OVERVIEW

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

We plan to continue to expand our operations in Hong Kong, Singapore, West Malaysia, the PRC and Macau by leveraging the strength of our brand, our extensive retail network and large global supplier network. We believe that our comparable store sales growth of 4.9%, 11.8% and 12.1% in Hong Kong for the financial years ended 30 April 2011, 2012 and 2013, respectively, as well as the increasing revenue from our operations in Singapore, West Malaysia and the PRC, demonstrates our growth potential in these regions. Our strong brand allows us to open new stores in less prime retail spaces and thereby control our rental expenses as we expand. In addition, we plan to continue to increase our variety of product offerings to capture additional market opportunities and expand our customer base. As we adjust our product mix, we intend to increase the proportion of our private label products and internationally sourced products in order to increase our margins. As part of our expansion strategy, we plan to enhance our sourcing and logistics capabilities by establishing logistics centres in the PRC and other regions.

We achieved growth in our revenue from HK$1,017.6 million for the financial year ended 30 April 2011 to HK$1,211.2 million for the financial year ended 30 April 2012 and further to HK$1,498.7 million for the financial year ended 30 April 2013. Our profit for the year increased from HK$62.4 million for the financial year ended 30 April 2011 to HK$86.5 million for the financial year ended 30 April 2012 and further to HK$103.2 million for the financial year ended 30 April 2013.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Group's business was conducted by Matusadona and its subsidiaries. Pursuant to the Reorganisation, the entire equity interest of Matusadona and the Group's business was transferred to and is held by the Company. The Company was not involved in any other business and did not meet the definition of a business prior to the Reorganisation and became the holding company for the companies comprising the Group. The transaction is merely a reorganisation with no change in ultimate owners or business. Accordingly, the combined financial information of the Group is presented using the carrying values of Matusadona for all periods presented, on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Management analyses and discloses its business segments by nature according to the Group's reportable segments. The Group's business segments by nature include retail, wholesale and licencing and others. Please refer to Note 35 to the Accountant's Report in Appendix I to this prospectus for details.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, many of which are beyond our control, including those set forth in the following discussion.

Number of Stores in Operation

We generate a substantial portion of our revenue from sales at our retail stores. Retail sales are affected by the number of our stores in operation. Accordingly, store openings and closings substantially affect our revenue growth.

The following table sets forth the number of our stores in operation, by geographical region, as at the dates indicated:

	As at 30 April								As at the Latest Practicable Date
	2010	Net change	2011	Net change	2012	Net change	2013	Net change	
Our stores									
Hong Kong(1)	204	9	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
	204	9	213	39	252	31	283	10	293
Our licenced stores									
East Malaysia(3)	2	–	2	–	2	–	2	–	2
Saudi Arabia(5)	5	–	5	–	5	–	5	–	5
United Arab Emirates(3)	2	–	2	–	2	(2)	–	–	–
New Zealand(3)	–	1	1	–	1	–	1	–	1
Indonesia(3)	–	–	–	–	–	1	1	–	1
Cambodia(3)	–	–	–	–	–	–	–	1	1
Total	213	10	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.

The table below set forth a breakdown, by number of stores, for our stores in operation throughout each period indicated or at the date of acquisition, and stores newly acquired, stores newly opened, stores closed and stores opened and closed, in Hong Kong, Singapore, West Malaysia, the PRC and Macau, during the years indicated:

	Brand	Stores in operation throughout the year	Newly acquired during the year	Newly opened during the year	Closed during the year(2)	Opened and closed during the year(2)	Total as at 30 April
				(number of stores)			
Financial year ended 30 April 2011							
Hong Kong	Japan Home Centre	177	–	25	17	–	202
	City Life	5	–	1	–	–	6
	Epo Gifts & Stationery	4	–	1	1	–	5
Total		186	–	27	18	–	213
Financial year ended 30 April 2012							
Hong Kong	Japan Home Centre	187	–	20	15	2	207
	City Life	6	–	2	–	–	8
	Epo Gifts & Stationery	5	–	–	–	–	5
Singapore	Japan Home	–	17	6	–	–	23
West Malaysia	Japan Home Centre	–	–	4	–	–	4
PRC	Living Plus(1)	–	5	–	–	–	5
Total		198	22	32	15	2	252
Financial year ended 30 April 2013							
Hong Kong	Japan Home Centre	195	–	21	12	3	216
	City Life	8	–	1	–	–	9
	Epo Gifts & Stationery	4	–	1	1	–	5
Singapore	Japan Home	21	–	11	2	–	32
West Malaysia	Japan Home Centre	4	–	5	–	–	9
PRC	Living Plus(1)	5	–	2	–	1	7
Macau	Japan Home Centre	–	5	–	–	–	5
Total		237	5	41	15	4	283

(1) This includes two stores acquired from the previous store owner under a third party brand which will be closed upon expiry of their tenancy agreements in October 2013.

(2) The reasons for closing these stores were primarily the expiry of the tenancy agreement without renewal, or expiry of the tenancy agreement with an unfavourable increase in rental rates for renewal.

The tables below set forth a breakdown, by retail revenue and number of stores, for our stores in operation throughout each period indicated or at the date of acquisition, and stores newly acquired, stores newly opened, stores closed and stores opened and closed, in Hong Kong, Singapore, West Malaysia, the PRC and Macau, during the years indicated:

	In operation throughout the year	Newly acquired during the year	Newly opened during the year	Closed during the year	Opened and closed during the year	Total
	(HK$ thousands, except number of stores)					
Financial year ended 30 April 2011						
Number of stores	186	–	27	18	–	
Retail revenue (including consignment sales)[1]	912,913	–	54,148	36,539	–	1,003,600
Less: consignment sales						(22,890)
Retail revenue						980,710
Financial year ended 30 April 2012						
Number of stores	198	22	32	15	2	
Retail revenue (including consignment sales)[1]	1,050,034	48,474	54,530	39,265	2,594	1,194,897
Less: consignment sales						(24,248)
Retail revenue						1,170,649
Financial year ended 30 April 2013						
Number of stores	237	5	41	15	4	
Retail revenue (including consignment sales)[1]	1,345,806	2,205	98,845	40,344	421	1,487,621
Less: consignment sales						(30,923)
Retail revenue						1,456,698

(1) This figure includes consignment sales, which is recorded on a net basis in the Accountant's Report as "consignment sales commission income."

We incur various costs and expenses prior to opening new stores. In addition, new stores generally require a period of time after opening to achieve target performance income. We opened 100 stores during the Track Record Period and 97 of these stores have achieved breakeven, or the point at which monthly gross profit is at least equal to monthly expenses, which include rental expenses, employee expenses and utility expenses, but exclude tax and depreciation. On average, our stores generally achieve breakeven in less than two months. The following table sets forth a breakdown by region of the stores opened during the Track Record Period that had achieved breakeven and of our profitable stores as at 30 April 2013.

	Number of stores that achieved breakeven	Average time to breakeven	Number of stores that had not achieved breakeven	Total number of stores opened during the Track Record Period	Total number of profitable stores as at 30 April 2013(1)
		(months)			
Hong Kong	72	1.7	–	72	218
Singapore	16	1.2	1	17	30
West Malaysia	9	1.6	–	9	5
PRC	–	–	2	2	–
Macau(2)	–	–	–	–	5
Total	97	1.6	3	100	258

(1) Profitable stores are all stores in operation which had generated revenue greater than or equal to rental expenses, employee expenses and utility expenses as at 30 April 2013. We operated a total of 283 stores in these regions in the financial year ended 30 April 2013.

(2) As we did not open any new stores in Macau during the Track Record Period, there is no available breakeven information.

Payback period for a new store represents the time that it takes for the accumulated gross profit, less accumulated rental expenses, employee benefit expenses and utility expenses, before tax and depreciation, from a store to cover its capital expenditures. Of the 100 stores opened during the Track Record Period, 49 have achieved payback. The average payback period for these 49 stores was approximately nine months. The following table sets forth a breakdown by region of stores opened during the Track Record Period that had reached payback.

	Number of stores that reached payback	Average payback period	Number of stores that had not reached payback	Total number of stores opened during the Track Record Period
		(months)		
Hong Kong	39	9.9	33	72
Singapore	10	6.1	7	17
West Malaysia	–	–	9	9
PRC	–	–	2	2
Macau(1)	–	–	–	–
Total	49	9.2	51	100

(1) As we did not open any new stores in Macau during the Track Record Period, there is no available payback period information.

We currently intend to open a total of 200 new stores by 30 April 2016. The proportion of new stores in operation during any period may affect our overall results of operations.

Comparable Store Sales

Our profitability is affected in part by our ability to successfully increase the revenue from our existing stores, primarily by increasing the number and proportion of high value products that we offer, increasing the proportion of internationally sourced products and private label products and passing on increased costs to our customers through pricing adjustments. We believe that comparable store sales provide a meaningful period-to-period comparison of our store performance because they exclude increases and decreases that are due to the opening and closing of new retail stores. Comparable store sales growth represents a comparison between the sales of those stores that were open throughout the years being compared. For example, comparable stores for the financial year ended 30 April 2011 and 2012 are stores that were open throughout both the years ended 30 April 2011 and 2012. There are variations in the way in which other retailers calculate these metrics. Accordingly, these metrics may not be fully comparable with those of our competitors.

The table below sets forth our comparable store sales in Hong Kong for the years indicated:

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

Our comparable store sales growth increased from 4.9% in the financial year ended 30 April 2011 to 11.8% in the financial year ended 30 April 2012 which we attribute to our active store profiling which enables us to tailor our product offerings to customer demographics and spending patterns in the area served by the store. See "Business – Our Operations – Store Profiles" for more information. Our comparable store sales increased to 12.1% in the financial year ended 30 April 2013 as a result of continued strategy of active store profiling and adjusting our product mix. Our first full financial year of operations in Singapore, West Malaysia and the PRC was the financial year ended 30 April 2013. Our first full financial year of operations in Macau will be the financial year ending 30 April 2014. Therefore, we have no comparable store sales data for our operations in those regions during the Track Record Period.

Average Spending Per Transaction

Our retail operations are significantly affected by changes in the average spending per transaction. Average spending per transaction is calculated by dividing the total revenue from all of our retail stores in operation throughout the relevant period by the total number of transactions made during such period. The average spending per transaction serves as an indicator of the amounts our customers spend at our stores and may be affected by, among other things, our merchandise mix and pricing, customer spending power and customer preferences.

The table below sets forth the average spending per transaction at our stores by region for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$)	
Average spending per transaction			
Hong Kong	44.5	49.1	53.4
Singapore	–	40.0[1]	46.6
West Malaysia	–	60.2[1]	59.8
PRC	–	168.7[1]	104.3
Macau	–	–	112.3[1]

(1) This does not reflect a full financial year of operations.

In order to increase average spending per transaction, we occasionally "bundle" our products, offering discounts for purchases of multiple items to encourage higher spending amounts per transaction. Our increasing proportion of higher value products offered in our stores, such as household electronics, also contribute to higher spending amounts per transaction. As a result, our average spending per transaction increased in Hong Kong and Singapore. Our West Malaysia and PRC stores typically offer a greater proportion of higher value products, and generally offer products at higher prices than in Hong Kong, which is reflected in the higher average spending per transaction in West Malaysia and the PRC. However, average spending per transaction was higher in the financial year ended 30 April 2012 in the PRC than the financial year ended 30 April 2013 as we gradually adjusted our product mix and introduced our value-for-money products into the acquired PRC stores.

