

King's Flair International
(Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability

Share Offer

Stock Code: 6822

Sole Sponsor

 建勤環球金融服務有限公司
Baron Global Financial Services Limited

Joint Bookrunners and Joint Lead Managers

 平安證券有限公司
Ping An Securities Limited

 **Quam** 華富嘉洛
Securities & Futures 證券期貨

 南華證券投資有限公司
South China Securities Limited

IMPORTANT

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



King's Flair International (Holdings) Limited 科勁國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	175,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	:	157,500,000 Shares (subject to re-allocation and the Over-allotment Option)
Number of Public Offer Shares	:	17,500,000 Shares (subject to re-allocation)
Maximum Offer Price	:	HK\$1.48 per Offer Share (payable in full on application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK\$0.01 per Share
Stock code	:	6822

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



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

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

The Offer Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on or before Thursday, 8 January 2015 or such later date as may be agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company. The Offer Price will be not be more than HK\$1.48 per Offer Share and is currently expected to be not less than HK\$1.08 per Offer Share unless otherwise announced. Investors applying for the Offer Shares must pay, on application, the indicative maximum Offer Price of HK\$1.48 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is finally determined to be lower than HK\$1.48 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters), with the Company's consent, may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and Ming Pao Daily News and Hong Kong Economic Journal (in Chinese), and on the Company's website at www.kingsflair.com.hk and the Stock Exchange's website at www.hkexnews.hk, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on or before Wednesday, 14 January 2015, the Share Offer will not proceed and will lapse.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise at or prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the shares first commence on the Stock Exchange (such first dealing date is currently expected to be Friday, 16 January 2015). Further details of the terms of the termination provisions are set out in the sub-paragraph headed "Grounds for termination" in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and Ming Pao Daily News and Hong Kong Economic Journal (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and our website at www.kingsflair.com.hk if there is any change in the following expected timetable of the Public Offer.

Date ⁽¹⁾

<p>Latest time to complete electronic applications under HK eIPO WHITE Form service through the designated website www.hkeipo.hk ^{(2), (3), (4)}</p>	<p>11:30 a.m. on Wednesday, 7 January 2015</p>
<p>Application Lists open ⁽²⁾</p>	<p>11:45 a.m. on Wednesday, 7 January 2015</p>
<p>Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾</p>	<p>12:00 noon on Wednesday, 7 January 2015</p>
<p>Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfers or PPS payment transfer(s)</p>	<p>12:00 noon on Wednesday, 7 January 2015</p>
<p>Application Lists close ⁽²⁾</p>	<p>12:00 noon on Wednesday, 7 January 2015</p>
<p>Expected Price Determination Date ⁽⁶⁾</p>	<p>Thursday, 8 January 2015</p>
<p>Announcement of the Offer Price and the indication of the level of interest under the Placing, the level of applications under the Public Offer and the basis of allotment of the Public Offer Shares to be published in the South China Morning Post (in English), Ming Pao Daily News (in Chinese), Hong Kong Economic Journal (in Chinese), our website at www.kingsflair.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before</p>	<p>Thursday, 15 January 2015</p>
<p>Results of allocations in the Public Offer (with successful applications' identification document numbers, where appropriate) will be available through a variety of channels as described in the paragraph headed "Publication of Results" in the section headed "How to apply for Public Offer Shares", in this prospectus from</p>	<p>Thursday, 15 January 2015</p>

EXPECTED TIMETABLE

Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before (note 7) Thursday, 15 January 2015

Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before (note 7) Thursday, 15 January 2015

Dealings in Shares on the Stock Exchange expected to commence on Friday, 16 January 2015

Notes:

- (1) All times refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 January 2015, the Application Lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening and closing of the Application Lists of the Share Offer” in the section headed “How to apply for Public Offer Shares” in this prospectus.
- (3) Applicants will not be permitted to submit applications through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted applications and obtained a payment reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application list close.
- (4) Applicants who apply for Public Offer through the HK eIPO White Form service should refer to section headed “How to apply for Public Offer Shares” in this prospectus.
- (5) Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed “Applying by giving Electronic Application Instructions to HKSCC via CCASS” in the section headed “How to apply for Public Offer Shares” in this prospectus.
- (6) The Price Determination Date is expected to be on or before Thursday, 8 January 2015. If, for any reason, the Offer Price is not agreed on or before 14 January 2015, the Share Offer will not proceed.
- (7) Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 January 2015. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for the **WHITE** Application Form applicants.

EXPECTED TIMETABLE

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed “Refund of your money” in the relevant Application Forms.

Share certificates for the Offer Shares will become valid certificates of title only at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the sub-paragraph headed “Grounds for termination” in the paragraph headed “Underwriting arrangements and expenses” in the section headed “Underwriting” in this prospectus has not been exercised in accordance with their respective terms.

For details of the structure of the Share Offer, including its conditions, you should refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates, or any other person or party involved in the Share Offer.

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SUMMARY

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

OVERVIEW

We are a provider of kitchenware products with headquarters in Hong Kong for more than 20 years. We are principally engaged in designing, developing and supplying an extensive assortment of kitchenware products, including but not limited to tools & gadgets, drinkware, bakeware and accessories, food preparation products and storage and accessories mainly for international kitchenware brandowner customers in North America, Europe and Asia who sell products under their own brand names and distribution networks. We also sell kitchenware products to retailers and on-line channels in China.

We have continually enjoyed growth in revenue and net profit. During the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we generated revenue of HK\$968.5 million, HK\$1,077.4 million, HK\$1,236.3 million and HK\$624.7 million, respectively, representing an annual growth of 13.0% over 2011 to 2013. For the same period, we generated net profit of HK\$45.4 million, HK\$68.2 million, HK\$78.3 million and HK\$41.9 million, respectively, representing an annual growth of 31.3% over 2011 to 2013.

North America is the largest market for our business and 88.9%, 87.3%, 90.2% and 87.3% of our revenue was derived from the sale of products shipped to customers with headquarters in North America for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively.

COMPETITIVE STRENGTHS

Our Directors believe that we have the following major strengths:

- We have well established long-standing relationships with several international kitchenware brandowner customers who possess recognised brand names;
- We possess strong and established product design, development and engineering capabilities;
- We have an established reputation for quality, consistency and reliability;
- We maintain strict compliance to standards in relation to food contact substance; and
- We retain an experienced and professional management team with an entrepreneurial spirit and a proven track record.

BUSINESS STRATEGIES

We intend to further enhance our presence and market share in the global kitchenware industry and fortify our competitive strengths. To achieve these goals, we will adopt the following strategies:

- Broaden our existing customer base and expand into new markets;

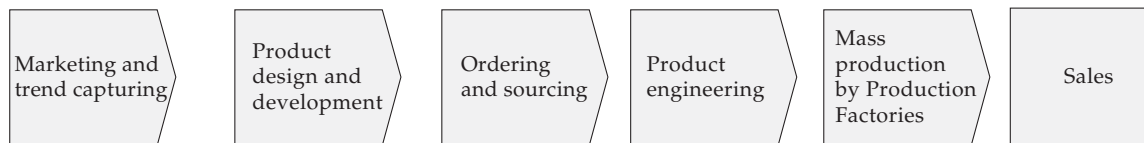
SUMMARY

- Enhance design, development and engineering capabilities;
- Expand our retail networks and e-commerce in China; and
- Selectively pursue acquisition and strategic alliance opportunities.

BUSINESS

Business model

The following chart briefly illustrates our business model:



We carry out market researches to keep abreast of the kitchenware market trends and developments and changes in end-user preferences. Our product design and development team then collaborates with customers on product designs or designs products on our own and customises such products to cater to the needs of our customers. Upon receipt of orders, we source, compare and select potential production factories based on cost analysis, technology competency, quality assurance and other factors. Our production engineering team then provides technical advice on the production engineering and mould casting. During mass production, we enforce quality control and production control to ensure the products are manufactured with a consistent, reliable and high quality standard. The final products are then sold to brandowner customers who in turn sell under their distribution channels mainly in North America, Europe and Asia.

Customers

Our marketing strategies have been to continue to focus on international brandowner customers who possess recognised brand names. We received orders from over 80 customers in the financial year ended 31 December 2013. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our aggregate sales to our five largest customers accounted for approximately 84.1%, 80.5%, 83.3% and 81.8% of our revenue, respectively. As at 30 June 2014, our business relationships with our top five largest customers for the financial year ended 31 December 2013 ranged from 10 to over 20 years.

Winlot Group

Winlot Group is one of our top five largest customers for the financial years ended 31 December 2011, 2012 and 2013, which contributed revenue to our Group in the amounts of HK\$187.5 million, HK\$176.0 million and HK\$178.1 million respectively. Winlot Group is principally engaged in trading of kitchenware products and is wholly owned by Ms. May Cheng, who is the sister of Ms. Rebecca Cheng, a Controlling Shareholder, and therefore sister-in-law to Mr. Wong, executive Director and Controlling Shareholder of the Company. By virtue of Ms. Cheng's shareholding interest in Winlot, Winlot would be a connected person of our Company but we have ceased all connected transactions with Winlot Group since 31 December 2013 and our transactions with Wonder Household are not considered connected transactions as a result of Wonder Household becoming a subsidiary of our Group due to the Acquisition. For detailed background of Winlot Group, please refer to section headed "Relationship with the Controlling Shareholders" of this prospectus.

SUMMARY

Suppliers

We outsource our entire manufacturing function to production factories in the PRC. During the Track Record Period, we outsourced our production process to more than 200 production factories. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our five largest outsourced production factories accounted for approximately 51.3%, 55.1%, 52.1% and 49.7% of our cost of purchases, respectively. As at 30 June 2014, our business relationship with our top five largest outsourced production factories for the financial year ended 31 December 2013 ranged from 8 to over 20 years.

To maintain high quality, cost effectiveness and the stability of raw materials supply, we procure certain raw materials used in the production of kitchenware products on behalf of the production factories. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total amount of raw material purchased on behalf of the production factories by us from raw material suppliers was approximately HK\$124.6 million, HK\$61.0 million, HK\$66.8 million and HK\$37.9 million respectively.

Products

The products we supply can be broadly classified into five major categories: tools and gadgets, drinkwares, bakewares and accessories, food preparation products, and storage and accessories. Based on our own internal records, the sales breakdown by product category during the Track Record Period is as follows:

Product category	Sales % for the financial year ended 31 December						Sales % for the six months ended 30 June	
	2011		2012		2013		2014	
	<i>(HK\$/000, except %)</i>							
Tools and gadgets	307,570	32%	302,963	28%	347,610	28%	155,289	25%
Drinkwares	321,268	33%	411,548	38%	487,844	39%	303,890	49%
Bakewares and accessories	196,408	20%	180,871	17%	174,790	14%	76,273	12%
Food preparation products	44,271	5%	34,021	3%	46,498	4%	17,128	3%
Storage and accessories	62,422	6%	104,483	10%	145,091	12%	59,695	9%
Others	36,566	4%	43,465	4%	34,451	3%	12,440	2%
	<u>968,505</u>		<u>1,077,351</u>		<u>1,236,284</u>		<u>624,715</u>	

Retail Business

In November 2011, we launched our first flagship store in China. As at 30 June 2014, we had one self-operated flagship store, located in Beijing, and we have online sales channels and agreements with 13 retailers for retailing our kitchenware products in over 60 sales points in Beijing, Shanghai, Tianjin, Xi'an and other PRC cities. We are authorised to distribute, sell and market kitchenware and houseware products in the PRC, but we do not own any of those brand names or trademarks.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth selected financial information for the period indicated. Please refer to the accountants' report included in Appendix I to this prospectus for further details.

SUMMARY

Summary of the combined statements of comprehensive income

	For the year ended 31 December			For the six months ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
Revenue	968,505	1,077,351	1,236,284	505,466	624,715
Cost of sales	<u>(844,675)</u>	<u>(917,307)</u>	<u>(1,048,295)</u>	<u>(428,842)</u>	<u>(520,228)</u>
Gross profit	123,830	160,044	187,989	76,624	104,487
Other income and gains, net	4,538	5,321	10,965	8,695	5,213
Distribution expenses	(14,758)	(18,418)	(23,403)	(10,903)	(11,001)
Administrative expenses	<u>(47,321)</u>	<u>(62,402)</u>	<u>(84,900)</u>	<u>(39,205)</u>	<u>(48,249)</u>
Operating profit	66,289	84,545	90,651	35,211	50,450
Gain on bargain purchase	—	—	6,300	—	—
Finance costs	(991)	(782)	(468)	(215)	(172)
Share of results of associates	<u>10</u>	<u>(38)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before income tax	65,308	83,725	96,483	34,996	50,278
Income tax expenses	<u>(19,860)</u>	<u>(15,517)</u>	<u>(18,150)</u>	<u>(7,909)</u>	<u>(8,409)</u>
Profit for the year/period	<u><u>45,448</u></u>	<u><u>68,208</u></u>	<u><u>78,333</u></u>	<u><u>27,087</u></u>	<u><u>41,869</u></u>

Summary of the combined statements of financial position

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current assets	<u>38,003</u>	<u>35,887</u>	<u>61,451</u>	<u>58,429</u>
Current assets	<u>324,350</u>	<u>337,511</u>	<u>397,049</u>	<u>424,187</u>
Total assets	<u>362,353</u>	<u>373,398</u>	<u>458,500</u>	<u>482,616</u>
Current liabilities	<u>204,967</u>	<u>185,392</u>	<u>238,134</u>	<u>274,462</u>
Net current assets	<u>119,383</u>	<u>152,119</u>	<u>158,915</u>	<u>149,725</u>
Non-current liabilities	<u>4,384</u>	<u>4,240</u>	<u>22,535</u>	<u>22,777</u>
Total equity	<u><u>153,002</u></u>	<u><u>183,766</u></u>	<u><u>197,831</u></u>	<u><u>185,377</u></u>

SUMMARY

Summary of the combined statements of cash flow

	For the year ended 31 December			For the six months ended 30 June 2014
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Operating cash flows before working capital changes	72,432	85,166	94,543	54,903
Net cash inflow from operating activities	31,745	142,769	70,599	20,988
Net cash inflow/(outflow) from investing activities	2,325	5,743	(15,677)	(11,187)
Net cash (outflow)/inflow from financing activities	(63,117)	(89,663)	(47,109)	760
Net (decrease)/increase in cash and cash equivalents	(29,047)	58,849	7,813	10,561
Cash and cash equivalents at the end of the year/period	<u>54,167</u>	<u>113,021</u>	<u>121,423</u>	<u>132,167</u>

Please refer to the paragraph headed "Summarised cash flow" in the "Financial Information" section of this prospectus for explanations of major fluctuations of our cash flow during the Track Record Period.

