file required notices with the Registrar of Companies in Hong Kong upon certain changes to their corporate particulars within the prescribed timeframe.	Under Sections 45, 92, 107, 109 and 158 of the Companies Ordinance (the "Relevant Sections"), a Hong Kong company must file a notice with the Registrar of Companies in Hong Kong upon certain changes to its corporate particulars within the timeframe specified in the Relevant Sections. The relevant subsidiaries and every officer of the relevant subsidiaries who is in default may be subject to fines for such previous non-compliance of level 3 (HK$10,000) or level 5 (HK$50,000) (as the case may be) and a daily default fine of HK$300 (for level 3) or HK$700 (for level 5) (as the case may be) for each late filing under the Relevant Sections.	The relevant Hong Kong subsidiaries have filed all relevant and necessary prescribed forms and notices with the Hong Kong Companies Registry, and no notification of any possible prosecution of the Group or any officer of the relevant subsidiaries or penalties imposed on the Group or any officer of the relevant subsidiaries in relation to those late filing incidents has been received by the Group or any officer of the relevant subsidiaries.
5.	Certain of our Hong Kong subsidiaries (the "Relevant HK Subsidiaries") failed to present their respective audited accounts at certain of their respective annual general meetings held in previous years, and certain of their audited accounts so presented at such annual general meetings were as at a date falling more than nine months prior to the date of the relevant annual general meeting.	Pursuant to Section 122 of the Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet of the company to be prepared and presented before the company at its annual general meetings. Such accounts are required to be as at a date not more than nine months prior to the date of the relevant annual general meeting. Directors who fail to take reasonable steps to comply with Section 122 of the Companies Ordinance are subject to imprisonment for 12 months and a fine of HK$300,000.	On 5 July 2013, the directors of each of the Relevant HK Subsidiaries applied to the High Court of Hong Kong for an order to rectify the abovementioned non-compliance pursuant to Section 122(1B) of the Companies Ordinance. On 15 August 2013, the requested orders were made by the High Court of Hong Kong in respect of each of such applications, to the effect that (i) the requirements under Sections 122(1) and 122(2) of the Companies Ordinance be substituted and leave be granted for the laying of the relevant audited accounts before the Relevant HK Subsidiaries; and (ii) the time prescribed by Section 122(1A) of the Companies Ordinance for the laying of the audited accounts be extended. As such, the non-compliance with section 122 of the Companies Ordinance by the Relevant HK Subsidiaries has been rectified.

No.	Matter	Laws and regulations concerning penalty	Rectification
6.	Failure to register our PRC tenancy agreements as required under PRC law.[(2)]	PRC law requires that tenancy agreements be registered with the local real property administration bureau. According to our PRC legal advisers, failure to comply with this requirement could result in the imposition of fines ranging from RMB1,000 to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance within the timeframe prescribed by the relevant authorities.	We have been in discussions with the landlords and/or relevant parties, and will use our commercially reasonable efforts, with the aim of registering the relevant tenancy agreements. In case certain of these tenancy agreements cannot be registered upon expiry, the Company will re-negotiate with our landlords for the registration of the agreements as part of the renewal terms and consider not renewing the agreements. According to our PRC legal advisers, to complete the registration, we need cooperation from the landlords. Going forward, when renewing our tenancies or entering into new tenancies in the PRC, before we make the decision, we will consider all the relevant factors and circumstances including the willingness as may be demonstrated by the landlords to provide assistance in registering the tenancy agreements. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance, although rectification of this non-compliance is subject to our landlords' cooperation, such as by their provision and registration of the master agreement.

(1) According to our West Malaysia legal advisers, our historical non-compliance with the MDTCC guidelines does not prevent us from expanding our operations or opening new stores in West Malaysia as currently planned.

(2) 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 this non-compliance in respect of our PRC stores.

Save as disclosed above, we confirm that, as at the Latest Practicable Date, there were no material breaches or violations of laws and regulations in Hong Kong, Singapore, West Malaysia, the PRC or Macau applicable to us that would have a material adverse effect on our business or financial condition taken as a whole.