Product Mix

In order to cater to a broad customer base and provide a comprehensive shopping experience, we believe it is necessary to provide a wide range of merchandise. The following table sets forth our retail revenue by product categories in our stores:

	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 profitability is dependent in part upon our success in adjusting our product mix to respond to customer preferences and demands, which differ across geographic regions and may change or evolve over time. Accordingly, we adjust the mix of merchandise that we offer in our retail stores to maximise our revenues and profitability while continuing to provide a wide variety of household products to our customers. These adjustments include adding product types and categories and increasing the proportion of internationally sourced products and private label products. We increased our offering of higher value products, such as household electronics, while maintaining relatively stable proportions of other product categories in response to consumer demand and to increase revenue. In addition, we also offer a greater proportion of high value products in regions where there is higher customer spending power, which increases our spending per transaction and, consequently, our revenue.

Cost of Sales

Cost of sales represents the cost to purchase and manufacture the merchandise offered in our retail stores and the products we sell in our export business. Cost of sales is the largest component of our expenses, and has a direct and significant impact on our margins. For the financial years ended 30 April 2011, 2012 and 2013, our cost of sales were HK$586.2 million, HK$672.8 million and HK$808.2 million, respectively, representing 57.6%, 55.6% and 53.9% of our revenue for the same years.

We generally generate higher margins from our private label products because we are better able to control our costs by negotiating prices based on our purchase volume and our ability to choose from a large number of private label manufacturers in our global supplier network. We also realise higher margins on internationally sourced products, which are primarily sourced directly from the manufacturer or brand owner, as we are not subject to the additional mark-ups often added by Hong Kong distributors. For more information on our private label products, internationally sourced products, Hong Kong sourced products and in-house manufactured products, see "Business – Our Merchandise."

Our cost of sales may continue to rise in the foreseeable future, which requires us to continue to constantly monitor the purchase price and logistics costs of our sourcing activities. Our large global supplier network gives us a competitive bargaining advantage, as we generally have a large number of suppliers from whom we may purchase our inventory requirements at any given time, and can therefore do so based upon the optimal balance of quality and price. Furthermore, we strategically price our merchandise to pass on increases in our purchase prices to our customers in order to maintain our targeted profit and profit margins. Our cost of sales as a percentage of revenue will continue to be a key performance indicator of the overall efficiency and profitability of our business operations.

Rental expenses

We rent all of the properties for our retail stores, warehouses and manufacturing facilities. The cost of leasing and maintaining these properties are reflected in our administrative and other operating expenses. Our rental expenses for our retail stores were HK$136.8 million, HK$161.2 million and HK$205.0 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, which represented 13.5%, 13.3% and 13.7% of our revenue for the same years. In recent years, rental rates in the regions in which we have operations have increased overall. According to the Private Retail - Rental and Price Indices published by the Rating and Valuation Department of the Hong Kong Government in June 2013, the annual growth rate in respect of the retail rental index in Hong Kong was approximately 9% and 13% in 2011 and 2012, respectively, while the quarterly growth rate in respect of such index in the first quarter of 2013 as compared to that in the same period of 2012 was approximately 12%. The revenue contributed by our new stores as well as our strong comparable store sales growth has helped us maintain stable rental expenses as a percentage of revenue. This stability is also due in part to our ability to pass on our increased costs to customers through strategic pricing of our merchandise.

The following table sets forth the average rental rates, calculated by dividing the rental expenses for retail stores paid in April of the relevant year by the number of stores, for our retail stores for the regions in which we operate for the months indicated:

	Month ended 30 April		
	2011	2012	2013
	(HK$ thousands per store)		
Hong Kong	56.4	59.9[(1)]	64.1
Singapore	–	90.6	88.3
West Malaysia	–	36.9	44.9
PRC	–	19.0	26.9
Macau	–	–	47.4

(1) This reflects the average rental rates of 219 stores, as one of our stores in Hong Kong was in its rent-free period in April 2011.

As we continue to open new stores and expand our operations, we expect our rental expenses to increase generally along with economic growth and inflation. As we expand our retail sales network, we will need to secure new retail spaces. In Hong Kong, we rely on the strength and reputation of our brand to bring customer traffic to our stores. Therefore, our expansion strategy includes selecting less prime retail spaces for new stores in order to help mitigate the effects of increasing rental rates. Due to our standard yet flexible operational model, we are also able to rent retail spaces of varying sizes, which gives us more flexibility in choosing retail spaces and control over our overall rental expenses.

Some of our retail store tenancy agreements provide for payment of a specified fixed rent under the tenancy agreement, and some tenancy agreements provide for payment of a "turnover rent" calculated based on the monthly revenue generated by that store in excess of the specified level, which may be in addition to or instead of a fixed rent. Our tenancy agreements in Hong Kong 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.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in rental expenses of 10.0%, 15.0% and 20.0% for each of the financial years ended 30 April 2011, 2012 and 2013, respectively.

	(HK$ thousands, except percentages)					
	+10.0%	-10.0%	+15.0%	-15.0%	+20.0%	-20.0%
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2011						
Change in rental expenses	14,387	(14,387)	21,581	(21,581)	28,774	(28,774)
Change in profit before tax	(14,387)	14,387	(21,581)	21,581	(28,774)	28,774
Change in profit after tax	(11,927)	11,927	(17,891)	17,891	(23,854)	23,854
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2012						
Change in rental expenses	17,183	(17,183)	25,774	(25,774)	34,365	(34,365)
Change in profit before tax	(17,183)	17,183	(25,774)	25,774	(34,365)	34,365
Change in profit after tax	(14,313)	14,313	(21,470)	21,470	(28,626)	28,626
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2013						
Change in rental expenses	22,009	(22,009)	33,013	(33,013)	44,017	(44,017)
Change in profit before tax	(22,009)	22,009	(33,013)	33,013	(44,017)	44,017
Change in profit after tax	(17,717)	17,717	(26,576)	26,576	(35,434)	35,434

Employee Benefit Expenses

The success of our retail operations depends significantly on our ability to attract, motivate and retain a sufficient number of qualified employees for all aspects of our operations, including personnel in our retail stores, warehousing facilities, manufacturing facilities, and management team. We believe customer service is one of the key factors to the success of our retail operations. We offer competitive salaries and other benefits to our employees to attract and retain employees and manage employee attrition.

Our employee benefit expenses comprise salaries and bonuses, provision for unutilised annual leave, pension costs related to MPF schemes for our employees in Hong Kong, other employee benefits, and share-based compensation for our Directors and employees of certain of our subsidiaries. Our employee expenses were HK$124.3 million, HK$157.5 million and HK$200.6 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, which represented 12.2%, 13.0% and 13.4% of our revenue for the same years.

Due to a general increase in labour costs in the regions in which we have operations, the salaries of employees in the retail industry have generally increased in recent years. We expect our employee expenses to increase as inflationary pressures continue to drive the increase in salaries. In order to mitigate the effects of increasing employee expenses, we have employee training programmes in place to maximise productivity and we may re-assign our employees to different stores from time to time as needed.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in employee benefit expenses of 5.0%, 8.0% and 10.0% for each of the financial years ended 30 April 2011, 2012 and 2013, respectively.

	(HK$ thousands, except percentages)					
	+5.0%	**-5.0%**	**+8.0%**	**-8.0%**	**+10.0%**	**-10.0%**
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2011						
Change in employee expenses........	6,213	(6,213)	9,940	(9,940)	12,426	(12,426)
Change in profit before tax............	(6,213)	6,213	(9,940)	9,940	(12,426)	12,426
Change in profit after tax	(5,150)	5,150	(8,241)	8,241	(10,301)	10,301
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2012						
Change in employee expenses........	7,876	(7,876)	12,601	(12,601)	15,751	(15,751)
Change in profit before tax............	(7,876)	7,876	(12,601)	12,601	(15,751)	15,751
Change in profit after tax	(6,560)	6,560	(10,497)	10,497	(13,121)	13,121
Impact on Certain Income Statement Items for the Financial Year Ended 30 April 2013						
Change in employee expenses........	10,031	(10,031)	16,050	(16,050)	20,063	(20,063)
Change in profit before tax............	(10,031)	10,031	(16,050)	16,050	(20,063)	20,063
Change in profit after tax	(8,078)	8,078	(12,925)	12,925	(16,157)	16,157

Seasonality

We experience seasonal fluctuations in our revenue. Our sales from December to February each year are generally higher than the remaining months of the year mainly due to increased sales of special holiday decorations and other items for the Christmas and Chinese New Year holidays. In the financial years ended 30 April 2011, 2012 and 2013, our retail revenue for those months represented approximately 30%, 29% and 27%, respectively, of our total retail revenue for the year. We generally use a significant portion of our working capital to purchase inventory in anticipation of increased sales of specific products during these months.

CRITICAL ACCOUNTING POLICIES

Our combined financial information have been prepared in accordance with HKFRS which requires us to make judgements, estimates and assumptions that affect the application of the relevant accounting policies. The assumptions and estimates are based on our historical experience and various other factors that our management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. Therefore, when reviewing our combined financial information, you should consider our selection of critical accounting policies, the judgements and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in the conditions and assumptions. Our significant accounting policies and critical accounting estimates are summarised in Note 2 and Note 4 to the Accountant's Report in Appendix I to this prospectus. We believe that the following are the most critical accounting policies adopted for the preparation of our combined financial information.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, comprising purchases and other incidental costs, are determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property, Plant and Equipment

Land and buildings comprise properties for our Group's own use. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised. All other repairs and maintenance are expensed in the combined statement of comprehensive income during the financial year in which they are incurred.

Depreciation of leasehold improvements is calculated to write off their cost less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives of five years to our Group, whichever is shorter.

Leasehold land classified as a finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as a finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as a finance lease	Shorter of remaining lease term or useful life
Buildings	25 years
Furniture, fixtures and equipment	5 years
Computer equipment	5 years
Motor vehicles	$3^1/_3$ years
Moulds	5 years
Machinery and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statement of comprehensive income.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Wholesales sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Retail sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

Licencing fees

Licencing fees are recognised when services and obligations under the relevant agreements have been accomplished.

Consignment sale commission, management fee and advertising and promotion income

Consignment sales commission, management fee and advertising and promotion income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Sub-leasing rental income

Sub-leasing rental income are recognised on an accrual basis.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

DESCRIPTION OF SELECTED COMPONENTS OF OUR STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue represents our sale of goods through our stores and export business, management fee income and licencing fees. The table below sets forth the breakdown of our revenue for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Sale of goods			
Retail	980,710	1,170,649	1,456,698
Wholesales	29,343	32,908	32,436
Consignment sales commission income	6,826	7,067	9,013
Management fee income	578	520	448
Licencing fees	109	78	78
Revenue	1,017,566	1,211,222	1,498,673

During the Track Record Period, our revenues were primarily derived from our sale of goods in our retail stores, our wholesales to our business partners operating our licenced stores, export customers and certain small companies or schools in Hong Kong. Consignment sales commission income refers to amounts received from third parties representing a percentage of revenue from sales of merchandise they sell in our stores. Management fee income refers primarily to fees that we receive from certain related companies for services and support that we provide to them in connection with managing their operations and leasing. For the years ended 30 April 2011, 2012 and 2013, management fee income also includes fees received from our stores in Macau prior to our acquisition of JHC (Macau) for services and support provided during these years. In April 2013, we acquired the entire equity interest in the company operating these stores in Macau, and therefore the results attributable to this company are subsequently reflected in our combined financial information. For more information on the acquisition, see "History and Development, Reorganisation and Group Structure – Business Development – Macau." Licencing fees refer to the fixed fees we receive from our business partners operating our licenced stores in return for the consultation and other services we provide pursuant to the relevant agreements.