Key financial ratios

	For the financial year ended 31 December			For the six months ended 30 June 2014
	2011	2012	2013	2014
Trade and bills receivables turnover days	45.7	39.7	47.3	54.9
Trade and bills payables turnover days	27.8	33.2	41.6	40.9
Return on equity	29.7%	37.1%	39.6%	45.2%
Return on assets	12.5%	18.3%	17.1%	17.4%
	As at 31 December			As at 30 June 2014
	2011	2012	2013	2014
Gearing ratio	27.6%	22.8%	17.7%	15.9%
Net-debt-to-equity ratio	n/a	n/a	n/a	n/a
Current ratio	1.58x	1.82x	1.66x	1.55x
Quick ratio	1.57x	1.77x	1.62x	1.51x

The trade and bills receivables turnover days for the periods indicated over the Track Record Period were between 39.7 days to 54.9 days. As our credit terms with our customers are generally 7 to 90 days, our Directors believe that the receivables turnover days during the Track Record Period is within a reasonable range. In the financial year ended 31 December 2012, the turnover days is relatively lower at 39.7 days as our senior management put additional efforts to the collection of receivables around the year end period of 2012; while the turnover days returned to a normal level at around 47.3 days in the financial year ended 31 December 2013. The

SUMMARY

turnover days increased to 54.9 days in the six months ended 30 June 2014 due to a relatively higher level of sales incurred in May and June 2014 that increased the receivables balance as at 30 June 2014. We do not see difficulties in collecting our receivables. As at 30 June 2014, the trade and bills receivables outstanding are approximately HK\$189.6 million; as at 31 October 2014, the respective receivables that were still outstanding is approximately HK\$1.9 million which means the receivables were subsequently settled by approximately HK\$187.7 million (or approximately 99% of the outstanding trade and bills receivables as at 30 June 2014) during the four months from July to October 2014.

No material adverse change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2014, the end of the period reported in the accountants' report set out in Appendix I to this prospectus, and there has been no event since 30 June 2014 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

Acquisition of Wonder Household

On 31 December 2013, King's Flair Development, a subsidiary of our Group acquired the entire issued share capital of Wonder Household, which is the major operating subsidiary of the Winlot Group, at a consideration of HK\$19.2 million. The consideration of HK\$19.2 million was arrived at after arm's length negotiations between our Group and Ms. May Cheng with reference to the valuation of Wonder Household performed by an appraiser which is an Independent Third Party and the net profit of Wonder Household for the year ended 31 December 2013. The consideration of HK\$19.2 million represents approximately (i) 35.1% discount on the valuation of Wonder Household of approximately HK\$29.6 million; and (ii) 4.25 times price-to-earnings ratio (with reference to private companies trade sell ranging from 4 to 9 times price-to-earnings ratio) of Wonder Household's net profit for the year ended 31 December 2013 of approximately HK\$4.5 million.

As a result of the Acquisition, our Group has recognised a gain on bargain purchase of HK\$6.3 million mainly due to (i) our Group is the sole supplier to Wonder Household, thus enjoyed better bargaining power; and (ii) Wonder Household is a private company and it is difficult to identify a ready buyer. The consideration for Acquisition was fully settled by 31 March 2014 from our internal resources.

As Wonder Household is principally engaged in the trading of kitchenware products to international brandowners, which is compatible with our Group's business model, we believe that there has been no material impact on our Group's revenue model, risk profile, profit margins and liquidity as a result of the Acquisition.

RECENT DEVELOPMENTS

On 4 September 2014, Ignite USA, one of our major customers, was acquired by Newell Rubbermaid Inc. ("Newell"), a major U.S. domestic homeware company, which is also a competitor of one of our major customers ("Customer D"). Subsequent to the acquisition, our estimated sales to Ignite USA for the four months from September to December 2014 is expected to increase by 2.1% when compared with the same period in 2013. Ignite USA indicated that its estimated purchases from us for the year ending 31 December 2015 will be approximately 5% more than the level as in the year ending 31 December 2014. We confirm that up to the Latest Practicable Date, our Directors have not received any indication from Newell or Ignite USA relating to any change of existing business relationship between us and Ignite USA. Any statements about the Company's business relationship with Ignite USA should be seen in the context that they might not be reflective of the position that would apply after Ignite USA had been fully integrated into Newell. There is no assurance that Ignite USA will continue to place purchase orders with us especially after Ignite USA has been fully integrated into Newell or if the chief executive of Ignite USA leaves Newell or thereafter in the future nor that the income generated therefrom be maintained.

SUMMARY

It is expected that the sales amount to Customer D will experience a drop of approximately 20% for the year ending 31 December 2014 as compared to 2013. Such drop was mainly due to our sales to Customer D in 2013 surged 59% as compared to 2012 and such surge was mainly due to Customer D received more orders from a major warehouse wholesaler on the products that we supplied. However, such orders from the same warehouse wholesaler were reduced in 2014. Our Directors believe that such drop would not materially impact our business and financial performance as a whole. Please refer to the section "Financial Information" of this prospectus for more detail analysis of our customers.

As at the Latest Practicable Date, Customer D has continued to place purchase orders with us for deliveries in early 2015. Our Directors expected that the amount of confirmed orders from Customer D for the first quarter in 2015 will remain stable. To the best of their knowledge, our Directors considered that the change of ownership of Ignite USA would not affect our sales to Customer D and other major customers of our Group or have any material adverse impact on the Group's business operations. We confirm that up to the Latest Practicable Date, our Directors have not received any indication from our customers, including Customer D, relating to any change of existing business relationship as a result of Ignite USA's change of ownership in September 2014.

Except for disclosed above, there has been neither a material change in the industry in which we operate nor a change to our business, our business model, cost and revenue structures or our financial condition since 30 June 2014 that would materially affect the information shown in our financial statements included in the accountants' report set forth in Appendix I to this prospectus.

DIVIDEND POLICY

We declared dividends of approximately HK\$3.4 million, HK\$40.0 million, HK\$60.4 million and HK\$50.0 million for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. We declared the interim dividends of the financial year ended 31 December 2012 in November 2012 and paid them out in January 2013. We declared the interim dividends of the financial year ended 31 December 2013 in November 2013 and paid them out in July 2014. We declared the interim dividends of the financial year ending 31 December 2014 in June 2014 and paid them out in November 2014. Our Directors would review and assess the current cash flow status of our Company if it is sufficient to meet our working capital requirement before paying out the declared dividend. Prior to Listing, although there has been no defined time frame within which dividends declared were paid out, to pay out the dividends within 10 months after the declaration while our Group's cashflow has been sufficient to pay off the said dividends without affecting our operation needs. Our Directors confirm that upon Listing, our Company will observe the general market practice of listed companies for the pay out of declared dividends. As at 30 June 2014, we recorded a dividend payable of HK\$110 million; of which, HK\$60 million in relation to the amount declared in 2013 had been distributed in July 2014. The remaining HK\$50 million was distributed in November 2014. Such payment was funded from our internal resources. Any future dividend declaration and distribution by us will be at the discretion of the Board and will depend upon our financial results, Shareholders' interest, general business condition, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on the liquidity and financial position of our Company and such other factors as the Board may consider relevant.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$1.28 per Share, being the mid-point of the proposed Offer Price range, we estimate that we will receive net proceeds from the Share Offer of approximately HK\$200 million, after deducting underwriting fees and commissions and estimated expenses payable by us in relation to the Share Offer and not taking into account any exercise of the Over-allotment Option. We intend to use the net proceeds from the Share Offer on the following:

SUMMARY

Amount (HK\$ millions)	% of total estimated net proceeds	Intended use
10.0	5%	to broaden customer base, to expand penetration in existing markets and to penetrate into new markets;
44.0	22%	to enhance our product design, development and engineering capabilities;
30.0	15%	to establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand our retail sales networks and e-commerce business in the PRC;
90.0	45%	to purchase and renovate office premises;
6.0	3%	to enhance our information technology infrastructure; and
20.0	10%	for working capital and general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range or that the Over-allotment Option is exercised, the net proceeds of the Share Offer will be used based on the percentage disclosed above.

For more detail regarding the future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

OFFER STATISTICS⁽¹⁾

	Based on the Offer Price of HK\$1.08 per Share	Based on the Offer Price of HK\$1.48 per Share
Market capitalisation of the Shares ⁽²⁾	HK\$756 million	HK\$1,036 million
Historical price/earnings multiple ⁽³⁾	Approximately 9.12 times	Approximately 12.50 times
Unaudited pro forma adjusted net tangible asset value per Share ⁽⁴⁾	HK\$0.47	HK\$0.57

Notes:

- All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- The calculation of market capitalisation is based on 700,000,000 Shares expected to be in issue immediately following completion of the Share Offer, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.
- The calculation of historical price/earnings multiple is based on the earnings per Share for the year ended 31 December 2013 at the respective Offer Price of HK\$1.08 and HK\$1.48 per Share, assuming that a total of 700,000,000 Shares (including the Shares in issue as at the Latest Practicable Date, Shares to be issued under the Capitalisation Issue and the Share Offer) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.
- The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in Appendix II to this prospectus and on the basis of a total of 700,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus. Based on the property valuation as at 31 October 2014 as set forth in "Property Valuation" in Appendix IV to this prospectus, the net valuation surplus, representing the excess of market value of properties held for own use over their carrying amounts, is approximately HK\$133.7 million. Such valuation surplus has not been included in the Group's combined financial statements as at 30 June 2014 and will not be included in the Group's combined financial statements. The unaudited pro forma financial information presented above does not take into account the above valuation surplus. If the valuation surplus were to be included in the combined financial statements, an additional annual depreciation charge of approximately HK\$5.3 million would be incurred.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will be:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate percentage of issued Shares immediately after the Share Offer
First Concord	Beneficial owner	105,000,000	15%
City Concord	Beneficial owner	420,000,000	60%
Mr. Wong (<i>Notes 1 & 2</i>)	Interest of controlled corporation	525,000,000	75%
Ms. Rebecca Cheng (<i>Notes 1 & 3</i>)	Interest of controlled corporation and deemed interest of spouse	525,000,000	75%

Notes:

1. First Concord is held as to 60% by Mr. Wong and as to 40% by Ms. Rebecca Cheng. Therefore, both Mr. Wong and Ms. Rebecca Cheng are deemed to be interested in the 105,000,000 Shares held by First Concord under the SFO.
2. Mr. Wong is the beneficial owner of 100% of the issued share capital of City Concord. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord under the SFO.
3. Ms. Rebecca Cheng is the spouse of Mr. Wong and is deemed to be interested in the Shares held by City Concord.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to conducting operations in the PRC; and (iv) risks relating to the Share Offer.

Major risks we face include, among others, the following:

- We rely on several major customers;
- Change of ownership of Ignite USA, one of our largest customers;
- Our customers do not enter into long term purchase contracts;
- We rely on the North America market as revenue derived from the sale of products shipped to customers with headquarters in North America accounted for more than 80% of our revenue during the Track Record Period; and
- We rely on out-sourced production factories.

Please refer to the section headed "Risk Factors" in this prospectus for further discussions on the risk factors.

SUMMARY

BUSINESS ACTIVITIES IN RUSSIA AND EGYPT

We have had product sales in connection with Russia and Egypt, which are subject to certain international sanctions prohibiting dealing with persons or the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia. The amount of total revenue generated from sales to Russia and Egypt for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 represented approximately nil, nil, 0.05% and 0.12% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, our historical sales in Russia and Egypt during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any person or entity, including our Group's investors or the Stock Exchange. Please see the section headed "Business — Business Activities in Russia and Egypt" in this prospectus for details of our operations and business activities in those countries.

We confirm that, save as disclosed in the section headed "Business" in this prospectus, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions.

In relation to our sales to customers in Russia and Egypt during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

LISTING-RELATED EXPENSES

The estimated total listing expenses (including underwriting commissions) incurred and to be incurred in relation to the Listing aggregate to approximately HK\$37.4 million. In accordance with Hong Kong Accounting Standard 32, Financial Instruments: Presentation, expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses which do not relate to the issue of new shares are recognised in the consolidated statements of comprehensive income as incurred. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we recognised approximately nil, HK\$7.6 million, HK\$1.1 million and HK\$2.2 million of listing expenses respectively. We estimate that additional listing expenses of approximately HK\$8.8 million will be charged to our consolidated statement of comprehensive income for the six months ending 31 December 2014. The balance of approximately HK\$17.7 million (including underwriting commissions) is expected to be deducted from our share premium account upon listing. Expenses that relate jointly to the listing of Offer Shares and the existing Shares are allocated between share premium and administration expenses, calculated based on the proportion of the number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange. These listing expenses are mainly comprised of professional fees paid and payable to the Sole Sponsor, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Share Offer.