In order to prevent breaches of the Companies Ordinance in the future, our Group has taken and will take the following steps to ensure due compliance with the applicable laws under the Companies Ordinance in the future:

– our Group will retain Fair Wind Secretarial Services Limited, a professional company secretarial firm with secretarial experience in listed companies in Hong Kong, to oversee and handle the company secretarial matters for the Company and its Hong Kong subsidiaries;

– our executive director and financial controller, Mr. Cheng Sing Yuk, a qualified accountant in Hong Kong with over 20 years of accounting and finance experience and a member of the Hong Kong Institute of Certified Public Accountants, will oversee the accounting matters of our Group, and will work with Fair Wind Secretarial Services Limited to oversee the company secretarial matters for our Hong Kong subsidiaries;

– our company secretary, Ms. Koo Ching Fan, a chartered secretary, will oversee the company secretarial matters and related legal and regulatory compliance in respect of the Company and its Hong Kong subsidiaries;

– our Group will retain a professional accountant to audit the accounts of our Group;

– our Group will retain external legal adviser(s) to advise on compliance matters when necessary; and

– our Group has established an audit committee comprising our independent non-executive Directors and non-executive Directors to oversee the financial reporting and internal control procedures of our Group.

New laws or regulations or changes in enforcement of existing laws or regulations may affect our operations. For example, the substantive provisions of the Hong Kong Competition Ordinance will come into force in 2013 or 2014, although the exact date on which they will become effective is not yet determined. The Group will take measures that it considers appropriate, including implementing internal guidelines and training and monitoring the Group's behaviour, to ensure that it will be in compliance with the new Hong Kong Competition Ordinance when it takes effect.

The past incidents of non-compliance were due to the unintended and inadvertent oversight of our local personnel responsible for the daily operations in the relevant jurisdictions.

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. In order to ensure compliance of our overseas business operations with relevant local laws and regulations, we will conduct regular compliance checks including the completion of checklists prepared by our staff and with input from, and regularly reviewed by, our external legal advisers that will address compliance matters related to:

• business licences and permits;

• tenancy arrangements;

• health and safety requirements;

• local financial reporting requirements;

• tax compliance; and

• other applicable statutory requirements.

Our joint venture partners in Singapore, West Malaysia and the PRC, and our head of retail operations for the PRC and Macau along with local personnel, will be responsible for completing these compliance checks in their respective jurisdictions twice each year. These compliance checks will be completed by collecting and examining required documentation and consultation with the heads of retail operations in the relevant regions as needed. These joint venture partners and heads of retail operations will attend meetings with the boards of the relevant local subsidiaries twice each year to oversee our overseas compliance matters. After these meetings, the status of compliance matters in Hong Kong and the PRC will be reported to our chief operating officer, and the status of compliance matters in Singapore, West Malaysia and Macau will be reported to Ms. Ngai. Ms. Ngai and our chief operating officer each have extensive experience in retail operations and in managing operations in multiple jurisdictions. See "Directors and Senior Management" for further information. Our joint venture partners and heads of retail operations who will be responsible for carrying out compliance checks and overseeing compliance matters have substantial experience in retail operations, and knowledge of relevant rules and regulations, in their respective regions. In particular, our Singapore joint venture partner, who has experience in the West Malaysia retail industry as well as in Singapore, will also take responsibility for overseeing the Group's West Malaysia operations; and we recently appointed a new head of retail operations in the PRC, who has been with our Group in various roles for over 10 years. Neither of these individuals were involved in these roles when the incidences of non-compliance in their respective jurisdictions took place. Any material issues that are identified will be reported to our Board of Directors for further action and resolution.

The Company may also consult external legal advisers in Singapore, West Malaysia, the PRC and Macau, if and when considered necessary or appropriate, for legal advice relating to the legal and regulatory requirements in connection with its local operations and other matters arising in the ordinary course of business. In particular, to further enhance its internal controls and regulatory compliance measures in West Malaysia and the PRC, the Group is in the process of appointing external legal advisers on a retainer basis in each of these jurisdictions to provide consultation and advisory services regarding local legal and regulatory requirements. These external legal advisers will also provide periodic regulatory updates so that we will remain informed of any additional compliance obligations. Such engagement is expected to be finalized by Listing.

Having considered the facts and circumstances which led to the historical non-compliance incidents, their nature and materiality, and our Group's internal control measures to avoid recurrence of these non-compliances, the Sole Sponsor is of the view that these past incidences of non-compliance do not affect our Directors' suitability to act as directors of a listed issuer.