Cost of Sales

Our cost of sales represents our cost of inventories sold, which is the cost to purchase and manufacture the merchandise offered in our retail stores and the products we sell in our export business. Cost of sales comprises the largest component of our operating expenses. For the financial years ended 30 April 2011, 2012 and 2013, our cost of sales was approximately HK$586.2 million, HK$672.8 million and HK$808.2 million, respectively, representing 57.6%, 55.4% and 53.9% of our revenue for the same years.

The table below sets forth a breakdown of our cost of sales for the years indicated:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Hong Kong retail						
Private label	127,133	21.7%	156,929	23.3%	174,276	21.6%
Internationally sourced	73,991	12.6%	98,889	14.7%	122,186	15.1%
In-house manufactured	4,827	0.8%	6,387	1.0%	6,579	0.8%
Hong Kong sourced	357,780	61.1%	356,494	53.0%	402,128	49.7%
Sub-total	563,731	96.2%	618,699	92.0%	705,169	87.2%
Overseas retail and wholesales	22,419	3.8%	54,132	8.0%	103,054	12.8%
Total	586,150	100.0%	672,831	100.0%	808,223	100.0%

Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin

Our gross profit represents our revenue less our cost of sales. Gross profit margin represents gross profit divided by revenue in the same year. Our gross profit margin is significantly affected by our pricing strategy and cost of sales, which in turn is affected by our product mix and sourcing. Our gross profit was HK$431.4 million, HK$538.4 million and HK$690.5 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, representing a gross profit margin of 42.4%, 44.5% and 46.1%, respectively, for the same years. This increase was primarily attributable to our strategy of increasing the amount of private label products and internationally sourced products with higher margins.

The following table sets forth the gross profit margins of our merchandise for our retail business in Hong Kong 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%

The following table sets forth our revenue, gross profit, gross profit margin, net profit and net profit margin by region for the years indicated.

	Revenue	Gross profit	Gross profit margin	Net profit/(loss)	Net profit margin
	(HK$ thousands, except for percentages)				
Financial year ended 30 April 2013					
Hong Kong	1,334,098	604,075	45.3%	105,144	7.9%
Singapore(1)	146,221	77,420	52.9%	5,493	3.8%
West Malaysia(1)	13,220	6,588	49.8%	(4,845)	–
PRC(1)	2,929	1,502	51.3%	(3,025)	–
Macau(2)	2,205	865	39.2%	402	18.2%
Total	1,498,673				
Financial year ended 30 April 2012					
Hong Kong	1,154,175	509,781	44.2%	87,854	7.6%
Singapore(2)	53,698	28,188	52.5%	2,155	4.0%
West Malaysia(2)	3,178	328	10.3%	(3,080)	–
PRC(2)	171	94	55.0%	(399)	–
Macau	–	–	–	–	–
Total	1,211,222				
Financial year ended 30 April 2011					
Hong Kong(3)	1,017,566	431,416	42.4%	62,446	6.1%
Singapore	–	–	–	–	–
West Malaysia	–	–	–	–	–
PRC	–	–	–	–	–
Macau	–	–	–	–	–
Total	1,017,566				

(1) The financial year ended 30 April 2013 was the first full financial year of our operations in Singapore, West Malaysia and the PRC.

(2) These margins represent only post-acquisition figures and may not be representative of our operating performance for a full year of operations in the relevant region.

(3) We did not have any operations outside of Hong Kong in the financial year ended 30 April 2011.

The difference in gross profit margins in our Hong Kong and Singapore operations was primarily due to differences in product prices in each market, reflecting higher retail prices in the Singapore market. In addition, because our rental expenses were higher in Singapore than they were in Hong Kong, our Singapore operations had a lower net profit margin. We acquired our Macau operations on 15 April 2013 and these margins reflect only the results of operations from 15 April to 30 April 2013. As no substantial operating expenses were incurred during this period, we attained a significantly higher net profit margin in respect of our operations in Macau than in other regions. While we are able to use our Hong Kong operational model as a basis for setting up our stores outside of Hong Kong, we will need to make ongoing adjustments to our operations over time in response to our results of operations before we achieve our desired results. We incurred net losses in West Malaysia and the PRC as we are still at an early stage of development in these regions and are in the process of adapting to local preferences and demands. However, we expect that as our number of stores and scale of operations increase in these regions, they will begin to contribute more to the Group's revenue and profit.

Other Income

The table below sets forth a breakdown of our other income for the periods indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Advertising and promotion income	10,971	10,915	10,610
Sub-leasing rental income	2,029	2,629	3,622
Compensation income from landlord on early termination	2,790	3,996	500
Tax indemnity from shareholders	–	–	1,648
Dividend income from listed securities	213	337	369
Sundry income	532	317	324
	16,535	18,194	17,073

During the Track Record Period, our other income was mainly derived from advertising and promotion income, which is the income we receive from certain manufacturers or suppliers for promoting their products by reserving more shelf space for their products in our stores or featuring them in our sales and marketing materials. Sub-leasing rental income refers to income we receive from certain related and independent parties who rent office and store space from us. Compensation income from landlord on early termination refers to amounts we receive from our landlords upon their termination of our tenancy agreements prior to the expiry of the full term under the relevant tenancy agreements. Tax indemnity from our shareholders represents the indemnity provided by our shareholders for additional tax liabilities and resulting penalties arising from our IRD tax challenge. See "– Income Tax Expense" for more information.

Other Gains

Other gains represents unrealised fair value gains on financial assets at fair value through profit or loss, realised gains on disposal of financial assets at fair value through profit or loss, gain from bargain purchase and loss or gain on disposal of property, plant and equipment, net.

Distribution and Advertising Expense

Distribution and advertising expense primarily comprise advertising and promotion expenses, delivery charges and landing charges. The table below sets forth a breakdown of our distribution and advertising expense for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Advertising and promotion expenses	6,530	6,801	10,696
Delivery charges	13,736	16,893	24,616
Landing charges	509	1,405	2,720
Total	20,775	25,099	38,032

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily comprise auditors' remuneration, air conditioning expenses, amortisation of trademark, building management fees, depreciation expenses, employee benefit expenses, government rates, legal and professional fees, rental expenses, goodwill written off, repair and maintenance fees, building management fees for office premises and retail stores, utility expenses and net exchange gains or losses and others. The table below sets forth a breakdown of our administrative and other operating expenses for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Building management fees			
– office premises	987	175	182
– retail stores	17,832	20,751	23,891
Depreciation expenses			
– owned property, plant and equipment	15,792	18,707	23,338
– leased property, plant and equipment	650	267	–
Employee benefit expenses	124,255	157,512	200,625
Legal and professional fees			
– incurred for initial public offering	–	–	8,704
– others	97	2,341	873
Rental expenses in respect of			
– office premises and warehouses	7,036	10,663	15,063
– retail stores	136,836	161,164	205,024
Utility expenses	13,619	16,694	21,427
Others(1)	34,687	39,868	45,900
Total	351,791	428,142	545,027

(1) See Note 6 to the Accountant's Report in Appendix I to this prospectus for a further breakdown of administrative and other operating expenses.

Rental Expenses

Rental expenses primarily represents the amounts paid to our landlords for retail store tenancy agreements, and to a lesser extent for our office and warehouse tenancy agreements. For the financial years ended 30 April 2011, 2012 and 2013, our rental expenses for retail stores was HK$136.8 million, HK$161.2 million and HK$205.0 million, respectively, and our rental expenses for office premises and warehouses were HK$7.0 million, HK$10.7 million and HK$15.1 million, respectively.

Employee Benefit Expenses

Our employee benefit expenses primarily represent salaries and bonuses, provisions for long service payments, provisions for unutilised annual leave, pension costs related to MPF schemes for our employees in Hong Kong, other employee benefits, and share-based compensation for our Directors and employees of certain of our subsidiaries. For the financial years ended 30 April 2011, 2012 and 2013, our employee benefit expenses were HK$124.3 million, HK$157.5 million and HK$200.6 million, respectively, of which salaries and bonuses comprised HK$116.2 million, HK$146.1 million and HK$187.6 million, respectively.

Building Management Fees for Retail Stores

Building management fees for retail stores represent the amounts paid to certain of our landlords, in particular for our stores located in shopping centres, in connection with the security and maintenance of the surrounding area. These amounts are determined by the relevant tenancy agreements and may be subject to adjustment over the term of the agreement. For the financial years ended 30 April 2011, 2012 and 2013, our building management fees for our retail stores were HK$17.8 million, HK$20.8 million and HK$23.9 million, respectively.

Depreciation Expenses

Depreciation expenses represents the depreciation of our owned and leased property, plant and equipment, which primarily consist of land and buildings, leasehold improvements and furniture, fixtures and equipment. For the financial years ended 30 April 2011, 2012 and 2013, depreciation on our owned and lease property, plant and equipment was HK$16.4 million, HK$19.0 million and HK$23.3 million, respectively.

Utility Expenses

Utility expenses represent the cost of electricity and water at our retail stores, warehouses and office facilities. Under the terms of our lease agreements, we bear the costs of utilities used at our leased properties. For the financial years ended 30 April 2011, 2012 and 2013, our utility expenses were HK$13.6 million, HK$16.7 million and HK$21.4 million, respectively.

Finance Costs

Finance costs represents interest expenses on secured bank loans, trust receipt loans and bank overdrafts, finance lease liabilities and loan due to a non-controlling shareholder of a subsidiary. The following table sets forth our finance costs for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Interest expenses on:			
Secured bank loans	71	50	39
Trust receipt loans and bank overdrafts	1,037	1,156	1,290
Finance lease liabilities	92	75	21
Loan due to a non-controlling shareholder of a subsidiary	–	–	55
	1,200	1,281	1,405
Interest income from bank deposits	(262)	(713)	(407)
Finance costs, net	938	568	998

Income Tax Expense

We are subject to taxation on profits arising in or derived from jurisdictions in which we operate. Our weighted average applicable tax rate for our operations were 16.5%, 16.4% and 16.2% during the financial years ended 30 April 2011, 2012 and 2013, respectively. Our operations in Hong Kong are subject to profits tax at a rate of 16.5% on our estimated assessable profits.

The statutory tax rates applicable to our operations in Singapore, West Malaysia, the PRC and Macau are 17%, 20%, 25% and 12%, respectively. We have been subject to taxation in Singapore, West Malaysia and the PRC since the financial year ended 30 April 2012, when our overseas operations began to generate revenue, although our business operations in West Malaysia and the PRC have not yet realised any assessable profits that would be subject to profits tax since their establishment or acquisition. We have been subject to taxation in Macau since April 2013.

With respect to our Singapore operations, we made provisions for income tax expenses for the financial years ended 30 April 2012 and 2013 of approximately HK$301,000 and HK$930,000, respectively. Our effective tax rate in Singapore in the financial year ended 30 April 2012 and 2013 was 12.3% and 14.5%, respectively, which was lower than the statutory tax rate of 17% as a result of certain tax incentives mainly for special capital allowances claimed on leasehold improvements in Singapore that reduced our taxable income for the years.