The underwriting commission is 5.8% of the aggregate Offer Price of the Offer Shares and, assuming an Offer Price of HK\$1.28 (being the mid-point of Offer Price range between HK\$1.08 per Offer Share and HK\$1.48 per Offer Share), is estimated to be approximately HK\$13.0 million (assuming that the Over-allotment Option is not being exercised).

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set forth below unless the context requires otherwise.

“Acquisition”	the acquisition of the entire issued share capital of Wonder Household by King’s Flair Development on 31 December 2013
“Aegis Global”	Aegis Global Resources (HK) Limited, a company incorporated in Hong Kong with limited liability on 24 January 2003 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE, YELLOW and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 22 December 2014, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
“Baron”	Baron Global Financial Services Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day”	any day (other than a Saturday, Sunday and public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) in Hong Kong on which banks in Hong Kong are open generally for business throughout their normal business hours
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 524,990,000 Shares to be made upon the capitalisation of certain amounts standing to the credit of the share premium account of our Company as referred to in the section headed “Resolutions of all the Shareholders passed on 22 December 2014” in Appendix VI to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEO” or “Chief Executive Officer”	chief executive officer of our Group
“Chairman”	the chairman of the Board of Directors
“City Concord”	City Concord Limited, a company incorporated in the BVI with limited liability on 10 August 2004, whose entire issued shares are wholly and beneficially owned by Mr. Wong, a Controlling Shareholder of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our”, “we” or “us”	King’s Flair International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability on 25 June 2012
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, includes, Mr. Wong, Ms. Rebecca Cheng, City Concord and First Concord
“Customs”	General Administration of Customs of the PRC (中國海關總署)
“Director(s)”	the director(s) of our Company from time to time
“Eagle Action”	Eagle Action Limited, a company incorporated in the BVI with limited liability on 10 August 2004, whose entire issued shares are wholly and beneficially owned by Mr. Wong
“EIT”	the enterprise income tax (企業所得稅) of the PRC
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) approved during the Fifth Session of the 10th National People’s Congress and became effective on 1 January 2008
“Emington”	Emington International Limited, a company incorporated in BVI with limited liability on 22 March 2007, whose entire issued shares are wholly and beneficially owned by Ms. May Cheng
“EU”	the European Union
“Euro(s)”	the lawful currency of those member states of the EU that have adopted such currency
“Executive Director”	an executive Director
“Financial Controller”	financial controller of our Group
“First Concord”	First Concord Limited, a company incorporated in the BVI with limited liability on 10 August 2004, whose issued shares are beneficially owned as to 60% by Mr. Wong and the remaining 40% by Ms. Rebecca Cheng, a Controlling Shareholder of our Company

DEFINITIONS

“GBP”	pound sterling, the lawful currency of the United Kingdom
“GDP”	gross domestic product
“Gloxis”	Gloxis Development Limited, a company incorporated in Hong Kong with limited liability on 6 November 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Group”, “our Group”, “our”, “we” or “us”	our Company and its subsidiaries and, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
“GV Holdings”	Grand Venture Holdings Limited, a company incorporated in Hong Kong with limited liability on 5 July 2011 and an indirect 50%-owned associated company of our Company upon completion of the Reorganisation
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting an application online through the designated website of HK White Form eIPO Service Provider at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

DEFINITIONS

“Homespan HK”	Homespan (HK) Limited, a company incorporated in Hong Kong with limited liability on 10 May 2002 and an indirect 51%-owned subsidiary of our Company upon completion of the Reorganisation
“Homespan UK”	Homespan (UK) Limited, a company incorporated in the United Kingdom on 3 April 2002 and an indirect 50%-owned associated company of our Company up to its disposal by our Group on 14 December 2012
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Houzehold Trend”	Houzehold Trend Limited, a company incorporated in Hong Kong with limited liability on 9 August 2000 and wholly-owned by Eagle Action from 11 April 2012 as part of the Reorganisation but subsequently disposed of by Eagle Action on 16 November 2012
“HS Code”	Harmonised Commodity Description and Coding System (HS) of tariff nomenclature, which is an internationally standardised system for classifying trade products
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards, which collective term includes standards and interpretations approved by the International Accounting Standards Board (IASB), and the IAS and interpretations issued by the International Accounting Standards Committee (IASC)
“Ignite (HK)”	Ignite Hong Kong Limited, a company incorporated in Hong Kong with limited liability on 1 March 2005, whose entire issued shares are owned as to 50% by Ignite USA and 50% by KF Group
“Ignite USA”	Ignite USA, LLC, a company incorporated in US with limited liability and an Independent Third Party
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) our Company

DEFINITIONS

“International Sanctions”	sanction-related laws and regulations in the U.S., the EU, Australia and the United Nations
“Joint Bookrunners”	Ping An Securities Limited, Quam Securities Company Limited and South China Securities Limited
“Joint Lead Managers”	Ping An Securities Limited, Quam Securities Company Limited and South China Securities Limited
“Ketao”	科陶陶瓷製品(啓東)有限公司 Ketao Pottery Products (Qidong) Co. Limited, a WFOE established in the PRC on 19 June 1996 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“KF Group”	King’s Flair (Group) Development Limited, a company incorporated in Hong Kong with limited liability on 17 January 2001 whose issued shares are beneficially owned as to 60% by First Concord and the remaining 40% by City Concord
“KF Marketing”	King’s Flair Marketing Limited, a company incorporated in the BVI with limited liability on 23 May 2012 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“King’s Flair Development”	King’s Flair Development Limited, a company incorporated in Hong Kong with limited liability on 16 December 1988 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Latest Practicable Date”	23 December 2014, being the latest practicable date for ascertaining certain information contained in this prospectus prior to its publication
“LCL”	the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) adopted at the 28th Session of Standing Committee of the 10th National People’s Congress of the PRC on 29 June 2007 and effective on 1 January 2008
“Lifetime”	Lifetime Brands Inc., a company incorporated in US with limited liability and an Independent Third Party

DEFINITIONS

“Lions Power”	Lions Power Development Limited, a company incorporated in the BVI with limited liability on 3 May 2012 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange, expected to be on or around Friday, 16 January 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“Manweal”	Manweal Development Limited, a company incorporated in Hong Kong with limited liability on 20 July 1993 and an indirect 68%-owned subsidiary of our Company upon completion of the Reorganisation
“Maximum Offer Price”	the maximum offer price under the Share Offer of HK\$1.48 per Share
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as amended from time to time
“Ministry of Finance”	Ministry of Finance of the PRC (中國財政部)
“Mr. Wong”	Mr. Wong Siu Wah, the Chairman, an Executive Director and a Controlling Shareholder, who is also the spouse of Ms. Rebecca Cheng
“Ms. May Cheng”	Ms. Cheng Kui Mei May, the younger sister of Ms. Rebecca Cheng and the sister-in-law of Mr. Wong, and therefore a connected person of our Company
“Ms. Rebecca Cheng”	Ms. Cheng Hew Hong, Rebecca, a Controlling Shareholder, who is also the spouse of Mr. Wong

DEFINITIONS

“Oera”	Oera Development Ltd., a company incorporated in BVI with limited liability on 9 March 2004, whose entire issued shares are wholly and beneficially owned by Ms. May Cheng, details of which are set out in the section headed “Relationship with the Controlling Shareholders” of this prospectus
“OFAC”	the Office of Foreign Assets Control of the U.S. Department of the Treasury
“Offer Price”	the final Hong Kong dollar price per Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy)
“Offer Shares”	the Placing Shares and the Public Offer Shares together, where relevant, with any additional Shares to be issued under any exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to issue and allot up to an aggregate of 26,250,000 additional new Shares, representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among other things, over-allocations in the Placing (if any), particular of which are summarised in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Placing”	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and private investors as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 157,500,000 new Shares initially being offered at the Offer Price for subscription under the Placing subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC Company Law”	the company law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China which, except where the context otherwise requires and for the purposes of this prospectus only, does not include Taiwan, Hong Kong and Macau
“PRC government”	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organizations of such government or, as the context requires, any of them
“PRC JV”	寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited), a company established in the PRC on 4 May 2010 and an indirect subsidiary of our Company upon completion of the Reorganisation
“PRC Legal Advisers”	Guangdong Allied Law Firm (廣東雅爾德律師事務所), the legal advisers to our Company as to the PRC laws
“PRC Social Insurance Law”	the PRC Social Insurance Law (《中華人民共和國社會保險法》) adopted at the 17th Meeting of the 11th session of the Standing Committee of the National People’s Congress on 28 October 2010 and effective as of 1 July 2011

DEFINITIONS

“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date, expected to be on or around 8 January 2015 and in any event no later than 14 January 2015, on which the Offer Price is to be fixed for the purpose of the Share Offer
“Production Factories”	the factories in the PRC to which we have outsourced the production of our products and, where relevant, the holding companies of such factories
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	17,500,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 30 December 2014 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“R&D”	research and development, which for us includes market research, concept design, and product design and development

DEFINITIONS

“Reorganisation”	the reorganisation of the business comprising our Group, as described in the paragraphs headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in this prospectus
“Reporting Accountants”	BDO Limited
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (國家工商行政管理總局)
“Sanctioned Countries”	countries which are subject to certain economic sanctions under the laws of the U.S., the EU, Australia and the United Nations
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the EU, the United Nations or Australia
“Securities and Futures Commission” or “SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
“Share Offer”	collectively, the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 22 December 2014, the principal terms of which are set out under the section headed “Statutory and General Information — Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Sponsor”	Baron

DEFINITIONS

“sq.m.”	square metres
“State”	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“State Council”	the State Council of the PRC
“Stock Borrowing Arrangement”	the stock borrowing arrangement expected to be entered into between the Joint Lead Managers and City Concord on the Price Determination Date, particulars of which are set out in the paragraphs headed “Over-allotment Option” and “Stock Borrowing Arrangement” under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs
“Track Record Period”	the three financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014
“Underwriters”	collectively, the Placing Underwriters and the Public Offer Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.” or “USA”	the United States of America, its territories, its possession and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Valuer”	LCH (Asia-Pacific) Surveyors Limited
“VAT”	the PRC Value Added Tax (中國增值稅)

DEFINITIONS

“Wealth Wise”	Wealth Wise Investments Limited, a company incorporated in the BVI with limited liability on 3 May 2012 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“WFOE”	wholly foreign-owned enterprise
“WHITE Application Form(s)”	the forms of application for Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“Winlot”	Winlot Holdings Limited, a company incorporated in the BVI with limited liability on 23 April 2012, whose entire issued shares are wholly and beneficially owned by Ms. May Cheng
“Winlot Group”	Winlot and its subsidiaries including, but not limited to, Emington and Oera, and Wonder Household up to its acquisition by King’s Flair Development on 31 December 2013
“Wonder Household”	Wonder Household Limited, a company incorporated in Hong Kong with limited liability on 4 May 2001
“World Alliance”	World Alliance Enterprises Limited, a company incorporated in Hong Kong on 21 October 1998 with limited liability and, prior to its dissolution in July 2013, an indirect 50% owned associated company of King’s Flair Development
“YELLOW Application Form(s)”	the forms of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“Youxiang”	悠享(上海)商貿有限公司 (Youxiang (Shanghai) Commercial & Trade Company Limited), a company established in the PRC on 25 October 2012 and an indirect subsidiary of our Company
“%”	per cent.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “aim”, “expect”, “believe”, “continue”, “plan”, “intend”, “project”, “anticipate”, “estimate”, “going forward”, “potential”, “predict”, “seek”, “may”, “should”, “will”, “would” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and the global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. Forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our business strategy and plans of operation
- the capital expenditure plans
- our operations and business prospects
- the dividend policy
- the regulatory environment for the kitchenware industry in general
- future developments and outlooks in the global kitchenware industry, and in particular in the USA, the European countries and the PRC

Our Directors confirm that these forward-looking statements are made after due and careful consideration. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

Potential Investors should carefully read and consider all of the information set out in this prospectus, including the risks and uncertainties described below in respect of our business and our industry, before making an investment in the Shares being offered. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business, financial condition and operating results.

Our business, financial condition or results of operations could be materially and adversely affected by any of the following risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to conducting operations in the PRC; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Reliance on several major customers

For the financial years ended 31 December, 2011, 2012 and 2013 and the six months ended 30 June 2014, our aggregated sales to the five largest customers accounted for approximately 84.1%, 80.5%, 83.3% and 81.8% of our Group's revenue respectively. The number of our customers was over 35 for each of the financial year ended 31 December 2011, 2012 and 2013. Although we will continue to endeavour to diversify and expand our customer base, we expect that our present key customers will continue to account for a relatively large percentage of our sales in the coming years. Our five largest customers for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 include Lifetime, Ignite USA, Winlot Group and Kai Corporation. Save for the Winlot Group, all our five largest customers are Independent Third Parties of our Group.

As at the Latest Practicable Date, we have sustained business relationships with Lifetime, Ignite USA and Kai Corporation for a period ranging from approximately 10 to over 20 years. There can be no assurance that any of our major customers will continue to place orders with us in the future nor that the income generated therefrom will be maintained or increase in the future. Any unexpected cessation of, or substantial reduction in, the volume of business from any of the major customers could adversely affect our business and financial performance.