In January 2010, certain members of our Group were notified by the Hong Kong Inland Revenue Department (the "IRD") that they had been selected for a field audit. The IRD did not specify the reason for the selection. The tax returns, with our endorsement, were prepared by PricewaterhouseCoopers Limited and Russell Bedford Hong Kong Limited based on the information provided by us for the tax years 2003/04 to 2004/05 and the tax years 2005/06 to 2011/12 respectively. Our two tax representatives, both being professional accountants, prepared our tax returns based on their professional experience and knowledge, with appropriate and reasonable bases under the circumstances. In January 2010, March 2011, March 2012 and March 2013, we received notices of additional profits tax assessments for the tax years 2003/04, 2004/05, 2005/06 and 2006/07, respectively. The aggregate amount of additional tax on these assessments is approximately HK$11.0 million. According to our tax representative, these assessments are protective assessments issued before expiry of the statutory limitation period, pending the result of the field audit. In these notices, the IRD did not state any specific calculation basis for arriving at the additional assessable profits or the additional tax amounts. The IRD commenced the field work in December 2012. As at the Latest Practicable Date, the IRD had not issued any notices of additional profits tax assessment for the tax years 2007/08 and onwards.

We disputed the additional profits tax assessments, lodged notices of objection with the IRD and have been granted unconditional holdover orders on the entire tax amount on these additional assessments, other than HK$50,000 for the tax year 2003/04, for which a tax reserve certificate was purchased, and HK$130,000 for the tax year 2006/07, for which tax was paid.

As at the Latest Practicable Date, the IRD was conducting standard field audit procedures, including performing a review of our books and records. We were not informed by the IRD of any specific item that has been identified to give rise to additional assessments during the field audit process. In particular, the IRD had not identified to us additional income or gains that are considered taxable or any deducted expenses that are considered non-deductible.

In order to reach an early settlement with the IRD, in March 2013, we submitted a settlement proposal on a without prejudice basis with respect to the tax years 2003/04, 2004/05, 2005/06 and 2006/07. We also voluntarily included the tax years 2007/08 to 2011/12 in this settlement proposal. In our settlement proposal, we proposed adjustments that will result in a total additional tax liability, including penalty, of approximately HK$1.6 million to be borne by us. Among these adjustments, we have: (i) offered both the realised and unrealised investment gains arising from our investments in listed securities to be taxable income; (ii) reduced the depreciation allowances previously claimed on certain depreciable assets used in our business; and (iii) restricted our claims on certain entertainment expenses as well as expenses relating to our offshore franchise income. We proposed these adjustments based on the information reasonably available to us, and we consider such adjustments to be reasonable and appropriate in the current circumstances. We expect that the IRD will respond to our settlement proposal after completion of its review procedures. The IRD may seek to adjust other income or expense items other than those proposed in our settlement proposal.

The IRD's field audit is still at an early stage. Our best estimate on the additional tax liability including penalty for the tax years 2003/04 to 2011/12, on the basis of our settlement proposal submitted to the IRD, is approximately HK$1.6 million as described above, which includes an estimated penalty of approximately HK$0.4 million calculated at 30% of the tax undercharged.

Under the current tax legislation, the maximum penalty that can be imposed by the IRD is an amount equal to 300% of the tax undercharged. If such maximum penalty rate applies, and assuming that the IRD accepts the same adjustments that we have proposed, our exposure in respect of our additional tax liability and the resulting penalty on our settlement proposal will increase from approximately HK$1.6 million to approximately HK$5.1 million in the aggregate. The penalty that the IRD imposes on a taxpayer is based on a function of multiple factors depending on the circumstances of each case. In our case, according to our tax representative, based on factors such as the nature and amount of the adjustments proposed under our settlement proposal, the co-operation we have displayed during the field audit and our responsiveness in submitting a settlement proposal within a relatively short period after actual commencement of the IRD's field work, there are reasonable grounds for us to negotiate a downward adjustment of the penalty to around 30% of the tax undercharged. The IRD will consider the amount of the penalty to be imposed during its review of the settlement proposal and may adjust the percentage accordingly.

According to a deed of indemnity dated 10 September 2013 in favour of our Group, we will be indemnified by the Controlling Shareholders and Red Home collectively in full against all tax liabilities of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional, including, specifically, all additional tax liabilities of our Group associated with the IRD's field audit and notices of additional assessments received. As the Controlling Shareholders and Red Home have the contractual obligation to indemnify the Group for the additional tax liabilities, such indemnity was recognised as other income in the Group's combined financial information.

According to Hong Kong Accounting Standard 37 "Provision, Contingent Liabilities and Contingent Assets," a provision should be recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation resulting from a past event. Accordingly, and after consultation with our tax representative, we have made tax provisions of approximately HK$1.6 million, which we believe appropriately reflect our additional tax liabilities based on the current status of the matter described above. The IRD may however determine that we are subject to additional tax liabilities in excess of the amount we have proposed in our settlement proposal or the provisions made.

Accordingly, as at the Latest Practicable Date, an aggregate amount of HK$1.6 million had been provided as additional tax expenses during the financial year ended 30 April 2013. Our tax representative is of the view that our Group would not be subject to similar tax challenges from the IRD with respect to the tax years 2007/08 to 2011/12, provided that the IRD accepts our settlement proposal. According to our tax representative, the IRD will in general allow us to follow the basis of the settlement ultimately agreed with the IRD in our 2012/13 and future tax filings provided that there is no change in our operations which renders the filing basis no longer appropriate.

In this regard, our Reporting Accountant has issued an unqualified opinion on our Group's combined financial information for the financial years ended 30 April 2011, 2012 and 2013, which is included in the Accountant's Report set forth in Appendix I to this prospectus.

For more on our income tax expenses, see Note 11 to the Accountant's Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets forth our results of operations, including as a percentage of revenue, for the years indicated:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Revenue						
Hong Kong	1,017,566	100%	1,154,175	95.3%	1,334,098	89.0%
Singapore	–	–	53,698	4.4%	146,221	9.8%
West Malaysia	–	–	3,178	*	13,220	0.9%
The PRC	–	–	171	*	2,929	*
Macau	–	–	–	–	2,205	*
Total revenue	1,017,566	100%	1,211,222	100%	1,498,673	100%
Cost of sales	(586,150)	(57.6%)	(672,831)	(55.5%)	(808,223)	(53.9%)
Gross profit	431,416	42.4%	538,391	44.5%	690,450	46.1%
Other income	16,535	1.6%	18,194	1.5%	17,073	1.1%
Other gains	889	*	1,155	*	4,642	*
Distribution and advertising expenses	(20,775)	(2.0%)	(25,099)	(2.1%)	(38,032)	(2.5%)
Administrative and other operating expenses	(351,791)	(34.6%)	(428,142)	(35.3%)	(545,027)	(36.4%)
Operating profit	76,274	7.5%	104,499	8.6%	129,106	8.6%
Finance income	262	*	713	*	407	*
Finance costs	(1,200)	*	(1,281)	*	(1,405)	*
Profit before income tax	75,336	7.4%	103,931	8.6%	128,108	8.5%
Income tax expense	(12,890)	(1.3%)	(17,401)	(1.4%)	(24,939)	(1.7%)
Profit for the year	62,446	6.1%	86,530	7.1%	103,169	6.9%
Profit for the year attributable to:						
Equity holders of the Company	62,096	6.1%	85,432	7.1%	101,527	6.8%
Non-controlling interests	350	*	1,098	*	1,642	*

* *less than 0.5%*

Financial Year Ended 30 April 2013 Compared to Financial Year Ended 30 April 2012

Revenue

Our revenue increased by approximately HK$287.5 million, or 23.7%, from HK$1,211.2 million in the financial year ended 30 April 2012 to HK$1,498.7 million in the financial year ended 30 April 2013. This increase was primarily attributable to our comparable store sales growth of 12.1%, and the net increase in the number of our stores in operation in Hong Kong and overseas from 252 to 283, during the financial year ended 30 April 2013.

Our stores outside of Hong Kong contributed approximately HK$164.6 million in revenue in the financial year ended 30 April 2013, representing approximately 11.0% of our total revenue. This represented an increase of approximately HK$107.5 million, or 188.6%, compared to the financial year ended 30 April 2012, as we increased our number of stores in Singapore, West Malaysia, the PRC and Hong Kong.

Cost of Sales

Our cost of sales increased by approximately HK$135.4 million, or 20.1%, from HK$672.8 million in the financial year ended 30 April 2012 to HK$808.2 million in the financial year ended 30 April 2013. This increase was primarily attributable to an increase in product purchases as we expanded our operations. In particular, we increased our purchases of private label products and internationally sourced products.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately HK$152.1 million, or 28.3%, from HK$538.4 million in the financial year ended 30 April 2012 to HK$690.5 million in the financial year ended 30 April 2013. This represented an increase in gross profit margin from 44.5% to 46.1% for those same years. The increase in our gross profit and gross profit margin is primarily a result of our strategy of increasing the proportion of private label products and internationally sourced products, which have higher margins.

Other Income

Our other income decreased by approximately HK$1.1 million, or 6.0%, from HK$18.2 million in the financial year ended 30 April 2012 to HK$17.1 million in the financial year ended 30 April 2013. This decrease was primarily attributable to a decrease in compensation income from landlord on early termination due, as fewer leases for retail stores were terminated early in the financial year ended 30 April 2013 than in the financial year ended 30 April 2012; this was partially offset by an increase in sub-leasing rental income. Other income also included a tax indemnity from the shareholders of approximately HK$1.6 million.

Other Gains

Our other gains increased by approximately HK$3.4 million, or 283.3%, from HK$1.2 million in the financial year ended 30 April 2012 to HK$4.6 million in the financial year ended 30 April 2013. This increase was primarily attributable to unrealised fair value gains on financial assets at fair value through profit or loss.

Distribution and Advertising Expenses

Our distribution and advertising expenses increased by approximately HK$12.9 million, or 51.4%, from HK$25.1 million in the financial year ended 30 April 2012 to HK$38.0 million in the financial year ended 30 April 2013. This increase was primarily attributable to an increase in advertising and promotion expenses related to printed promotional materials, delivery charges related to private label products and internationally sourced products.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by approximately HK$116.9 million, or 27.3%, from HK$428.1 million in the financial year ended 30 April 2012 to HK$545.0 million in the financial year ended 30 April 2013. This increase was primarily attributable to increases in rental expenses, employee benefit expenses, depreciation expenses and utility expenses as we expanded our operations in Hong Kong and overseas, as well as legal and professional fees incurred for the initial public offering.

Rental Expenses

Our rental expenses increased by approximately HK$48.3 million, or 28.1%, from HK$171.8 million in the financial year ended 30 April 2012 to HK$220.1 million in the financial year ended 30 April 2013. This increase was primarily attributable to a net increase in the number of retail stores leased as we expanded our operations and increases in rental rates upon renewal of existing tenancy agreements.

Employee Benefit Expenses

Our employee benefit expenses increased by approximately HK$43.1 million, or 27.4%, from HK$157.5 million in the financial year ended 30 April 2012 to HK$200.6 million in the financial year ended 30 April 2013. This increase was primarily attributable to an increase of HK$41.5 million in salaries and bonuses paid to employees as a result of an increase in our number of employees as we opened additional stores during the year and a general increase in employee salaries.

Building Management Fees for Retail Stores

Our building management fees for retail stores increased by approximately HK$3.1 million, or 15.0%, from HK$20.8 million in the financial year ended 30 April 2012 to HK$23.9 million in the financial year ended 30 April 2013. This increase was primarily attributable to a net increase in our number of stores and a corresponding increase in building management fees to our landlords for the security and maintenance services for the shopping centres in which some of our retail stores are located.