Change of ownership of Ignite USA

Ignite USA, one of our largest customers, was acquired by Newell Rubbermaid Inc. ("Newell") in September 2014. Newell is a major U.S. domestic homeware company which has its own suppliers. There is no assurance that Ignite USA will continue to place purchase orders with us especially after Ignite USA has been fully integrated into Newell or if the chief executive of Ignite USA leaves Newell or thereafter in the future nor that the income generated therefrom be maintained. Any cessation of, or substantial reduction in, the volume of business from Ignite USA could adversely affect our business and financial performance.

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In addition, Newell is a competitor of Lifetime, another one of our largest customers. After the acquisition of Ignite USA by Newell, Lifetime may or may not continue to place purchase orders with us. There is no assurance that Lifetime will continue to place purchase orders with us in the future nor that the income generated therefrom be maintained. Any cessation of, or substantial reduction in, the volume of business from Lifetime could adversely affect our business and financial performance.

Industry practice where customers do not give long term purchase commitments

As an industry practice, our customers only place purchase orders with us as and when they require instead of long-term sales contracts with us. There is no assurance that the relationship between us and any customers will continue on the same or similar terms and the customers may cease to place, reduce significantly the number of, cancel or defer the purchase orders, or terminate their respective relationships with us at any time as they wish in the future. There is no assurance that any of our customers will continue to place orders with us at the same volume as they have in the past. Hence, our results of operations may vary from period to period and may fluctuate significantly from time to time, which may adversely affect our profitability, and the results of our operations and financial performance.

Reliance on the North America market

For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, North America had been our principal market as 88.9%, 87.3%, 90.2% and 87.3% of our revenue, respectively, was derived from sales to customers with headquarters in North America. Also, our operation relies on the performance of our customers. In the event of any adverse change in the political, economic or social conditions, foreign trade or monetary policies, or legal or regulatory requirements or taxation or tariff regime in the U.S., our business and financial performance may be adversely affected.

Reliance on Production Factories

During the Track Record Period and up to the Latest Practicable Date, we outsourced our entire production process to external Production Factories in the PRC. We do not own or operate any manufacturing facilities. In the event that we are unable to secure suitable production factories when required, or if the price offered by the Production Factories is not competitive, our operations and/or financial position may be adversely affected. In addition, the Production Factories may be late in completing the production and/or producing products with unsatisfactory quality. Problems with any of the Production Factories' production facilities or production could result in deteriorating quality of our products or delay in fulfilling our customers' orders. In such event, our operations and profitability would be adversely affected.

Results of operations depend on the ability to remain cost competitive

Under our pricing model, the per unit price of the products is determined by reference to the estimated raw material cost, labor cost, production overhead and the margin we will earn from the order based on negotiations with our customers. The margin that we charge varies depending on factors such as the complexity of the product, the labor and technology involved in the design or production processes, the volume of the order and our relationship with the

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customer. Our ability to continue to implement our pricing model and maintain the margins will depend on our ability to remain cost competitive, which means we will have to actively manage our cost of sales, and in particular, our cost of raw materials and costs charged by the Production Factories.

We generally negotiate and establish raw material costs as part of the estimated per unit price of a product prior to receiving purchase orders from our customers. However, we have not entered into long-term or exclusive purchase agreements with any of our customers. There is no guarantee that we will be able to continue to better manage our costs and achieve a pricing advantage. To the extent we fail to manage our costs in response to increasing costs, our margins and our cost competitiveness will be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

Potential fluctuation in the prices of raw materials

We procure certain raw materials on behalf of Production Factories to ensure quality of the products and to achieve economy of scales for raw material purchasing. Raw materials we procured mainly comprise plastics and stainless steel sheets. We have not signed any long-term supply contracts with any of our raw material suppliers. Accordingly, the fluctuation in prices of plastics or stainless steel has a material effect on our cost of sales. We did not undertake any hedging activities or any other strategy to minimise the exposure to the possible price fluctuation of the raw materials during the Track Record Period. We cannot give assurance that future price increase in raw materials or changes in the supply of raw materials will not materially and adversely affect our operation results and performance.

Unable to implement business strategies effectively

In light of the competitive environment and pricing pressures in the kitchenware industry, our ability to continue to grow our business will increasingly depend on our continuing ability to successfully implement our business strategies, including broadening existing customer base and expanding into new markets, enhancing design, development and engineering capabilities, expanding our retail networks and e-commerce in the PRC, as well as selectively pursuing acquisition and strategic alliance opportunities.

Our ability to implement our business strategies depends on, among other things, global economic conditions, our ability to continue to maintain close relationships with our key customers, the continued growth of the target market in North America, and the availability of management and financial, technical, operational and other resources, and competition. In the event we are unable to implement these strategies, each of which is subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

Failure to protect the intellectual property of customers

Our success depends on our ability to protect the intellectual property of our customers. Despite the policies and the precautions that we have taken to protect our customers' designs and other intellectual property rights that we have access to during the design, development

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and production process, we can provide no guarantee that the rights will not be misappropriated without our consent. In the event that the policies and the precautions that we have taken do not adequately safeguard our customers' intellectual property rights, our customers could cease sharing their latest designs with us and even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, results of operations and reputation.

Reliance on key executives and senior management

Our success is, to a significant extent, attributable to the management skills and experience of our Directors and senior management as well as their established relationships with our customers and Production Factories. The Executive Directors, especially Mr. Wong, and the senior management, have been contributing substantially to our development and growth and have significant influence on our daily operations. Our future development and expansion will rely on the continued dedication, skills and experience of these key personnel and other members of the senior management. There can be no assurance that these persons will continue to perform as well as they have in the past, or that we are able to retain their services. There can also be no assurance that we will be able to recruit competent people to replace them when the need arises. Should any of our senior management personnel cease to perform or remain in our Group, our business operation could be adversely affected.

Additional flagship stores and sales points

We plan to establish additional flagship stores and expand our retail network in the PRC through developing business relationships with more retailers who operate sales points. However, there is no assurance that we will be able to increase the number of flagship stores and sales points or to successfully operate, manage and generate profits from the flagship stores as planned. We might not be able to identify and secure attractive locations for new flagship stores at commercially acceptable terms, attract and retain skilled personnel, or engage quality, cost-efficient logistics service providers to support our expansion plan. In addition, the expansion of our retail network will put pressure on our managerial, financial, operational and other resources. If we are unable to effectively manage our expansion or control the rising costs associated with such expansion, our financial condition and results of operation could be materially and adversely affected.

Audit on the Production Factories carried by our customers and anti-corruption compliance requested by a customer

We outsource our entire manufacturing to the Production Factories in the PRC. The Production Factories are subject to random audits by our customers in certain areas including safety, health and labour which may increase costs to the Production Factories or restrict their operations, which may indirectly lead to an increase in the price at which the Production Factories supply products to us. The failure by the Production Factories to pass the audit of our customers could result in our loss of orders from customers or a termination of business relationship with our customers as well as damage to our reputation. In addition, as at the Latest Practicable Date, one of our customers required us to comply with its anti-bribery and anti-corruption policy as well as applicable anti-corruption laws. Although there is no expressed provision on the consequences of a breach of such anti-corruption compliance, our

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failure to comply with such could result in loss of orders from such customer or a termination of business relationship with such customer as well as damage to our reputation.

Exposure of product liability

During the Track Record Period, most of our kitchenware products were sold to overseas markets including the kitchenware markets in the North America, Europe and Asia. The kitchenware products we supplied are subject to compliance with the relevant regulatory standards including but not limited to safety controls on food contact substances. Our Directors believe that the risks of product liability claims exist as legal concepts of product liability are relatively mature in the regions where our kitchenware products are sold. We cannot give any assurance that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a successful product liability claim against us. Should there be any product liability claim taken out against us, we may incur significant costs and expenses to defend against such claims and/or making payments for damages, which could adversely affect our reputation, business, prospects, financial condition and results of our operations.

Insurance coverage may not be sufficient to cover the risks relating to our operations

We have procured insurance coverage which our Directors believe to be customarily appropriate for us to operate in the industry, but the occurrence of certain incidents such as earthquake, war and flood are not covered under our existing insurance policies and, where insurance cover is available, it may not be commercially viable to take complete cover. In addition, we may face exposure to product liability claims in the event that any of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. Losses arising therefrom may have a material adverse effect on our results of operations if such losses or payments are not adequately covered by insurance.

Credit risk

Our trading terms with our customers are primarily on credit. The credit terms are generally 7 to 90 days from invoice date. We are exposed to high possibility of credit risk as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. This may be amplified due to the concentration of our customers, the five largest of which represented approximately 84.1%, 80.5%, 83.3% and 81.8% of our revenue respectively for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. If we are forced to assume greater amounts of credit risk and we encounter problems or delays in collecting amounts due from our customers, in particular if the amounts due are owed by one or more of our large customers, our liquidity could be negatively affected.

Dividend policy

We declared dividends of approximately HK\$3.4 million, HK\$40.0 million, HK\$60.4 million and HK\$50.0 million for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. The payment of these dividends was financed by internal resources. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and

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distribution by us will be at the discretion of our Directors and will depend upon our financial results, Shareholders' interest, general business conditions, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Company and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past distribution record should not be used as a reference of the amount of dividends payable in the future.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the EU and Australia and other relevant sanctions authorities

Certain countries or organisations, including the U.S., the EU, Australia and the United Nations, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we had product sales in Russia and Egypt where certain Sanctioned Persons locate, and our revenue derived therefrom in aggregate accounted for approximately nil, nil, 0.05% and 0.12% respectively, of our revenue for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. For details of the business operations in Russia and Egypt, see the section headed "Business — Business Activities in Russia and Egypt" in this prospectus.

We undertake to the Stock Exchange that we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see the section headed "Business — Business Activities in Russia and Egypt — Our undertakings and internal control procedures".

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the EU, Australia, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the U.S., the EU, Australia or the United Nations. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., the EU, the United Nations

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or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in us, despite our commitment not to direct the proceeds from the Share Offer to dealings with sanctioned parties. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

RISKS RELATING TO THE INDUSTRY

Competitive market

We face competition from existing and new players in the kitchenware industry in Hong Kong, the PRC and other countries. To compete effectively and maintain our sales level, we may be forced to, among other actions, reduce prices, provide more sales incentives to customers and increase capital expenditures, which may in turn negatively affect our profit margins.

Our Directors are of the view that international brandowner customers have been careful in selecting their suppliers and are likely to partner with accepted and reliable suppliers and prefer to work with such suppliers on a long term basis. Our Directors believe that our success depends on our ability to compete effectively against our competitors in terms of product quality, research and development capability, customer service, pricing, timely delivery, scale and capacity, efficiency and technical know-how and advancement. There is no assurance that we will continue to compete successfully or respond rapidly to a fast changing business environment in the future, and if we fail to do so, our business, financial results of operations and prospects would be adversely affected.

Changes in consumer preference and behaviour

We are principally engaged in designing, developing and supplying kitchenware products, primarily kitchen tools and gadgets, bakeware and accessories, drinkware, food preparation products and storage and accessories, mainly to international brandowners. Our business is subject to, among other things, changes in consumer preference and behaviour. Therefore, we keep track of market trends and put emphasis on collaborating with our customers in product ideas, design and development in order to identify trends and changes in consumer preference and behaviour. In the event that we are unable to respond adequately to changes in consumer preference and behaviour, we will not be able to maintain our competitiveness and our performance may be adversely affected.

RISK FACTORS

Reliance on the consumer spending level around the world, especially in North America and Europe

Most of our customers are located in North America and Europe whilst their products are sold in local chain stores, warehouse clubs, mass market retailers, department stores and specialty stores. According to the Euromonitor Report, based on retail sales value, the U.S. and Western Europe kitchenware industry size in aggregate accounted for approximately 46.7% of the global kitchenware market in 2013. Our performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world especially in the U.S. and the European countries. According to our expansion plan, we intend to penetrate into the PRC market in view of estimated growing demand driven by the expanding urban population in the PRC. There are many factors affecting the level of consumer spending, including but not limited to, economic condition, disposable income, interest rates, currency exchange rates, inflation, political uncertainty, taxation, tariff regime, stock market performance, unemployment level, general consumer confidence, etc. In particular, a prospective increase in the U.S. interest rate or tapering by the Federal Reserve System may lead to higher costs of borrowing on corporations and individuals in the U.S. and cause a decrease on consumer spending and hence reduce import of kitchenware products. Besides, lingering effects of the European sovereign debt crisis may also have negative impact on the consumer spending level in the European countries and reduce the import of kitchenware products. Any worsening of the general economic conditions or weakness in economic recovery in the U.S. and the European countries may cause slowing down of orders from the U.S. and European customers, potential delay and/or default in payment by the customers, and cutting or reducing our banking facilities provided by financial institutions. All these potential events may have a negative impact on our future performance and profitability.

Potential changes in trade policies and legislation

Overseas sales of our products expose us to possible sales interruptions or cancellations and increased costs in the event of adverse actions by the United States or other foreign government agencies with respect to continued trade or enactment of legislation that restricts trade. Shipments to customers with headquarters in North America accounted for 88.9%, 87.3%, 90.2% and 87.3% of our revenue and those customers with headquarters in Europe accounted for 6.0%, 8.0%, 5.4% and 6.4% of our revenue in each of financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. The U.S. currently provides the PRC with normal trade relation status, allowing the PRC to receive the same tariff treatment that the U.S. extends to most of its trading partners. Notwithstanding this current policy, the U.S. government could seek to revoke the PRC's normal trade relation status or condition its renewal on factors such as the PRC's human rights record. The administration of existing U.S. trade law can also create adverse consequences for sales by us. In particular, there are certain provisions under the U.S. law that permit the U.S. government to retaliate against certain unfair foreign trading practices. The U.S. and the PRC trade relations have been contentious in the recent past, and we cannot predict whether this tension will interfere with our ability to export our products from the PRC to the U.S. in the future. Such action could further increase the costs of imported kitchenware products generally, or limit our ability to export kitchenware products to the U.S., which would materially and adversely affect our sales or profitability.