Depreciation Expenses

Our depreciation expenses increased by approximately HK$4.3 million, or 22.6%, from HK$19.0 million in the financial year ended 30 April 2012 to HK$23.3 million in the financial year ended 30 April 2013. This increase was primarily attributable to leasehold improvements to our existing stores, setting up new stores and addition of furnitures, fixtures and equipment.

Utility Expenses

Our utility expenses increased by approximately HK$4.7 million, or 28.1%, from HK$16.7 million in the financial year ended 30 April 2012 to HK$21.4 million in the financial year ended 30 April 2013. This increase was primarily attributable to a net increase in our number of stores during the year.

Finance Income

Our finance income decreased by approximately HK$0.3 million, or 42.9%, from HK$0.7 million in the financial year ended 30 April 2012 to HK$0.4 million in the financial year ended 30 April 2013. This decrease was primarily attributable to a decrease in interest income from bank deposits.

Finance Costs

Our finance costs increased by approximately HK$0.1 million, or 7.7%, from HK$1.3 million in the financial year ended 30 April 2012 to HK$1.4 million in the financial year ended 30 April 2013. This increase was primarily attributable to an increase in interest expenses on trust receipt loans and bank overdrafts.

Income Tax Expense

Our income tax expense increased by approximately HK$7.5 million, or 43.1%, from HK$17.4 million in the financial year ended 30 April 2012 to HK$24.9 million in the financial year ended 30 April 2013. This increase was primarily attributable to an increase in our assessable profit.

Profit for the Year Attributable to Equity Holders of the Company

Based on the foregoing, our profit for the year increased by approximately HK$16.1 million, or 18.9%, from HK$85.4 million in the financial year ended 30 April 2012 to HK$101.5 million in the financial year ended 30 April 2013.

Financial Year Ended 30 April 2012 Compared to Financial Year Ended 30 April 2011

Revenue

Our revenue increased by approximately HK$193.6 million, or 19.0%, from HK$1,017.6 million in the financial year ended 30 April 2011 to HK$1,211.2 million in the financial year ended 30 April 2012. This increase was primarily attributable to our comparable store sales growth of 11.8%, and the net increase in the number of our stores in operation from 213 to 252, during the financial year ended 30 April 2012.

We opened our first store in West Malaysia in October 2011, acquired our Singapore operations in November 2011 and acquired our PRC operations in March 2012. Our stores outside of Hong Kong contributed approximately HK$57.0 million in revenue in the financial year ended 30 April 2012, representing approximately 4.7% of our total revenue.

Cost of Sales

Our cost of sales increased by approximately HK$86.6 million, or 14.8%, from HK$586.2 million in the financial year ended 30 April 2011 to HK$672.8 million in the financial year ended 30 April 2012. This increase was primarily attributable to an overall increase in our product purchases as our revenue and number of stores increased. These product purchases included increased purchases of private label products and internationally sourced products and a corresponding increase in cost of sales for these products. This was partially offset by a decrease in our cost of sales relating to our Hong Kong sourced products as we adjusted our product mix.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK$107.0 million, or 24.8%, from HK$431.4 million in the financial year ended 30 April 2011 to HK$538.4 million in the financial year ended 30 April 2012. This represented an increase in gross profit margin from 42.4% to 44.5% for those same years. The increase in our gross profit and gross profit margin is primarily a result of our strategy of increasing our proportion of private label products and internationally sourced products, which yield higher margins than Hong Kong sourced products, during the financial year ended 30 April 2012.

Other Income

Our other income increased by approximately HK$1.7 million, or 10.3%, from HK$16.5 million in the financial year ended 30 April 2011 to HK$18.2 million in the financial year ended 30 April 2012. This increase was primarily attributable to an increase of HK$1.2 million in compensation income paid to us by landlords for early termination of the tenancy agreements for retail spaces.

Other Gains

Our other gains remained relatively stable, increasing by approximately HK$0.3 million, or 33.3%, from HK$0.9 million in the financial year ended 30 April 2011 to HK$1.2 million in the financial year ended 30 April 2012.

Distribution and Advertising Expenses

Our distribution and advertising expenses increased by approximately HK$4.3 million, or 20.8%, from HK$20.8 million in the financial year ended 30 April 2011 to HK$25.1 million in the financial year ended 30 April 2012. This increase was primarily attributable to increases in advertising and promotion expenses and delivery charges.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by approximately HK$76.4 million, or 21.7%, from HK$351.8 million in the financial year ended 30 April 2011 to HK$428.1 million in the financial year ended 30 April 2012. This increase was primarily attributable to increases in rental expenses and employee benefit expenses as we expanded our operations.

Rental Expenses

Rental expenses increased by approximately HK$27.9 million, or 19.4%, from HK$143.9 million in the financial year ended 30 April 2011 to HK$171.8 million in the financial year ended 30 April 2012. This increase was primarily attributable to a net increase in the number of retail stores leased as we expanded our operations, as well as increases in rental rates upon renewal of existing tenancy agreements.

Employee Benefit Expenses

Our employee benefit expenses increased by approximately HK$33.2 million, or 26.7%, from HK$124.3 million in the financial year ended 30 April 2011 to HK$157.5 million in the financial year ended 30 April 2012. This increase was primarily attributable to an increase of HK$29.9 million in salaries and bonuses paid to employees due to an increase in our number of employees as we opened additional stores during the year and a general increase in employee salaries.

Building Management Fees for Retail Stores

Our building management fees for retail stores increased by approximately HK$3.0 million, or 16.9%, from HK$17.8 million in the financial year ended 30 April 2011 to HK$20.8 million in the financial year ended 30 April 2012. This increase was primarily attributable to the net increase in our number of retail stores and a corresponding increase in building management fees for retail stores to our landlords for the security and maintenance services for the shopping centres in which some of our retail stores are located. This increase was also attributable to an overall increase in the amounts of building management fees for our existing stores.

Depreciation Expenses

Our depreciation expenses increased by approximately HK$2.6 million, or 15.9%, from HK$16.4 million in the financial year ended 30 April 2011 to HK$19.0 million in the financial year ended 30 April 2012. This increase was primarily attributable to the costs of fixtures and equipment located in our additional rented warehouse in Yuen Long and leasehold improvements to newly opened stores.

Utility Expenses

Our utility expenses increased by approximately HK$3.1 million, or 22.8%, from HK$13.6 million in the financial year ended 30 April 2011 to HK$16.7 million in the financial year ended 30 April 2012. This increase was attributable to the net increase in our number of retail stores and the addition of a warehouse facility during the year.

Finance Income

Our finance income increased by approximately HK$0.4 million, or 133.3%, from HK$0.3 million in the financial year ended 30 April 2011 to HK$0.7 million in the financial year ended 30 April 2012. This increase was attributable to an increase in interest income from bank deposits.

Finance Costs

Our finance costs increased by approximately HK$0.1 million, or 8.3%, from HK$1.2 million in the financial year ended 30 April 2011 to HK$1.3 million in the financial year ended 30 April 2012. This increase was attributable to an increase in interest expenses on our trust receipt loans.

Income Tax Expense

Our income tax expense increased by approximately HK$4.5 million, or 34.9%, from HK$12.9 million in the financial year ended 30 April 2011 to HK$17.4 million in the financial year ended 30 April 2012. This increase was primarily attributable to the increase in our assessable profit.

Profit for the Year Attributable to Equity Holders of the Company

Based on the foregoing, our profit for the year increased by approximately HK$23.3 million, or 37.5%, from HK$62.1 million in the financial year ended 30 April 2011 to HK$85.4 million in the financial year ended 30 April 2012.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of funding have been cash generated from our retail operations and bank borrowings, which include trade related facilities, overdraft, instalment loans, term loans and bank guarantee facilities provided to us by our banks. Our primary liquidity requirements are to finance working capital and to fund our capital expenditures and the growth and expansion of our retail operations. We also fund our expenditures on inventory purchases through trust receipt loans, which are short-term import loans which provide us with financing to settle payment for goods imported under letters of credit. Going forward, we plan to continue funding our liquidity requirements with cash generated from our retail operations and bank borrowings, as well as net proceeds from the Global Offering.

Cash Flows

The table below sets forth a summary of our cash flows for the years indicated:

	Year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Net cash generated from operating activities	91,403	74,359	84,239
Net cash used in investing activities	(21,370)	(44,575)	(49,900)
Net cash generated from/(used in) financing activities	3,883	(78,061)	6,154
Increase/(decrease) in cash and cash equivalents	73,916	(48,277)	40,493
Cash and cash equivalents at beginning of year	45,130	119,046	70,627
Currency translation differences	–	(142)	311
Cash and cash equivalents at end of year	119,046	70,627	111,431

Net cash from operating activities

Net cash generated from operating activities was HK$91.4 million, HK$74.4 million and HK$84.2 million for the financial years ended 30 April 2011, 2012 and 2013, respectively. Net cash from operating activities reflects our profit before tax adjusted for: (i) non-cash items, which comprise primarily depreciation, gains and losses on disposals of property, plant and equipment, amortisation of trademark, interest income and expenses, dividend income, unrealised fair value gains on financial assets at fair value through profit and loss, employee share-based compensation, goodwill written off and gain from bargain purchases and (ii) the effects of changes in working capital, which mainly comprise inventories, trade and other receivables, trade and other payables, net amounts due to related companies, net amounts due to directors, amounts due to a non-controlling shareholder and other financial assets at fair value through profit and loss.

Our net cash from operating activities was HK$84.2 million for the financial year ended 30 April 2013, comprising cash generated by operations of HK$99.3 million, subtracted by income tax paid of HK$15.1 million. Our cash generated from operations comprised operating cash flows before movements in working capital of HK$154.2 million and net negative adjustments for changes in working capital of HK$54.9 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of HK$68.3 million related to product purchases for our new store openings overseas; and (ii) an increase in trade and other receivables of HK$10.8 million related to an increase in rental deposits; partially offset by an increase in trade and other payables of HK$26.2 million related to product purchases made in preparation for a discount sales event in April 2013. Net cash from operating activities increased from the financial year ended 30 April 2012 to the financial year ended 30 April 2013 due to an increase in our profit.

Our net cash from operating activities was HK$74.4 million for the financial year ended 30 April 2012, comprising cash generated by operations of HK$86.3 million, subtracted by income tax paid of HK$11.9 million. Our cash generated from operations comprised operating cash flows before movements in working capital of HK$122.6 million and net negative adjustments for changes in working capital of HK$36.3 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of HK$14.0 million related to product purchases for our store operations in Singapore and Malaysia; (ii) an increase in trade and other receivables of HK$12.7 million related to an increase in rental deposits; and (iii) a decrease in trade and other payables of HK$8.8 million. Net cash from operating activities was lower in the financial year ended 30 April 2012 than in the financial year ended 30 April 2011 because we settled a substantial amount of credit purchases made in the financial year ended 30 April 2011 with our cash flow from the financial year ended 30 April 2012, which were related to a discount sales event in April 2011.

Our net cash from operating activities was HK$91.4 million for the financial year ended 30 April 2011, comprising cash generated from operations of HK$104.3 million, subtracted by income tax paid of HK$12.9 million. Our cash generated from operations comprised operating cash flows before movements in working capital of HK$91.9 million and net positive adjustments for changes in working capital of HK$12.4 million. Net positive adjustments for changes in working capital primarily reflected: an increase in trade and other payables of HK$41.0 million due to product purchases we made in preparation for a discount sales event in April 2011, partially offset by (i) an increase in inventories of HK$22.4 million also related to product purchases made in preparation for a discount sales event in April 2011; and (ii) an increase in trade and other receivables HK$6.2 million.