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We are also unable to predict whether other customs duties, quotas or other restrictions in the U.S., Europe or any other jurisdictions that is relevant for our business will be imposed in the future upon the exportation of our products to such regions, as a result of any of the matters discussed above, or because of similar U.S. or foreign government actions. Such actions could also result in increases in the costs of imported kitchenware products generally, or limitations on our ability to export kitchenware products to such countries or regions, which could materially and adversely affect our sales or profitability.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Economic, political and social considerations

A significant proportion of our products are manufactured in China by Production Factories and we are planning to expand our kitchenware retail networks in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social conditions and government policies in China. The economy of China differs from the economies of most developed countries in many respects, including the level of government involvement, the level of economic development, China's GDP growth rate and foreign exchange controls.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. Nevertheless, a substantial portion of productive assets in China are still owned by the PRC government. Many of the reforms are unprecedented or experimental, however, and are expected to be modified from time to time. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Moreover, we cannot assure that the policy of economic reform and the direction of reform towards market-oriented economy in China will continue in the future. A variety of policies and other measures that could be taken by the PRC Government to regulate the economy could have a negative impact on our business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. Our business, financial condition and results of operations may be adversely affected by the PRC Government's economic, political and social policies and regulations.

The PRC legal system is less developed than other countries and laws may not be interpreted or enforced in a consistent manner

The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty.

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Depending on the government agency or how an application or case is presented to such an agency, we may receive less favourable interpretations of laws and regulations than our competitors.

Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. In addition, the introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on our business, financial condition, results of operations and prospects.

The PRC Labour Contract Law

The LCL became effective on 1 January 2008. Compliance with the requirements under the LCL, in particular, the requirements of non-fixed term employment contracts and severance payment, imposes greater liabilities on employers and significantly impacts the cost of an employer's decision to reduce its workforce.

Pursuant to the provisions of LCL, PRC JV is required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

A minimum wage requirement has also been incorporated into the LCL. Liability for damages or fines may be imposed for any material breach of the LCL. If we decide to significantly change the workforce or perform major adjustments in human resources management policies, the LCL could adversely affect our ability to enact such changes or adjustments in a timely and cost effective manner, thus our operating results could be adversely affected.

Foreign exchange rate fluctuations

The exchange rates between Renminbi and Hong Kong dollars, the U.S. dollars and the Euro and other foreign currencies are subjected to changes in the PRC Government's policies and international political and economic conditions. On 21 July 2005, the PRC Government reformed the exchange rate regime by moving into a managed floating exchange regime based on market demand and supply with reference to a basket of currencies, determined by the PBOC. This change in policy has resulted in the value of the Renminbi appreciating against the U.S. dollars significantly. For the period from January 2011 to June 2014, the Renminbi appreciated against the U.S. dollars from approximately RMB6.5910 to US\$1.00 to

RISK FACTORS

approximately RMB6.2043 to US\$1.00. There remains significant pressure from foreign countries on the PRC Government to adopt a more flexible currency policy, which could result in a more significant appreciation of the Renminbi against the U.S. dollars and other foreign currency. The Renminbi may be revalued further against the U.S. dollars or other foreign currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi.

We derive a substantial part of revenue from the United States in U.S. dollars and incurs a substantial part of cost in Renminbi and Hong Kong dollar. If there is any fluctuation in Renminbi and/or the U.S. dollars, these fluctuations may result in exchange losses or gains or increases or reductions in our revenue, receivables, cost and payables after translation into Hong Kong dollar. Besides, the appreciation of Renminbi may lead to increase of our cost of goods sold, which may in turn affect our competitiveness against overseas competitors. To the extent that we need to convert the proceeds of the Share Offer and future financing into Renminbi for our PRC operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the purchasing power of the Renminbi amount we would receive from the conversion.

Restriction on foreign exchange

The PRC Government regulates the conversion between Renminbi and foreign currencies. Over the years, the government has significantly reduced its control over routine foreign exchange transactions under current account, including trade and service-related foreign exchange transactions and payment of dividends. However, strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE or its branches, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions. It is expected that PRC JV will purchase housewares products from overseas suppliers for which it is required to pay in foreign currencies. Besides, it is expected that PRC JV may pay dividends in foreign currencies by complying with certain procedural requirements. Any tightening of such restriction may adversely affect the performance of our operations. Shortages in foreign currency may restrict the ability of PRC JV to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy our foreign currency-denominated obligations.

The PRC regulations of investment and loans by offshore holding companies to the PRC entities may delay or prevent our Company from using the proceeds of the Share Offer to make additional capital contributions or loans to members of our Group

Any capital contributions or loans we, as an offshore entity, make to the PRC JV and/or any future PRC members of our Group, including from the proceeds of the Share Offer, are subject to the PRC regulations. For example, the total of any offshore loans to the PRC members of our Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of our Group, which shall comply with certain regulatory limits prescribed by the competent authority of the PRC Ministry of Commerce and such loans must be registered with SAFE or its authorised organization. In addition, our capital contributions to the PRC members of our Group must be approved by the competent authorities of the PRC Ministry of Commerce and SAFE. We cannot assure that we will be able to obtain these approvals on a

RISK FACTORS

timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC members of our Group or fund our operation or to utilise the proceeds of the Share Offer in the manner described in “Future Plans and Use of Proceeds” section of this prospectus may be adversely affected, which could adversely affect the liquidity of the relevant PRC members of our Group, our ability to grow through our subsidiaries’ operation and our financial condition and results of operation.

Relevant PRC tax law may affect tax exemptions on dividends received by our Company and increase our enterprise income tax rate

Our Company is incorporated under the laws of the Cayman Islands and holds interests in the PRC JV through a Hong Kong company. Pursuant to the 中華人民共和國企業所得稅 (PRC Enterprise Income Tax Law) (“PRC Enterprise Income Tax Law”) and its implementation rules, which were enacted on 16 March 2007 and 28 November 2007, respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied, otherwise, the dividend withholding tax rate is 10%.

According to the 國家稅務總局關於執行稅收協定股息條款有關問題的通知 (Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties) (“Notice 81”) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (“SARS”), H5N1 avian flu or the human swine flu, also known as influenza A (H1N1) virus. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, could interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

Concentration of shareholding

Upon completion of the Share Offer, the Controlling Shareholders will beneficially own approximately 75% of the issued Shares, without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme. Hence, the Controlling Shareholders will be able to have an overwhelming control or influence on matters which require Shareholders' approval, including election of Directors and approval of our Company's major and very substantial transactions. Subject to the relevant provisions of the Listing Rules, the Companies Law and other laws of the Cayman Islands, the Controlling Shareholders can also exercise their voting power to suppress any action by the minority Shareholders or to support matters which require approval by simple majority votes.

Differentiation in the laws of the Cayman Islands relating to the protection of the interests of minority shareholders as compared with those in Hong Kong and other jurisdictions

Since our Company is incorporated under Cayman Islands law, its corporate affairs are governed by its Memorandum of Association and Articles of Association, and by the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain aspects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. These differences may mean that our Company's minority Shareholders may have different remedies than they would have under the laws of Hong Kong or other jurisdictions. Please see "Summary of the Constitution of our Company and the Cayman Islands Company Law" in Appendix V to this prospectus. Potential investors should be aware that there is a risk that the provisions of the Companies Law may not offer the same protection as the laws in Hong Kong or other jurisdictions and should consider obtaining independent legal advice on the implications of investing in foreign-incorporated companies.

Dilution effect

We may issue additional Shares upon exercise of the Over-allotment Option or options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance business expansion or new development plans and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders in our Company may be reduced, and they may experience subsequent dilution in the percentage ownership, and/or (ii) such newly issued securities may have preferred rights, options or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Sales of substantial amounts of Shares in the public market

The Shares held by the Controlling Shareholders are currently and will be subject to certain lock-up restrictions, details of which are set out in the paragraph headed “Undertakings by the Controlling Shareholders” in the section headed “Underwriting” of this prospectus. While we are not aware of any plans of any of such persons, individually or collectively, to dispose of a significant amount of their interests in our Company after completion of the Share Offer, we cannot provide any assurance that any of them will not dispose of any interest they own upon or after expiration of the applicable lock-up period. Sale of substantial amounts of Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

No prior public market for the Shares and an active trading market may not develop

Prior to the Share Offer, there has not been a public market for the Shares. We cannot assure that an active or liquid trading market will develop after Listing or be sustained if developed. The Offer Price will be determined through negotiation between our Company and the Joint Lead Managers, and it may not necessarily be indicative of the market price of the Shares after the completion of the Share Offer.

Liquidity, trading volume and the market price of the Shares may be volatile

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our turnover, earnings and cash flow, changes in the analysis and recommendations of securities analysts, announcements of new technologies, strategic alliances or acquisitions made by us or our competitors, industrial or environmental accidents we suffered, loss of key personnel, changes in ratings by credit rating agencies, litigation or fluctuations in the market prices for our products or our raw materials, the liquidity of the market or the Shares, the general market sentiment regarding the kitchenware industry could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance or prospects of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future share market conditions may change

There are risks involved with any investment in listed shares. The price of the Shares may rise or fall depending upon a range of factors and stock market conditions, which are unrelated to our financial performance. Movements on international stock markets, local interest rates and exchange rates, domestic and international economic and political conditions, as well as government, taxation and other policy changes may affect the stock market.

RISK FACTORS

Statistics and industry information have come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the global, Hong Kong, the U.S., Europe and the PRC economy, kitchenware and houseware industries and their regulatory environment have been derived, in part, from Euromonitor Report, various publications and industry-related sources prepared by government agencies or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information. Euromonitor, the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus, and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the source region of the information and statistics. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

There are risks associated with forward-looking statements contained in this prospectus

Included in this prospectus are various forward-looking statements that are based on numerous assumptions. For details of these statements including the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus

There has been coverage in the media regarding the Share Offer and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. Subject to the terms of the Underwriting Agreements, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are fully underwritten by the Placing Underwriters. Particulars of the Underwriters and the underwriting arrangements are set forth in the section headed "Underwriting" to this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing is fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Share Offer will not proceed and will lapse. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Share Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offer of the Offer Shares described in this prospectus.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued under the Capitalisation Issue and any Shares which may be issued under the Share Option Scheme). Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Share Offer will be registered on the Company's register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited. The Company's principal register of members will be maintained in the Cayman Islands by its principal share registrar, Codan Trust Company (Cayman) Limited.

Dealings in the Shares registered on the Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of and dealing in the Offer Shares (or exercising any rights attached to them). None of the Company, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of or dealing in the Offer Shares or exercising any rights attached to them.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Share Offer, the Joint Lead Managers, as the stabilising manager, or its affiliates or any person acting for it, for themselves and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Joint Lead Managers, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Joint Lead Managers, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Placing, the Joint Lead Managers may over-allocate up to and not more than an aggregate of 26,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the stabilisation and the Over-allotment Option are set out in the paragraphs headed “Over-allotment Option” and “Stabilisation” under the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE OFFER SHARES

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business date after any trade day. All activities under CCASS are subject to the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and of U.S. dollar amounts into Hong Kong dollars at specified rates. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of U.S. dollars into Hong Kong dollars, and vice versa, in this prospectus was made at the following rate as at the Latest Practicable Date:

RMB1.00 to HK\$1.2461

US\$1.00 to HK\$7.7581

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Certain amounts set out in this prospectus have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

LANGUAGE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential Address	Nationality
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Executive Directors

Mr. Wong Siu Wah (黃少華)	Unit 1, 9th Floor, Block A Villa Verde 18 Guildford Road Hong Kong	Chinese
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Ms. Wong Fook Chi (黃宓芝)	Unit 1, 9th Floor, Block A Villa Verde 18 Guildford Road Hong Kong	Chinese
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Mr. Wong Ying Wai Dennis (黃英偉)	Flat F, 3rd Floor, Block 20 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong	Chinese
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Independent non-executive Directors

Dr. Lau Kin Tak (劉建德)	Flat C, 12th Floor, Block 3 Lido Garden 41-63 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
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Mr. Anthony Graeme Michaels	20 Bertha Road Cremorne New South Wales Australia	Australian
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Ms. Leung Wai Ling, Wylie (梁慧玲)	Flat C, 3rd Floor, Tower 5 21 Yau On Street Lakeview Garden Sha Tin, New Territories Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Baron Global Financial Services Limited
18th Floor, Prosperity Tower
39 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Ping An Securities Limited
15/F, 122 QRC
122 Queen's Road Central
Hong Kong

Quam Securities Company Limited
18/F-19/F, Aon China Building
29 Queen's Road Central
Hong Kong

South China Securities Limited
28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

Legal advisers to our Company

as to Hong Kong law
Vincent T. K Cheung, Yap & Co.
11th Floor, Central Building
1-3 Pedder Street, Central
Hong Kong

as to PRC law
Guangdong Allied Law Firm
Unit 1906, 19th Floor, Central Tower
88 Fuhua Yilu, Futian District
Shenzhen
The PRC

as to Cayman Islands law
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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	<i>as to International Sanctions laws</i> DLA Piper Hong Kong 17th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	<i>as to Hong Kong law</i> CWL Partners (in association with Nixon Peabody LLP and Hylands Law Firm) 50th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Reporting accountants	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	LCH (Asia-Pacific) Surveyors Limited 17th Floor, Champion Building Nos 287–291 Des Voeux Road Central Hong Kong
Compliance adviser	Baron Global Financial Services Limited 18th Floor, Prosperity Tower 39 Queen's Road Central Hong Kong
Receiving bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road, Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	12th Floor, Yardley Commercial Building Connaught Road West Hong Kong
Company's website address	www.kingsflair.com.hk (information contained in this website does not form part of this prospectus)
Company secretary	Mr. Po Tien Chu Ronnie <i>HKICPA</i>
Authorised representatives	Ms. Wong Fook Chi Unit 1, 9th Floor, Block A Villa Verde 18 Guildford Road Hong Kong Mr. Wong Ying Wai Dennis Flat F, 3rd Floor, Block 20 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong
Members of audit committee	Ms. Leung Wai Ling, Wylie (<i>Chairman</i>) Dr. Lau Kin Tak Mr. Anthony Graeme Michaels
Members of nomination committee	Mr. Wong Siu Wah (<i>Chairman</i>) Dr. Lau Kin Tak Ms. Leung Wai Ling, Wylie Mr. Anthony Graeme Michaels
Members of remuneration committee	Dr. Lau Kin Tak (<i>Chairman</i>) Mr. Anthony Graeme Michaels Ms. Leung Wai Ling, Wylie Mr. Wong Siu Wah Ms. Wong Fook Chi

CORPORATE INFORMATION

Principal share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong share registrar and transfer office

Tricor Investor Services Limited
22nd Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
13th Floor Standard Chartered Bank Building
4-4A Des Voeux Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics in this section are derived from the Euromonitor Report, reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Group. We believe that the sources of this information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While our Group, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates, or any person or party involved in the Share Offer have taken reasonable care in extracting and reproducing such information, no independent verification has been carried out in respect of the information and statistics and we nor Euromonitor make no representation as to its completeness, accuracy or fairness. The information should not be relied upon for making, or refraining from making, any investment decision.

REPORT COMMISSIONED FROM EUROMONITOR

We commissioned Euromonitor International Limited (“Euromonitor”), an international market intelligence provider and an Independent Third Party, to conduct an analysis of the kitchenware market in the U.S., PRC and Western Europe¹ (“Euromonitor Report”). We were charged a total of US\$48,500, which we believe reflects fair market rate. Euromonitor was established in 1972 and is a global research organization with offices in London, Chicago, Singapore, Shanghai, Bangalore, Santiago, Sao Paulo, Vilnius, Dubai, Cape Town, Sydney and Tokyo. Euromonitor is headquartered in London, England, and has more than 800 country analysts. Euromonitor researches a wide range of consumer, industrial, service and business-to-business markets and remains independent and privately owned.

Euromonitor’s independent research consists of both primary and secondary research obtained from various resources. Primary research involved qualitative and quantitative based trade interviews, not identified by the number of survey samples, but by the assessment of the quality of answers received, and the intelligent and transparent analysis of that data. Secondary research involved gathering, refining, and confirming information from multiple relevant published data sources including, amongst others, official sources, authority statistics, reports and database, independent analysts or research group reports and Euromonitor passport data system.

Except as otherwise stated, all of the data and forecasts contained in this section are derived from the Euromonitor Report.

Following the Euromonitor Report, in the content of this section kitchenware generally refer to cooking utensils, dishes, tableware, cutlery, drinkware, and other small articles used in a home. Items must be new when sold to the consumer. Second-hand/used kitchenware are excluded, as are antique sales.

Note 1: In the context of this section, Western Europe composed countries/regions including Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Iceland, Italy, Ireland, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and United Kingdom.

INDUSTRY OVERVIEW

For the PRC and Hong Kong export markets, “kitchenware” refers to the selected categories of HS Codes: 8211, 392410, 8215, 7323, 8210, 7615, 4419, and 6912; as the selected HS Codes combined are believed to be a good representation of kitchenware products defined for this specific research.

THE GLOBAL KITCHENWARE INDUSTRY

Global kitchenware market

Over the ten year period of 2009–2018, the global kitchenware market will grow by US\$20.3 billion in new sales. The majority (53.4%) of these new sales will come from the Chinese market, which will increase in value by US\$10.8 billion. The Western European market will decline in sales by US\$2.0 billion, reducing this region’s global share from 39.4% in 2009 to only 28.7% in 2018. With a value of US\$11.1 billion, 2013 marked the first time in history that sales of the U.S. kitchenware market fell behind its Chinese counterpart. The remaining regions of the world (others) will retain a 2018 global market share of 39.8%, a proportion that is identical to its position in 2013.

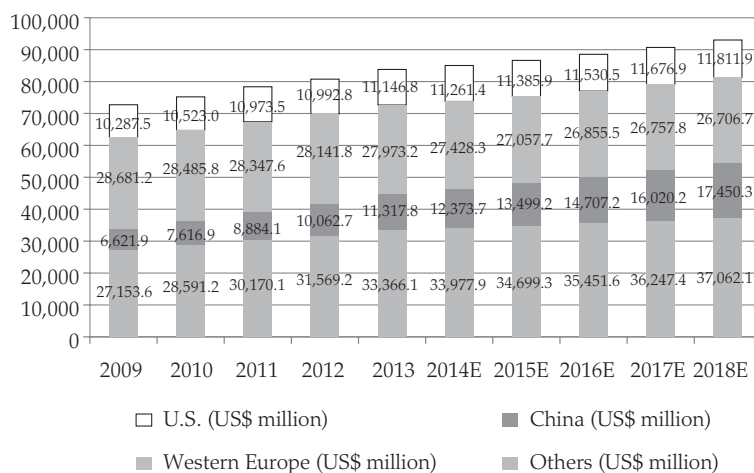
Kitchenware sales in the U.S. increased from US\$10.3 billion in 2009 to US\$11.2 billion in 2013, with a CAGR of 2.0%, accounting for a global market share of 14.1% and 13.3% respectively. Between 2013 and 2014, this national market is forecasted to grow by US\$115 million (1.0%). For the five years during the forecast period (2014 to 2018), kitchenware sales in the U.S. will grow with a CAGR of 1.2% and reach US\$11.8 billion with a global market share of 12.7% in 2018.

Kitchenware sales in China increased from US\$6.6 billion in 2009 to US\$11.3 billion in 2013, with a CAGR of 14.3%, accounting for a global market share of 9.1% and 13.5% respectively. Between 2013 and 2014, this national market is forecasted to grow US\$1,056 million (which is 85.3% of all new global growth that year). For the five years during the forecast period (2014 to 2018), kitchenware sales in China will grow with a CAGR of 9.0% and reach US\$17.5 billion with a global market share of 18.8% in 2018.

Kitchenware sales in Western Europe decreased from US\$28.7 billion in 2009 to US\$28.0 billion in 2013, with a CAGR of -0.6%, accounting for a global market share of 39.4% and 33.4% respectively. Between 2013 and 2014, this regional market is forecasted to continue contracting by US\$545 million (which represents the largest annual decline for the region over the 2009 to 2018 review period). For the five years during the forecast period (2014 to 2018), kitchenware sales in Western Europe will decrease by US\$722 million and reach US\$26.7 billion with a global market share of 28.7% in 2018.

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Retailed sales value of global kitchenware, U.S., Western Europe, China, 2009–2018E



Source: Euromonitor Report

Factors affecting the global kitchenware market

Urbanisation

While individuals who live in rural areas generally view kitchenware products as simply utilitarian purchases, individuals living in urban areas increasingly view kitchenware as lifestyle accessories that express their personality. Because of this fact, the size of the urban populations in different regions of the world is correlated with the kitchenware market sizes of those regions. Additionally, as the urbanization rate of a region increases, the expenditure per household on kitchenware products also increases.

The growth rate of urban populations is also tied to the growth rate of kitchenware products. In general, this new urban population (especially in China) is interested and willing to invest in their homes.

Property market

Consumers often replace or upgrade their kitchenware products (especially cookware) when they move into a new home. Furthermore, as housing prices increase, people view their homes as more long term investments — encouraging them to invest in kitchenware products. In Western Europe and the U.S., the suffering property market has contributed to poor performance in the kitchenware market — with the U.S. market only growing by a CAGR of 2.0% between 2009 and 2013 and the Western European market actually contracting by a CAGR of -0.6% over this period.

Number of households

The growth in the number of households has an effect on aggregated demand for kitchenware products. Often a household growth rate differs from that of the population growth rate, because of cultural shifts leading to fewer multigenerational households and more single and two person households. Across the world, multigenerational households are becoming less common in urban areas (this holds especially true in developing countries).

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Disposable income

The future growth rate of disposable income is also correlated with the forecasted growth rates of the kitchenware market. In the U.S. market household disposable income is expected to increase by US\$16,798 between 2014 and 2018, while Western European household income is only expected to increase by US\$7,171 over this time period — helping to illustrate why the U.S. kitchenware market is forecasted to grow by a CAGR of 1.2% whereas the Western European market is expected to contract by -0.9%. By contrast, China kitchenware market is forecasted to enjoy a much higher growth with a CAGR of 9.0% in accordance with household disposable income increasing by a CAGR of 10.7%.

Celebrity endorsed products fuel growth

A recent explosion of interest in gourmet cooking at home dramatically increased consumers' interest in cooking shows, and created a group of celebrity chefs. Television shows such as Iron Chef, Top Chef, No Reservations, Man vs Food, Hell's Kitchen, 30 Minute Meals and Everyday Italian (amongst many others), have become increasingly popular as consumers have been captivated by the idea of cooking delicious meals in their own homes.

Brightly colored stylish kitchenware products are quickly growing in popularity

Consumers are increasingly demanding stylish products which allow them to showcase their unique sense of style in the kitchen, and a range of distinctive color offerings helped to spur sales. Sales of brightly colored or stylish kitchenware have been booming. Color is even finding its way to the inside of pots and pans, with manufacturers such as DuPont adding splashes of colors to the nonstick coatings. With this styling trend, consumers are often willing to buy a new product simply because its unique style appeals to their individuality. As a result, purchasing frequency may increase to rates faster than required by normal product replacement cycles.

The kitchenware market is increasingly influenced by the younger generation. Unlike their parents who were more concerned about moving to the suburbs and buying big houses, the younger generation tend to be drawn to urban areas in search of new cultural experiences and higher paying jobs. As a result, they are more likely to purchase kitchenware products which shrink in size in order to fit smaller kitchens. In addition, this generation is particularly interested in buying products which express their own unique sense of style, which has been one of the main drivers behind the popularity of more stylish kitchenware products in recent years. Those emerging changes in consumers' expectations will further encourage the production of innovative kitchenware.

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THE U.S. KITCHENWARE INDUSTRY

The U.S. economy

The tumultuous recession from 2007 to 2009 had a tremendous effect on the overall U.S. economy. However, starting in 2010, the economy began to recover, with the nominal GDP growing by an average of 4.1% each year between 2010 and 2012. The employment picture has also improved steadily, with unemployment falling to only 6.7% in March 2014 — helping to improve disposable income and ultimately demand for kitchenware products.

The growth in the total number of households has a direct effect on the aggregated demand for kitchenware products. The recession saw many younger Americans delay leaving the parental home or even moving back in as they struggled to find employment and pay down debt. As a result, the rate of growth in households fell below the rate of total population growth between 2008 and 2010. As the economy turned around, household growth picked up dramatically, with 2011/2012 growth exceeding 2.0% compared to only 0.3% between 2009 and 2010. There is now pent-up demand for new homes, which should result in above-trend growth in household numbers over the coming years.

Consumers often replace or upgrade their kitchenware products (especially cookware) when they move into a new home. Furthermore, when housing prices increase it encourages people to invest in kitchenware products because people view their houses as longer term investments. Residential construction in the U.S. surged in 2013 while foreclosures fell to the lowest level since 2007. House prices are also edging upward. Still, residential construction remains well below normal levels and there are concerns that rising mortgage rates could turn homebuyers away.

Selected macro-economic indicators, U.S., 2009–2013

Specifics	Units	2009	2010	2011	2012	2013	CAGR 09–13
GDP	US\$ bn	14,418.0	14,958.3	15,533.8	16,244.6	16,797.5	3.9%
GDP per capita	US\$	46,999.0	48,354.0	49,850.0	51,735.1	53,096.9	3.1%
Annual disposable income	US\$ bn	10,940.0	11,248.6	11,792.1	12,253.0	12,622.8	3.6%
Number of households	'000	117,181.0	117,538.0	118,682.0	121,084.0	122,227.2	1.1%
Consumer expenditure	US\$ bn	9,575.2	9,938.9	10,444.1	10,874.7	11,221.5	4.0%
Consumer expenditure on household goods and services	US\$ bn	402.5	409.7	428.9	450.2	463.3	3.6%

Note: “bn” denotes billion.