Net cash used in investing activities

Net cash used in investing activities primarily reflects purchases of property, plant and equipment, proceeds from the sale of property, plant and equipment, interest received, dividends received from listed securities and the acquisition of subsidiaries.

Our net cash used in investing activities was HK$49.9 million for the financial year ended 30 April 2013, primarily comprising (i) the purchase of property, plant and equipment of HK$44.3 million related to the setting up of new stores; (ii) financial assets at fair value through profit and loss of HK$5.8 million related to additional investments in securities; and (iii) repayment of consideration payable for acquisition of subsidiaries of HK$5.1 million relating to the acquisition of our Singapore operations, partially offset by deposits received for the sale of property of HK$6.0 million related to our sale of office premises.

Our net cash used in investing activities was HK$44.6 million for the financial year ended 30 April 2012, primarily comprising (i) the purchase of property, plant and equipment of HK$32.1 million related to the leasing of an additional warehouse and setting up of new stores in Singapore; and (ii) the acquisition of subsidiaries, net of cash acquired, of HK$14.9 million relating to our acquisition of a housewares retail chain in Singapore.

Our net cash used in investing activities was HK$21.4 million for the financial year ended 30 April 2011, primarily comprising (i) the purchase of property, plant and equipment of HK$16.7 million related to opening and setting up new stores and renovating existing stores; and (ii) financial assets at fair value through profit and loss of HK$5.3 million related to additional investments in securities.

Net cash from/(used in) financing activities

Net cash from/(used in) financing activities primarily reflects pledged bank deposits, proceeds from issuing new shares, repayment of loans, principal and interest elements of finance lease payments, trust receipt loans, and interest and dividends paid.

Our net cash from financing activities was HK$6.2 million for the financial year ended 30 April 2013, primarily comprising a net increase in trust receipt loans of HK$13.3 million related to finance our purchases of private label products and internationally sourced products, partially offset by (i) dividends paid of HK$5.5 million; and (ii) an addition in pledged bank deposits of HK$2.8 million.

Our net cash used in financing activities was HK$78.1 million for the financial year ended 30 April 2012, primarily comprising dividends paid of HK$74.5 million.

Our net cash from financing activities was HK$3.9 million for the financial year ended 30 April 2011, primarily comprising a net increase in trust receipt loans of HK$16.7 million relating to payments made for products purchased in preparation for a discount sales event in April 2011, partially offset by (i) a repayment of secured loans and short term bank loans of HK$7.8 million and (ii) dividends paid of HK$4.5 million.

Working Capital

As at 30 April 2011, 2012 and 2013, we had net current assets of HK$66.0 million, HK$54.9 million and HK$137.1 million, respectively. The following table sets forth our current assets and liabilities as at the dates indicated:

	As at 30 April			As at 31 July
	2011	2012	2013	2013
	(HK$ thousands)			
Current assets				
Inventories	131,849	153,683	225,620	239,961
Trade and other receivables	29,250	34,587	33,527	37,491
Amounts due from related companies	2,636	3,449	–	–
Amounts due from shareholders	–	–	1,648	1,648
Financial assets at fair value through profit or loss	8,468	9,302	18,359	16,189
Current income tax asset	–	431	5,946	5,886
Pledged bank deposits	4,739	3,666	6,511	6,511
Cash and cash equivalents	119,204	70,806	111,513	115,703
	296,146	275,924	403,124	423,389
Non-current asset held for sale[(1)]	–	–	13,890	–
	296,146	275,924	417,014	423,389
Current liabilities				
Trade and other payables	147,851	140,168	181,561	184,472
Dividend payable	14,500	5,000	–	46,000
Amounts due to related companies[(2)]	93	–	–	–
Amount due to non-controlling shareholders of subsidiaries	–	6,936	2,326	–
Amounts due to directors	28	4	–	–
Borrowings, current portion	53,807	50,977	62,951	60,056
Current income tax liabilities	13,840	17,916	33,085	35,390
	230,119	221,001	279,923	325,918
Net current assets	66,027	54,923	137,091	97,471

(1) This refers to the office premises sold to Hugo Grand Limited, a company wholly-owned by Ms. Ngai for consideration of HK$60.0 million. See "– Subsequent Events" and Note 37(a) to the Accountant's Report in Appendix I to this prospectus.

(2) These amounts include outstanding balances to JHC (Macau) and Quality Laundry Limited, which will no longer be classified as amounts due to related companies since we acquired 100% of the shares of JHC (Macau) on 15 April 2013 and Mr. Lau ceased to be a director and shareholder of Quality Laundry Limited in December 2012.

The decrease in net current assets from 30 April 2011 to 30 April 2012 primarily reflected a decrease in cash and cash equivalents related to the distribution of dividends of approximately HK$74.5 million in the financial year ended 30 April 2012. This decrease was partially offset by an increase in inventories and trade and other receivables. The increase in net current assets from 30 April 2012 to 30 April 2013 primarily reflected (i) an increase in inventories as we prepared for new store openings overseas; (ii) cash and cash equivalents which increased as we paid less dividends than in the financial year ended 30 April 2012, partially offset by an increase in trade and other payables. The decrease in our net current assets from 30 April 2013 to 31 July 2013 was primarily due to an increase in dividend payable of HK$46.0 million.

Trade and Other Receivables

Trade and other receivables comprise trade receivables, rental and utility deposits and other receivables. A majority of our sales generates immediate cash receipts for the full amount of the transaction as most of our retail customers settle transactions with payment at the time of sale with cash or credit card. Accordingly, our trade receivables are primarily related to our sales to our licenced stores as they mainly settle transactions via letters of credit. Our business partners who operate our licenced stores and our export customers typically purchase products from us using irrevocable letters of credit at sight or by telegraphic transfer prior to shipment.

Our trade receivables as at 30 April 2011, 2012 and 2013 had balances of HK$2.5 million, HK$4.7 million and HK$1.5 million, respectively. The increase from 30 April 2011 to 30 April 2012 was due primarily to an increase in sales to our new and existing business partners operating our licenced stores. The decrease from 30 April 2012 to 30 April 2013 was because we had increased sales near the end of the financial year ended 30 April 2012 compared to the financial year ended 30 April 2013.

The table below sets forth an ageing analysis of our trade receivables past due but not impaired and our trade receivable turnover days as at the dates and for the periods indicated:

	As at and for the financial year ended 30 April		
	2011	2012	2013
	(HK$ thousands, except turnover days)		
Within three months	2,055	3,253	1,098
Trade receivable turnover days[1]	32.1	29.4	24.6

(1) Trade receivable turnover days is calculated by dividing average trade receivables (excluding credit card receivables) by sales on credit for the same year and multiplying the result by 365 days.

As at 30 April 2011, 2012 and 2013, we had trade receivables past due but not impaired of HK$2.1 million, HK$3.3 million and HK$1.1 million, respectively, which related to independent business partners under our licencing agreements and export customers with no recent history of default. We had trade receivable turnover days of 32.1, 29.4 and 24.6 in the financial years ended 30 April 2011, 2012 and 2013, respectively, primarily reflecting timing differences in payments from our business partners operating our licenced stores and export customers.

Our other receivables primarily comprise rental and utility deposits, other receivables and prepayments for insurance. Our rental and utility deposits were HK$46.8 million, HK$59.3 million and HK$72.3 million as at 30 April 2011, 2012 and 2013, respectively, primarily reflecting increases in our rental deposits as we opened new stores and increases in rental rates upon renewal of our existing tenancy agreements.

As at the Latest Practicable Date, trade receivables of HK$1.5 million, or 100% of our trade receivables as at 30 April 2013, had been settled.

Inventories

Our inventories mainly comprise merchandise we purchase from our suppliers. Our inventories as at 30 April 2011, 2012 and 2013 amounted to HK$131.8 million, HK$153.7 million and HK$225.6 million, respectively. The table below sets forth our inventory balances and inventory turnover days as at the dates and for the periods indicated:

	As at and for the financial year ended 30 April		
	2011	**2012**	**2013**
	(HK$ thousands, except turnover days)		
Inventories	131,849	153,683	225,620
Inventory turnover days[1]	74.9	77.4	85.6

[1] Inventory turnover days is calculated by dividing average inventories by cost of sales for the same year and multiplying the result by 365 days.

Our central management regularly monitors the inventory levels in our stores and warehouses through our management information systems, tracks inventory movement and sales progress and adjusts levels of inventory accordingly. The increase in our inventory turnover days from 74.9 for the financial year ended 30 April 2011 to 77.4 for the financial year ended 30 April 2012 was due to our opening of new stores in West Malaysia and the PRC, which had slower moving inventories. Our inventory turnover days increased to 85.6 for the financial year ended 30 April 2013 as we stocked up our inventories in preparation for new store openings.

As at the Latest Practicable Date, 65.3% of our inventories as at 30 April 2013 had been sold.

Trade Payables

The following table sets forth our trade payables and trade payable turnover days as at the dates and for the periods indicated:

	As at and for the financial year ended 30 April		
	2011	**2012**	**2013**
	(HK$ thousands)		
Trade payables	123,024	105,988	133,731
Trade payable turnover days[1]	64.5	62.1	54.1

[1] Trade payable turnover days is calculated by dividing average trade payables by cost of sales for the same year and multiplying the result by 365 days.

Our trade payables as at 30 April 2011, 2012 and 2013 amounted to HK$123.0 million, HK$106.0 million and HK$133.7 million, respectively. The decrease in the balances of our trade payables from 30 April 2011 to 30 April 2012 was due to our early payments on trade payables as we had sufficient cash generated from our operations. In addition, our trade payables as at 30 April 2011 was higher than as at 30 April 2012, reflecting the delayed settlement of payments for product purchases made in preparation for a discount sales event in April 2011. The increase in trade payables from 30 April 2012 to 30 April 2013 was due primarily to increased purchases in preparation for new store openings and in relation to a discount sales event in April 2013. We had trade payable turnover days of 64.5, 62.1 and 54.1 in the financial years ended 30 April 2011, 2012 and 2013, respectively. These trade payable turnover days reflected the 30-90 day credit periods extended to us by our suppliers.

The following table sets forth an ageing analysis of trade payables as at the dates indicated:

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
0 - 30 days	37,353	37,896	55,631
31 - 60 days	28,461	31,225	33,812
61 - 90 days	17,948	18,548	21,373
91 - 120 days	32,865	16,353	21,368
Over 120 days	6,397	1,966	1,547
	123,024	105,988	133,731

As at the Latest Practicable Date, trade payables of HK$133.4 million, or 99.7%% of our trade payables as at 30 April 2013, had been settled. During the Track Record Period, we had no material defaults in payment of trade and non-trade payables.

Other payables

Other payables and accruals primarily comprise year-end bonuses for employees. Receipts in advance represent deposits for orders for merchandise placed with us by our business partners operating our licenced stores or export customers, but not yet received, and cash coupons issued by us but not yet redeemed by our customers.

The table below sets forth our other payables as at the dates indicated:

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
Trade payables	123,024	105,988	133,731
Accrual for cost of initial public offering	–	–	6,963
Other payables and accruals	18,672	25,653	25,507
Financial liabilities	141,696	131,641	166,201
Deposits received	–	–	6,000
Receipts in advance	1,355	1,068	1,273
Provision for employee benefits	4,800	7,459	8,087
	147,851	140,168	181,561

Our other payables and accruals increased from HK$18.7 million as at 30 April 2011 to HK$25.5 million as at 30 April 2013 due to increases in year-end bonuses for employees, in line with the continued increase in our number of employees.