Source: Euromonitor Report

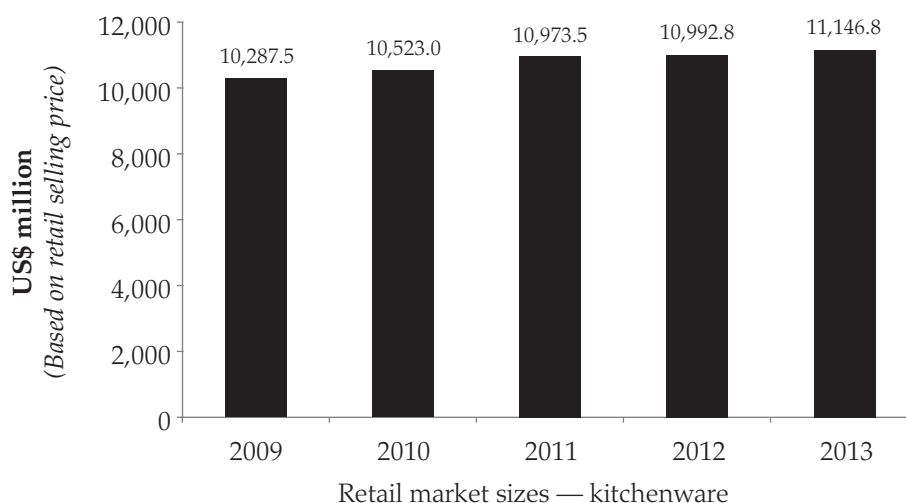
Kitchenware market

The U.S. kitchenware market saw a CAGR of 2.0% during the period of 2009–2013. One of the most important trends in kitchenware is the growing popularity of products which are

INDUSTRY OVERVIEW

brightly colored — rather than “traditional” colors such as black or white. Consumers are increasingly demanding products which allow them to showcase their unique sense of style in the kitchen, and a range of distinctive color offerings helped to spur sales. With this trend, consumers are often willing to buy a new product simply because its unique style appeals to their individuality. As a result, purchasing frequency may increase to rates faster than required by normal product replacement cycles.

Retail sales value of U.S. kitchenware, 2009–2013



Source: Euromonitor Report

Distribution strategy is the key factor to success

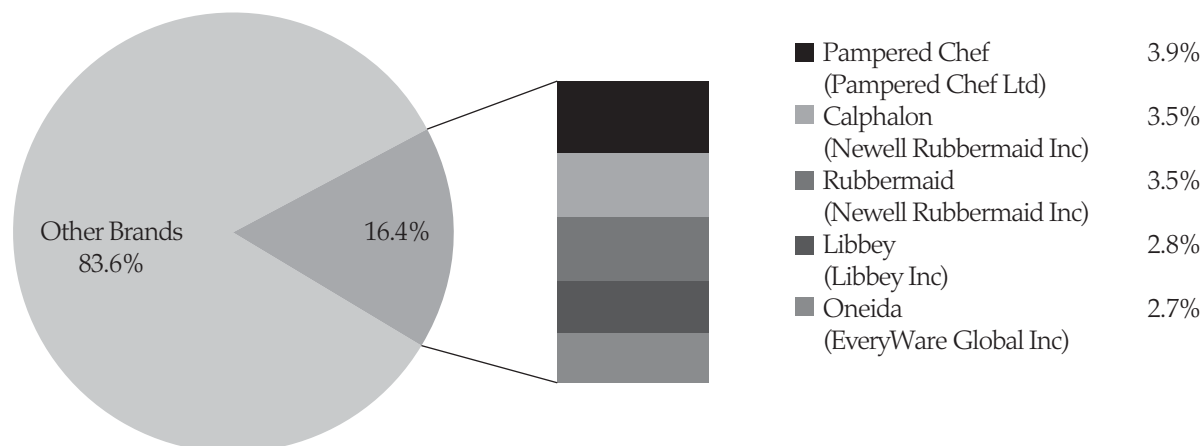
The U.S. kitchenware market is considerably fragmented, however the industry has been growing increasingly concentrated over the past few years as the most successful players continue to garner more share. Much of this market consolidation stems from the increasingly competitive retail industry in the U.S. As the retail industry evolves, small independent retailers continue to lose ground to their large chained counterparts — where the biggest kitchenware brands have a distinct advantage. Therefore kitchenware companies in the U.S. market have well developed distribution strategies and broad distribution networks have the most success.

Competitive landscape

The U.S. kitchenware market is considerably fragmented. With between 200 to 600 brand owners, the top five kitchenware brands include Pampered Chef, Calphalon, Rubbermaid, Libbey and Oreida and are responsible for a combined share of 16.4% in 2013, with Pampered Chef, the leading brand, only accounting for 3.9% value share. The kitchenware market in the U.S. is mainly led by domestic firms including Newell Rubbermaid, Lifetime Brands, Meyer Corp, EveryWare Global, The Pampered Chef, World Kitchen, and Libbey. The overall market share of domestic brands is estimated to be between 80% to 85%. Although the kitchenware market is a domestically dominated industry, large foreign players have slowly been increasing their market share at the expense of the domestic players over the past few years and are expected to continue doing so throughout the forecast period.

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Top five kitchenware brands, U.S., 2013 (Based on retail sales value shares)



Source: Euromonitor Report

Entry barriers

With many disparate product categories, major barriers to entry vary within U.S. kitchenware market. For cookware and ovenware products (in the *other kitchenware* category), branding is far more important than a large amount of capital — because these products can be manufactured in China and other low costs nations.

For many products such as food storage and utensils/kitchen gadgets, the functionality and performance are of greater importance than the brand. With that said the greatest barrier to entry for a new kitchenware manufacturer involves establishing a broad distribution footprint and appropriate distribution strategy.

THE PRC KITCHENWARE INDUSTRY

The PRC economy

Despite of the impact of the global financial crisis which began at the end of 2008, the past years have witnessed the stable growth of China's economy, with GDP increasing from RMB34,090.3 billion in 2009 to RMB56,884.5 billion in 2013. Though the nominal GDP growth of China fluctuated significantly during the last 5 years, the real GDP growth remained steadily above 9% from 2009 to 2011 with a relatively slower pace of 7.7% in year 2012 and 2013, showing a decline due to the global economic slowdown.

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The generally stable political and economic macro indicators created a positive environment for the manufacturing industry overall, including kitchenware industry.

Benefited by the steady growth in the PRC economy, income of Chinese people recorded rapid growth in recent years. As the group of urban residents are the major target consumers for imported goods, their rapidly growing disposable income can further support the consumption of kitchenware imports. In addition, the annual disposable income of Chinese people is expected to maintain a double-digit growth in the next 5 years.

Although the consumer expenditure growth in China saw a slight slowdown after the nearly 19.6% growth in 2011 due to the global recovery from the financial crisis, it has been increasing since then and is forecasted to witness a higher growth in 2015 when the 12th Five-Year plan reaches fruition. Especially, the PRC's consumer expenditure on household goods shows a higher growth rate than overall consumer expenditure in both the review period and the forecast period, being a strong positive indicator for kitchenware industry.

Selected macro-economic indicators, China, 2009–2013

Specifics	Units	2009	2010	2011	2012	2013	CAGR 09–13
GDP	RMB bn	34,090.3	40,151.3	47,310.4	51,947.0	56,884.5	13.7%
GDP per capita	RMB	25,607.5	30,015.1	35,197.8	38,459.5	41,804.7	13.0%
Annual disposable income	RMB bn	20,730.2	23,776.7	28,218.3	31,373.1	34,650.0	13.7%
Number of households	'000	410,333.3	417,722.7	424,898.3	431,972.8	438,932.8	1.7%
Consumer expenditure	RMB bn	12,347.7	14,028.0	16,781.4	18,887.6	21,135.1	14.4%
Consumer expenditure on household goods and services	RMB bn	657.8	807.2	980.7	1,132.4	1,299.2	18.5%

Note: "bn" denotes billion.

Source: Euromonitor Report

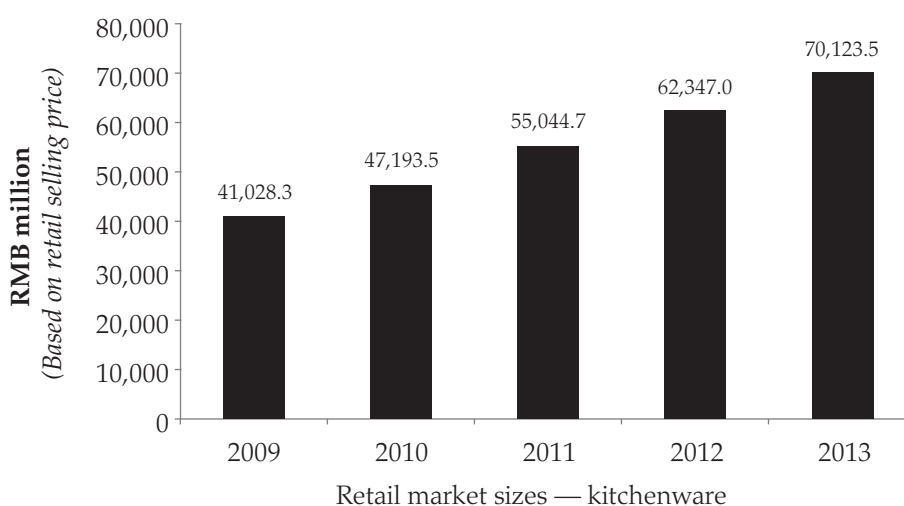
Kitchenware market

Although the growth of the PRC's economy slowed down since 2012 amid unfavourable external conditions, the PRC's kitchenware market managed to achieve a CAGR of 14.3% during the period of 2009 to 2013. In addition, Chinese consumers' preference for functionality and products that enhance their standard of living while also offering environmental protection awareness will positively stimulate kitchenware sales in the forecast period; the retail market size of kitchenware in China is expected to exceed RMB100 billion in the year 2018.

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The statistics reflect an overall growth in the kitchenware market in China. The specific reasons behind are multiple. Chinese people are becoming more aware of the importance of choosing kitchenware products made from healthy and safe materials and thus are getting willing to pay more for better kitchenware. In addition, the ongoing urbanisation trend continued to push demand for food storage. According to the National Bureau of Statistics, the urban population in China has exceeded rural population since 2011 and is on rapid growth. As food storage products are widely used among urban families, especially young workers who commonly use food storage to take prepared food for lunch to work. As some plastic food storage products are reported to be harmful to health, for example, being inappropriate for use in a microwave, leading players such as Lock & Lock Co Ltd launched more glass food storage which the company claims is healthier/safer, attributes that contributed to the category's growth.

Retail sales value of PRC kitchenware, 2009–2013



Source: Euromonitor Report

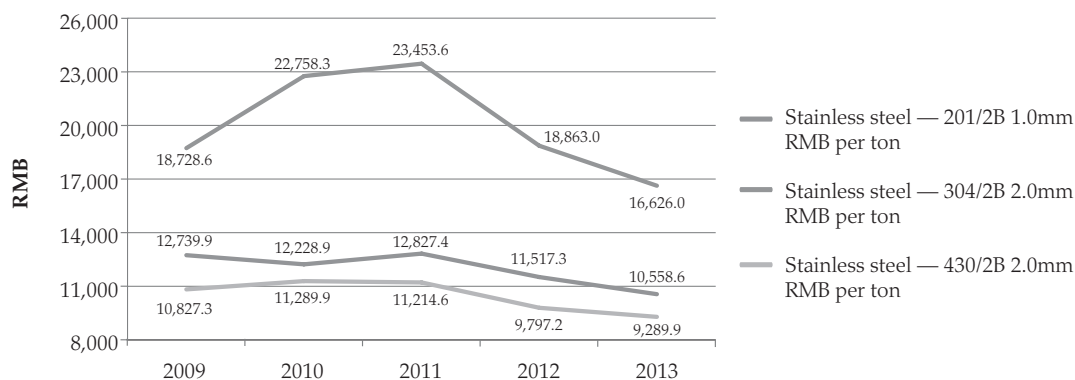
Raw material for production of kitchenware

The raw materials of kitchenware include stainless steel and plastic, with the former playing a major role. Generally speaking, the stainless steel price increased in the year 2010 and 2011 due to the supportive national policy after the global financial crisis, but dropped greatly in the succeeding years because of the excess capacity in the steel manufacturing industry. Especially, the most preferable stainless steel 304 underwent a significant increase of 21.5% in its price in 2010 and a comparable decline of 19.6% in 2012. Compared to 2009, the average prices of the three major types all witnessed a drop of over 10% in 2013.

Similar to stainless steels price, plastic price in China underwent a price hike in year 2010 with the China Plastic Price Index climbing by 9.8%. After several up and downs, the China Plastic Index landed at 963.2 in 2013, a 3% increase compared to that of 2009.