Analysis of Financial Position

The following table sets forth our non-current assets and liabilities as at the dates indicated:

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
Non-current assets			
Property, plant and equipment	44,965	61,730	66,231
Intangible assets	–	25,392	30,801
Deferred income tax assets	4,888	3,081	3,797
Non-current rental deposits	25,803	33,672	49,234
	75,656	123,875	150,063
Non-current liabilities			
Finance lease liabilities, non-current portion	827	176	–
Deferred income tax liabilities	464	513	1,585
Dividend payable	5,000	–	–
Loan due to a non-controlling shareholder of a subsidiary	–	–	2,575
	6,291	689	4,160

Property, plant and equipment

The following table sets forth our property, plant and equipment as at the dates indicated:

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
Land and buildings	15,128	14,509	–
Leasehold improvements	14,473	22,900	31,565
Furniture, fixtures and equipment	11,495	18,036	26,406
Computer equipment	1,669	3,542	4,808
Motor vehicles	1,195	1,701	2,440
Machinery and equipment	1,005	1,042	1,012
Total	44,965	61,730	66,231

As at 30 April 2011, 2012 and 2013, we had property, plant and equipment of HK$45.0 million, HK$61.7 million and HK$66.2 million, respectively. Our property, plant and equipment comprises primarily land and buildings, leasehold improvements, furniture, fixtures and equipment, computer equipment, motor vehicles, moulds, and machinery and equipment.

The increase in property, plant and equipment from 30 April 2011 to 30 April 2012 was primarily attributable to an increase in property, plant and equipment of HK$33.6 million, partially offset by depreciation charges of HK$19.0 million. The increase in property, plant and equipment from 30 April 2012 to 30 April 2013 was partially offset by depreciation charges of HK$23.3 million and the transfer of non-current assets for sale of HK$13.9 million. The increase in property, plant and equipment primarily reflected leasehold improvements related to the rental of a larger, additional warehouse in Yuen Long and furniture, fixtures and equipment related to the purchase of shelves and other furnishings for our retail stores.

Intangible assets

As at 30 April 2011, 2012 and 2013, we had intangible assets of HK$0, HK$25.4 million and HK$30.8 million, respectively. The increase in intangible assets from 30 April 2011 to 30 April 2012 was primarily attributable to our registered "日本の家" trademark that we use in our Singapore operations. This trademark was identified and valued at approximately HK$24.4 million by an independent professional valuer when we acquired it with our Singapore operations, and recognised as a net identifiable asset in that acquisition. The relief from royalty method was used to value this trademark. This method estimates the portion of a company's earnings attributable to the asset (i.e., the trademark) based on the royalty rate the company would have paid to use the trademark if it did not own it, based on market data for licenses involving similar assets, industries, territories and other characteristics. Our management estimates the useful life of this trademark to be 40 years, taking into consideration the historical and forecast information of the acquired business, operating and financial results of comparable companies, and industry and market practices. For information on amortisation of trademark, see Note 2(i)(ii) to the Accountant's Report in Appendix I to this prospectus. The increase from 30 April 2012 to 30 April 2013 was primarily attributable to goodwill arised from our acquisition of JHC (Macau) in April 2013.

Deferred income tax assets and liabilities

The following table sets forth our deferred income tax assets and liabilities as at the dates indicated:

	As at 30 April		
	2011	**2012**	**2013**
		(HK$ thousands)	
Deferred income tax assets	4,888	3,081	3,797
Deferred income tax liabilities	(464)	(513)	(1,585)
	4,424	2,568	2,212

As at 30 April 2011, 2012 and 2013, we had deferred income tax assets of HK$4.4 million, HK$2.6 million and HK$2.2 million, respectively. Deferred income tax assets represents the offsetting of current income tax assets against current income tax liabilities when the deferred income taxes relate to the same fiscal authority. Deferred income taxes are to be settled after more than 12 months from the relevant balance sheet date.

Non-current rental deposits

As at 30 April 2011, 2012 and 2013, we had non-current rental deposits of HK$25.8 million, HK$33.7 million and HK$49.2 million, respectively. Non-current rental deposits represent deposits under our tenancy agreements for our retail stores, warehouses and office premises. The increase in non-current rental deposits is attributable to our leasing of additional properties as we expanded our business.

INDEBTEDNESS

As at 31 July 2013, we had borrowings of HK$60.0 million. Our borrowings are denominated in Hong Kong dollars, Japanese Yen, Euros and U.S. dollars. The following table sets forth our borrowings and amounts due to such parties as at the dates indicated:

	As at 30 April			As at 31 July
	2011	2012	2013	2013
	(HK$ thousands)			
Current				
Finance lease liabilities	382	115	–	–
Bank loans				
Mortgage loans(1)	5,399	4,315	3,221	2,945
Trust receipt loans, secured(1)	47,868	46,368	59,648	57,019
Bank overdrafts, secured(2)	158	179	82	92
	53,807	50,977	62,951	60,056
Non-current				
Finance lease liabilities	827	176	–	–
Total	54,634	51,153	62,951	60,056

(1) Our secured bank and trust receipt loans contain a repayment on demand clause which gives the relevant lender(s) the unconditional right to demand repayment at any time.

(2) Our bank overdrafts are secured overdraft facilities allowing us to withdraw in excess of the amount in deposit, up to a specified limit, and are repayable with interest.

As at 31 July 2013, our borrowings comprised finance leases, bank loans (comprising mortgage loans and trust receipt loans) and bank overdrafts. Our borrowings are secured by our leasehold land and buildings, pledged bank deposits, other financial assets and corporate guarantees provided by certain subsidiaries. The mortgage loans formerly secured by our leasehold land and buildings will be converted to term loans secured by a corporate guarantee by the Company upon Listing as we sold the property which formerly secured these loans. We do not have any unsecured borrowings.

We have entered into loan facility agreements through certain of our subsidiaries with Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and DBS Bank (Hong Kong) Limited, under which an aggregate of approximately HK$145 million was available for drawdown as at 31 July 2013. These loan agreements provide us with various facilities secured by corporate guarantees and cross guarantees of certain of our subsidiaries. Amounts outstanding under these facilities typically bear interest at HIBOR, LIBOR, SIBOR or a Standard Bills Rate provided by the lender as adjusted by a fixed margin. We are subject to certain standard covenants and restrictions and customary events of default under the terms of these agreements. During the Track Record Period, we have not had difficulty obtaining bank loans to finance our operations.

During the Track Record Period, we have been and currently are, in compliance with all of the covenants under all of our bank borrowings.

As of the Latest Practicable Date, save as disclosed in this prospectus, we did not have any other outstanding mortgages, charges, debt securities or other similar indebtedness, loan capital, bank borrowings, overdrafts, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, contingent liabilities or guarantees.

We utilise trust receipt loans for our inventory purchases. Trust receipt loans provide us with financing to settle payment for goods imported under letters of credit. Our banks, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, the Hongkong and Shanghai Banking Corporation Limited and DBS Bank (Hong Kong) Limited, provide us with trust receipt loan facilities of up to 120 days. Compared to bank loans, trust receipt loans typically provide us with more flexible repayment terms and more favourable interest rates. In addition, because they are secured by our inventory purchases, we generally are not required to provide additional security.

Finance Lease

We had finance lease liabilities of HK$0 as at 30 April 2013. We made early repayments of our finance lease liabilities in the financial year ended 30 April 2012. Previously, under the terms of our finance leases, the leased assets reverted to the lessor in the event of our default.

The following table sets forth information regarding our finance lease liabilities as at the dates indicated. For more information, see Note 28(a) to the Accountant's Report in Appendix I of this prospectus.

	Minimum lease payments		
	As at 30 April		
	2011	**2012**	**2013**
		(HK$ thousands)	
Present Value of Finance Lease Liabilities			
No later than 1 year	382	115	–
Later than 1 year and no later than 5 years	827	176	–
Present value of finance lease liabilities	1,209	291	–

The following table sets forth information regarding our secured bank loans as at the dates indicated:

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
Bank Loans(1)			
Within 1 year	48,953	47,462	60,753
Beyond 1 year	4,314	3,221	2,116
Total	53,267	50,683	62,869

(1) These bank loans include our mortgage loans and trust receipt loans

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise additions in property, plant and equipment. Our capital expenditures for the financial years ended 30 April 2011, 2012 and 2013 were HK$15.7 million, HK$33.6 million and HK$41.4 million, respectively. The increase in our capital expenditures primarily reflected additions in leasehold improvements and furniture, fixtures and equipment as we expanded our operations.

The following table sets forth our capital expenditures by region for the years indicated:

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Hong Kong	15,743	27,883	26,987
Singapore	–	2,225	7,965
West Malaysia	–	3,473	5,231
The PRC	–	47	1,260
Macau	–	–	–
	15,743	33,628	41,443

The following table sets forth our estimated capital expenditures for carrying out our planned expansion for the years indicated:

	Financial year ending 30 April		
	2014	2015	2016
		(HK$ thousands)	
New store openings[1]	21,200	33,600	40,582
Hong Kong	4,000	6,300	6,615
Singapore	7,200	8,400	14,112
West Malaysia	6,000	12,600	13,240
PRC	2,000	4,200	4,410
Macau	2,000	2,100	2,205
Ongoing renovations of existing stores	14,612	15,756	17,056
Improvements to logistics and warehouses	10,000	20,000	70,000
Total	45,812	69,356	127,638

(1) Renovation costs generally account for a significant portion of our capital expenditures for new store openings, and the remainder comprises the cost of purchasing shelves and other equipment such as POS and other information technology systems required to operate our stores. Capital expenditures do not include rental expenses or costs of inventories.

From 30 April 2013 to the Latest Practicable Date, we had incurred approximately HK$2.6 million in capital expenditures for the renovation of existing stores and HK$4.5 million in capital expenditures for the opening of new stores in Hong Kong and Singapore. We had not yet incurred any capital expenditures for our planned additions of warehouses in Hong Kong and Guangzhou.

These capital expenditures will be financed by cash generated from our operations, proceeds from the Global Offering and bank borrowings. We may also issue equity securities from time to time. However, we cannot assure you that we will be able to raise additional capital, if necessary on terms acceptable to us, or at all.

Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change of circumstances and the actual amount of expenditures set out above may vary from the estimated amount of expenditures due to market conditions, competition and other factors. As we continue to expand, we may also incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions, conditions in the debt and equity capital markets, industry conditions and investors' perceptions of our Company.

OPERATING LEASES

We have operating lease commitments of minimum lease payments due from us as lessee of properties under operating leases in respect of our office premises, retail stores and warehouses. We are due minimum lease payments from our lessees under operating leases in respect of the sub-lease of certain spaces in our retail stores.

For more information, see Notes 31(a) and 31(b) to the Accountant's Report in Appendix I to this prospectus.

CONTINGENT LIABILITIES

Our contingent liabilities comprise guarantees given by our bankers to our landlords and utility providers and counter-guaranteed by corporate guarantees and pledged deposits of certain of our subsidiaries. Our banks had given guarantees in lieu of deposits of approximately HK$8.4 million, HK$8.0 million and HK$10.2 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, to our landlords and utility providers.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, other than disclosed in this prospectus and the Accountant's Report in Appendix I, we had no material off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates or for the years indicated:

	As at and for the financial year ended 30 April		
	2011	**2012**	**2013**
Revenue growth	7.5%	19.0%	23.7%
Net profit growth	16.0%	38.6%	19.2%
Gross margin(1)	42.4%	44.5%	46.1%
Net profit margin before interest & tax	7.5%	8.7%	8.6%
Net margin(2)	6.1%	7.1%	6.9%
Return on equity(3)	57.5%	55.2%	44.7%
Return on assets(4)	19.7%	22.4%	21.3%
Current ratio(5)	1.3	1.2	1.5
Quick ratio(6)	0.7	0.6	0.7
Inventory turnover(7)	74.9	77.4	85.6
Trade receivable turnover(8)	1.2	1.1	0.7
Trade payable turnover(9)	64.5	62.1	54.1
Gearing ratio(10)	0.4	0.3	0.2
Debt to equity ratio(11)	0	0	0
Interest coverage ratio(12)	63.8	82.1	92.2

(1) Gross margin is calculated by dividing gross profit by revenue in the same year.

(2) Net margin is calculated by dividing profit for the year after tax by revenue in the same year.

(3) Return on equity is calculated by dividing profit for the year by average total equity and multiplying the result by 100%.

(4) Return on assets is calculated by dividing profit for the year by average total assets and multiplying the result by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities.

(6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(7) Inventory turnover is calculated by dividing average inventories by cost of sales for the same year and multiplying the result by 365 days.

(8) Trade receivable turnover is calculated by dividing average trade receivables by revenue for the same year and multiplying the result by 365 days.

(9) Trade payable turnover is calculated by dividing average trade payables by cost of sales for the same year and multiplying the result by 365 days.

(10) Gearing ratio is calculated by dividing total debt by total equity.

(11) Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is equal to total debt subtracted by cash and cash equivalents.

(12) Interest coverage ratio dividing profit for the year before interest and tax by finance costs.

Gross Margin

Our gross margin was 42.4%, 44.5% and 46.1% for the financial years ended 30 April 2011, 2012 and 2013, respectively, which primarily reflected increases in our profit due to our strategy of replacing Hong Kong sourced products with internationally sourced products and our private label products, which have higher margins, as well as our comparable store sales growth and ability to control costs.

Net Margin

Our net margin was 6.1%, 7.1% and 6.9% for the financial years ended 30 April 2011, 2012 and 2013, respectively, which primarily reflected increases in our profit due to our strategy of replacing Hong Kong sourced products with internationally sourced products and our private label products, which have higher margins.

Return on Equity

Our return on equity was 57.5%, 55.2% and 44.7% for the financial years ended 30 April 2011, 2012 and 2013, respectively. Our return on equity is calculated using the Group's profit for the year, which reflects the deduction of income tax expense, finance costs, administrative and other operating expenses, depreciation and amortisation and distribution and advertising expenses from gross profit. Return on equity measures the Group's performance and efficiency of capital invested while payback period refers to the time a store takes to recover the accumulated operating expenses before tax and depreciation and its capital expenditures. Accordingly, return on equity has taken into account additional expenses at the Group-level that are not applicable to our store-level operations, and therefore is intended to present a different analysis than our calculations of payback at the store level. See "– Factors Affecting Our Results of Operations – Number of Stores in Operation" for information on the calculation of our payback period.

Return on Assets

Our return on assets was 19.7%, 22.4% and 21.3% for the financial years ended 30 April 2011, 2012 and 2013, respectively.

Current Ratio

Our current ratio was 1.3, 1.2 and 1.5 as at 30 April 2011, 2012 and 2013, respectively.

Quick Ratio

Our quick ratio was 0.7, 0.6 and 0.7 as at 30 April 2011, 2012 and 2013, respectively. This decrease reflected the increase in inventories from 30 April 2011 to 30 April 2013.

Inventory Turnover

Our inventory turnover days were 74.9, 77.4 and 85.6 for the financial years ended 30 April 2011, 2012 and 2013, respectively.

Trade Receivable Turnover

Our trade receivable turnover days were 1.2, 1.1 and 0.7 for the financial years ended 30 April 2011, 2012 and 2013, respectively, as the vast majority of our store sales are made on a cash basis.

Trade Payable Turnover

Our trade payable turnover days were 64.5, 62.1 and 54.1 for the financial years ended 30 April 2011, 2012 and 2013, respectively, which reflected our 30–90 day credit periods from our suppliers.

Gearing Ratio

Our gearing ratio was 0.4, 0.3 and 0.2 as at 30 April 2011, 2012 and 2013, respectively.

Debt to Equity Ratio

We had net cash as at each of 30 April 2011, 2012 and 2013, therefore our debt to equity ratio was 0.

Interest Coverage Ratio

Our interest coverage ratio was 63.8, 82.1 and 92.2 as at 30 April 2011, 2012 and 2013, respectively, reflecting debt financing obtained to fund our overseas expansion.

INFLATION RISK

Inflation has not materially affected our results of operations. According to the Census and Statistics Department, the Consumer Price Index in Hong Kong increased by 4.1% in 2012. According to the Singapore Department of Statistics, inflation in Singapore was 4.6% in 2012. According to the Bank of Negara Malaysia, inflation in Malaysia was 1.6% in 2012. According to the China Statistics Yearbook 2012, the Consumer Price Index in the PRC increased by 5.4% in 2011. According to the Statistics and Census Service of the Macau Government, inflation in Macau was 6.1% in 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our Group mainly operates in Hong Kong, Singapore, West Malaysia, the PRC and Macau, and we are exposed to foreign currency exchange fluctuations arising in the normal course of our business, primarily with respect to United States dollars, Renminbi and Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments in foreign operations are in foreign currencies.

Our management has a policy of requiring group companies to manage their foreign exchange risks against their respective functional currencies. This mainly includes managing the exposures arising from sales and purchases made by relevant group companies in currencies other than their own functional currencies. As we expand our operations in Singapore, West Malaysia, the PRC and Macau, we will have increased exposure to sales and purchases made by our group companies in currencies other than the functional currencies of those countries in which they operate. Our Group also manages our foreign exchange risk by performing regular reviews of our net foreign exchange exposure. We have not used any hedging arrangements to hedge our foreign risk exposure.

Credit Risk

Credit risk includes risks resulting from counter party default and risks of concentration. Our Group has no significant credit risk as our retail sales, which represent the significant majority of our sales, are settled immediately at the point of sale by cash or by credit card. In respect of trade receivables, our Directors are of the opinion that the credit risk is low as most sales are made to our business partners operating our licenced stores and export customers with no history of default and with whom we have long business relationships.

We have policies in place for the control and monitoring of relevant credit risks. These credit evaluations focus on the counterparty's past history of making payments when due and current ability to pay, and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates.

The credit risks on rental deposits are considered low as they can be recovered by offsetting against the rental payments.

Our credit risk on cash and cash equivalents is limited because our counterparties are reputable and creditworthy banks.

Liquidity Risk

We exercise prudent liquidity risk management by maintaining sufficient cash and bank balances for managing our short and medium-term funding and liquidity management requirements. Our Group's liquidity risk is further mitigated through the availability of financing through our own cash resources and the availability of banking facilities to meet our financial commitments. In the opinion of our Directors, we do not have any significant liquidity risk.

Interest Rate Risk

Other than the bank balances and borrowings which carry interest at prevailing market interest rates, we have no other significant interest-bearing assets or liabilities. Therefore, our interest rate risk mainly arises from interest-bearing bank deposits and borrowings.

However, our interest income and expenses derived from these bank deposits and borrowings are relatively insignificant to the Group's operations. Therefore, our income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, our Directors are of the opinion that we do not have significant cash flow and fair value interest rate risk.

LISTING EXPENSES

During the financial year ended 30 April 2013, we incurred approximately HK$8.7 million Listing expenses for the Global Offering and, approximately HK$2.7 million was capitalised as deferred expenses, which is expected to be charged against equity upon successful Listing. We expect to incur an additional amount of approximately HK$17.1 million (excluding underwriting commission) from 1 May 2013 until completion of the Global Offering, out of which approximately HK$11.0 million will be recognised in the statement of comprehensive income for the financial year ending 30 April 2014 and approximately HK$6.1 million will be deducted from the Group's equity.

DIVIDENDS AND DIVIDEND POLICY

Dividends

During the Track Record Period, Matusadona, declared and paid interim dividends of HK$10.0 million, HK$60.0 million and HK$0 during the financial years ended 30 April 2011, 2012 and 2013, respectively. Matusadona also declared interim dividends for the financial year ended 30 April 2010 in the amount of HK$14.0 million, which was paid by three instalments of HK$4.5 million, HK$4.5 million and HK$5.0 million during the financial years ended 30 April 2011, 2012 and 2013, respectively.

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

Dividend Policy

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

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted net tangible assets and is based on the audited combined net assets attributable to equity owners of our Company as at 30 April 2013 as shown in the Accountant's Report in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma statement of adjusted net tangible assets has been prepared to show the effect of the Global Offering as if it had taken place on 30 April 2013. The statement has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position as at 30 April 2013 or at any future dates following the Global Offering.

	Audited combined net tangible assets of the Group attributable to equity holders of our Company as at 30 April 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
		(HK$ thousands)		
Based on an Offer Price of HK$2.22 per Share	232,228	367,858	600,086	0.83
Based on an Offer Price of HK$2.81 per Share	232,228	470,872	703,100	0.98

For more information on the calculation and basis for this information, see Appendix II to this prospectus.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to the Group, cash generated through operations, the available banking facilities, the estimated net proceeds of the Global Offering and our bank balances and cash on hand, our Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

As at the 31 July 2013, we had HK$145.0 million available for drawdown under our banking facilities described in "— Indebtedness", of which approximately HK$88.0 million was not utilised, and cash and cash equivalents of HK$122.2 million.

DISTRIBUTABLE RESERVES

As at 30 April 2013, no reserves were available for distribution to our owners.

NO MATERIAL ADVERSE CHANGE

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

SUBSEQUENT EVENTS

In order to realise the capital gain on a property owned by the Group, a member of our Group, JHC (International), entered into a provisional sale and purchase agreement on 20 February 2013 to dispose of an office premises located at 20th Floor, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, to Hugo Grand Limited, a company wholly-owned by Ms. Ngai, for the consideration of HK$60 million. The consideration amount was determined with reference to various factors, including a valuation of the office premises conducted by an independent valuer. Our Directors are of the view that the disposal of the premises was conducted on an arm's length basis and on normal commercial terms. As at 30 April 2013, a total sum of HK$6 million (representing 10% of the consideration) had been paid by Hugo Grand Limited to JHC (International), and the remaining balance of HK$54 million had been paid on 31 July 2013 upon completion of the disposal of the premises.

Because this transaction was not yet completed during the financial year ended 30 April 2013, no gain or loss was recognised during that financial year. We expect to recognise a gain of approximately HK$46.3 million during the financial year ending 30 April 2014.

Subsequently, our Group rented such office premises from Hugo Grand Limited pursuant to a tenancy agreement dated 27 August 2013 which will constitute a continuing connected transaction of the Company upon Listing. For more information, see "Connected Transactions."

In April 2013, we acquired the entire equity interest of JHC (Macau) from our Controlling Shareholders, Mr. Lau and Ms. Ngai, for the consideration of HK$8.0 million. For more information, see Note 33(e) to the Accountant's Report in Appendix I to this prospectus.

In May 2013, our Singapore joint venture partner invested, and became one of our joint venture partners, in JHC (Malaysia). As a result of this investment, our percentage holding in the issued share capital of JHC (Malaysia) through JHC (Management) was reduced from 97.5% to 58.25%, although JHC (Malaysia) remains a subsidiary of our Group.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as disclosed in this prospectus, we confirm that as at the Latest Practicable Date, we were not aware of any circumstance that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.