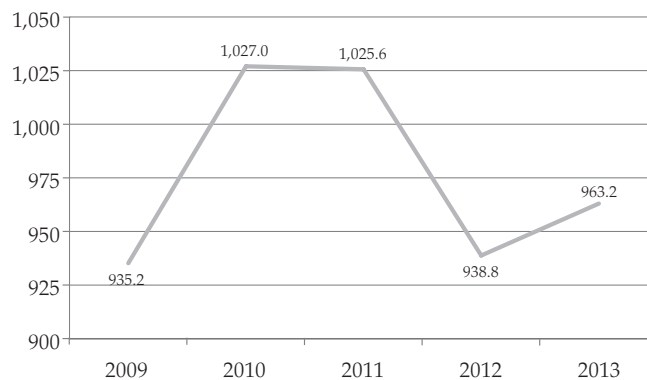
INDUSTRY OVERVIEW

Stainless steel price trend, 2009–2013



Source: www.mysteel.com

Plastics price index trend, China, 2009–2013



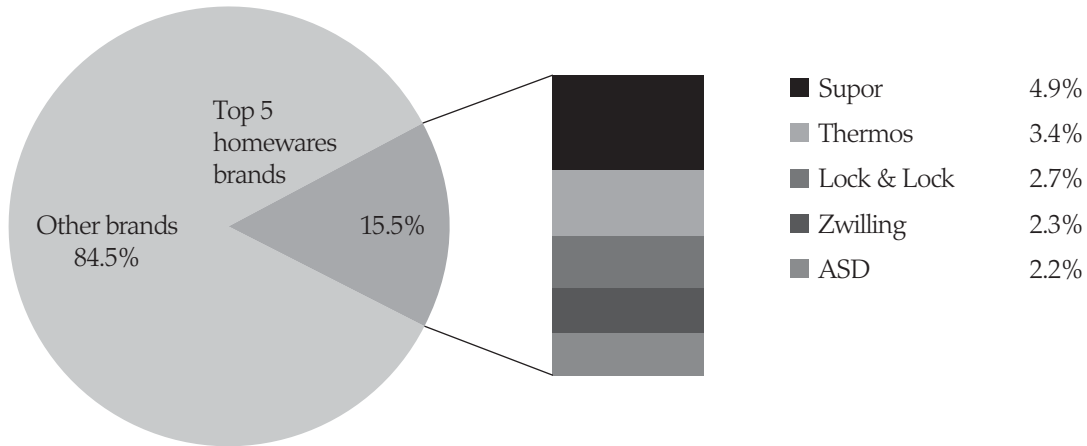
Source: China Plastic Info (www.l-zzz.com)

Competitive landscape

Overall, the kitchenware market in China is fairly fragmented and the brands enjoying good awareness among consumers are quite rare. In 2013, the combined share of the top 5 brands is 15.5% with Supor, the largest brand, only accounting for 4.9% value share. There are hundreds of brands in China's kitchenware market; nevertheless, international brands lead over domestic brands in China's kitchenware industry. While there are multiple domestic brands competing for share in kitchenware due to low technology barrier, international brands such as Thermos and Zwilling are gaining more popularity among consumers in first, second tier cities and other wealthier areas in spite of their higher price. In addition, premium brands are gaining share and showing robust growth owing to their promise of safety and better functionality.

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Top five kitchenware brands, China, 2013 (Based on retail sales value shares)



Source: Euromonitor Report

Entry barriers

Capital critical to company performance

Capital, however, is crucial for players in the kitchenware industry in China. As it is a huge investment for companies to run a factory of mass production, many small and medium-sized companies failed to survive during the global economic downturn due to the lack of financial support. In addition, as the overall industry is undergoing a reformation of techniques, companies need a huge amount of capital to renew their manufacturing techniques in order to catch up with the trend and maintain their place in the market. Besides, as Chinese consumers pay more attention to product quality and show their preference for products out of environmental-friendly concept as well as functionality expectations, continuous investments into research and design will be the key for companies intending to get an edge over their competitors.

Brand awareness matters in the PRC market

Long-term development and influential acts have resulted in the popularity and high brand awareness of the leading players in China market. For Chinese consumers, brands are representative of product quality, performance and class as well as the service and strengths of enterprises. Therefore, a great number of consumers prefer to purchase products with high brand awareness, which has actually become an invisible barrier for new entrants to earn a place in the kitchenware market in China.

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THE WESTERN EUROPE KITCHENWARE INDUSTRY

The Western Europe economy

In 2009, the GDP of Western Europe amounted to US\$16.21 trillion. This region's GDP grew by a CAGR of 2.6% between 2009 and 2013, reaching a 2013 level of US\$17.98 trillion. GDP per capita was US\$33,682 in 2009 and US\$36,533 in 2013, which corresponds to a CAGR of 2.1% and signifies that economic growth, has outpaced population growth.

The growth in the number of households has an effect on aggregated demand for kitchenware products. In 2009 there were 196.3 million households and this figure grew to 204.2 million by 2013, signifying a CAGR of 1.0%. The number of single and two person households has been increasing over the past five years, with the average household size falling from 2.45 in 2009 to 2.41 in 2013.

In 2009, overall consumer expenditure accounted 88.4% of Western Europeans' disposable income and this proportion increased to 90.3% in 2013 — highlighting the fact that consumer spending is increasing faster than disposable income and consumers are saving less of their incomes.

Despite the increasing proportion of disposable income being spent on consumer goods overall, consumer spending on household goods and services relative to disposable income has actually decreased over the five years falling from 5.85% in 2009 to only 5.72% in 2013. This decreasing proportion helps to explain why Western Europe kitchenware market contracted by a CAGR of -0.6% over the review period.

Selected macro-economic indicators, Western Europe, 2009–2013

Specifics	Units	2009	2010	2011	2012	2013	CAGR 09–13
GDP	US\$ bn	16,212.5	16,818.9	17,414.1	17,650.8	17,980.1	2.6%
GDP per capita	US\$	33,681.5	34,740.2	35,745.6	36,025.1	36,533.2	2.1%
Annual disposable income	US\$ bn	10,434.2	10,676.1	10,971.6	11,130.9	11,350.6	2.1%
Number of households	'000	196,332.7	198,342.0	200,460.3	202,462.5	204,186.0	1.0%
Consumer expenditure	US\$ bn	9,224.4	9,562.2	9,897.1	10,054.3	10,246.0	2.7%
Consumer expenditure on household goods and services	US\$ bn	539.4	558.3	577.7	581.0	585.9	2.1%

Note: "bn" denotes billion.

Source: Euromonitor Report

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THE PRC AND HONG KONG KITCHENWARE EXPORT INDUSTRY

Export value

Being a large manufacturing and sourcing country, the PRC exported kitchenware of approximately HK\$114.1 billion to the world in 2013. The total export value of kitchenware in Hong Kong stood at HK\$5.4 billion in 2013, growing at a CAGR of 0.9% from 2009. The flagging growth of overall export value is primarily a result of less demand on kitchenware products from Hong Kong as the region gradually loses its price competitiveness to the PRC. In the past, kitchenware products were first manufactured in the PRC before they were being shipped to Hong Kong for export purposes. However, the custom charges/taxes in the PRC is now lower than that of Hong Kong, resulting many manufacturers choose to directly ship their products out of the PRC instead of shipping to Hong Kong first. That said, Hong Kong still has its position in terms of kitchenware exports as Hong Kong laws and legislation is more flexible in combining products with various HS Codes to a container for export.

Major export destination

U.S. was the biggest export destination for PRC kitchenware in 2013 with total export value of kitchenware products of around HK\$29.6 billion, accounting for approximately 26.0% of the overall PRC kitchenware export value in 2013. Germany and Japan came in a distant second and third with only 5.4% and 4.7% share respectively. The United Kingdom followed Japan with a share of only 3.8%.

Similar to the PRC kitchenware export market, U.S. was the biggest export destination for Hong Kong kitchenware exports in 2013. The total export value of kitchenware products from Hong Kong to the U.S. amounted to around HK\$1.5 billion, accounting for 26.8% of the overall export value in 2013. Germany came in a distant second with only 7.6% share. Japan, United Kingdom and China followed closely with similar share to Germany.

Leading export destinations of kitchenware, PRC and Hong Kong, 2013¹

Leading kitchenware export destination (countries)	PRC Export value, 2013 HK\$'000	Hong Kong Export value, 2013 HK\$'000
USA	29,640,888	1,452,835
Germany	6,134,457	410,889
Japan	5,349,548	296,837
United Kingdom	4,291,486	279,784
China	—	236,976

Source: UN Comtrade, China Custom

Note 1: The "export value" in this section refers to 2013 export value from the PRC and Hong Kong port/customs respectively to relevant destinations.

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Competitive landscape

The kitchenware export market in the PRC is very fragmented with huge amount of players and many of them use export agencies. Kitchenware manufacturers are found in many provinces in PRC, but many export-oriented manufacturers or kitchenware exporters are commonly found in Southern China's Guangdong and Fujian Province, as well as East China's Zhejiang Province.

Exporters of kitchenware products in Hong Kong remain largely limited in number as most of the factories have shift their production and exports to the PRC. Therefore, the major kitchenware exporters in Hong Kong controlled a dominant share of kitchenware export value shares and the export market consolidation was quite high in 2013.

LAWS AND REGULATIONS

This section sets out summaries of certain aspects of the regulations and requirements which our Group is subject to in each of the jurisdiction in which our Group operates.

LAWS AND REGULATIONS

The principal PRC, U.S. and EU laws and regulations relevant to our Group's business are summarised in this section.

PRC REGULATIONS

Laws and regulations relating to foreign invested enterprises

The establishment and organizational structure of companies in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "Company Law") which was enacted by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) (the "Standing Committee of NPC") and was first implemented on 1 July 1994. The Company Law was amended by the Standing Committee of NPC on 27 October 2005 which amendment was implemented on 1 January 2006. It was amended by the Standing Committee of NPC on 28 December 2013, which took effect on 1 March 2014. The Company Law provides, among other things, the establishment, organisational structure, corporate management of companies, qualifications and obligations of company directors, supervisors and senior officers. The Company Law also applies to foreign-invested limited liability companies and companies limited by shares, unless otherwise provided in laws on foreign investment in which case such provisions shall apply.

Any establishment, modification, termination of the limited liability company and joint stock company (collectively the "Companies") within the PRC is subject to the registration of the Companies in accordance with the Regulations of the PRC on the Administration of Company Registration (中華人民共和國公司登記管理條例), which were promulgated by the Decree of the State Council No. 156 on 24 June 1994 and were amended by Decision of the State Council on Revising the Regulation of the PRC on the Administration of Company Registration (國務院關於修改〈中華人民共和國公司登記管理條例〉的決定) on 18 December 2005. On 19 February 2014, the Regulations of the PRC on the Administration of Company Registration (《中華人民共和國公司登記管理條例》) was amended for the second time under the Decision of the State Council on Invalidating and Altering relevant Administration Regulations (《國務院關於廢止和修改部分行政法規的決定》) with effect from 1 March 2014. Particular matters such as the governing authority, registration matters, registration procedures, annual examination and certification management of company registration is regulated by the PRC on the Administration of Company Registration.

According to the Guidance Catalogue of Industries for Foreign Investment (Amended in 2011) (外商投資產業指導目錄(2011年修訂)), which was promulgated on 24 December 2011 and came into force on 30 January 2012, the area of the manufacturing and sale of housewares including kitchenware products belong to the category of Permitted Foreign Investment Industries, which means that foreign investors may invest in this area.

LAWS AND REGULATIONS

Wholly foreign-owned enterprises are also governed by the Law on Wholly Foreign-Owned Enterprises of the PRC (中華人民共和國外資企業法) (the “Wholly Foreign-Owned Enterprises Law”) and its implementation rules. The Wholly Foreign-Owned Enterprises Law currently in effect was approved by the Standing Committee of the NPC on 31 October 2000. The establishment procedures, registration procedures, registered capital and corporate structures of wholly foreign-owned enterprises are regulated by the abovementioned laws and regulations. The Ministry of Commerce or the relevant local authorities are responsible for approving the establishment of wholly foreign-owned enterprises and other changes to the enterprises, such as changes in capital, equity transfer and consolidation and division and changes in material matters of the enterprises.

Sino-foreign equity joint ventures (“JV”) are governed by the Law of the Sino-foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法) promulgated on 1 July 1979 and revised on 15 March 2001 and the Implementation Regulations (中華人民共和國中外合資經營企業法實施條例) promulgated on 20 September 1983 and revised on 22 July 2001. The establishment procedures, registration procedures, registered capital and corporate structures of JVs are regulated by the abovementioned laws and regulations and division and changes in material matters of the enterprises.

The Notice of Joint Annual Examination of Foreign Investment Enterprise (Wai Jing Mao Zi Fa [1998] No. 938) (關於對外商投資企業實行聯合年檢實施方案的通知(外經貿資發[1998]938號)) is the implemental base of the annual examination of foreign investment enterprises in PRC. The continuing legal existence of the foreign investment enterprises is subject to the passing of the joint annual examination of foreign investment enterprises. The Notice of Joint Annual Examination of Foreign Investment Enterprise was issued and implemented by State Economic and Trade Commission, Ministry of Finance, General Customs, State Administration of Taxation, State Administration of Industry and Commerce and SAFE on 10 December, 1998. According to the regulation, the foreign investment enterprises will be examined by seven departments jointly. Each department of joint annual examination collectively prepares the report of annual examination, which will be printed and released by the department of administration of industry and commerce. None of other annual examination of the foreign investment enterprises should be conducted within the system of each department of the joint annual examination. In addition to the seven departments which joined the joint annual examination, none of departments and authorities can conduct annual examination of foreign investment enterprises without the approval of State Council.

The document has not been abolished. However, the system of the annual inspection of licenses was reformed, pursuant to the requirement of the Notice of the Issuance of Registration of the Registered Capital System Reform Solution by the State Council (《國務院關於印發註冊資本登記制度改革方案的通知》) (Guo Fa [2014] No. 7) on 7 February 2014. The corporate annual inspection system was changed to a corporate annual report publicity system. It means a corporation shall not undergo annual inspection if it has submitted an annual report and made an announcement pursuant to the requirements. The State Administration for Industry and Commerce of the People’s Republic of China released the Notice on Cancellation of Corporate Annual Inspection (《關於停止企業年度檢驗的通知》) (Gong Shang Qi Zi [2014] No. 28) on 14 February 2014, and decided to cease annual inspection work on business units which obtains a business license, including the limited liability companies, joint stock companies, non-corporate legal person, partnership, sole proprietorship enterprises as well as their branches, foreign

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(regional) enterprises engaged in operating activities in China since 1 March 2014. Therefore, it is not required to implement joint annual inspection on the current existing enterprises, including foreign-invested enterprises, within the territory of PRC.

The Notice of Conducting the Joint Declaration of the Information on Annual Business Operations of Foreign-invested Enterprises in 2014 (《關於開展2014年外商投資企業年度經營狀況聯合申報工作的通知》) issued by the Ministry of Commerce, the Ministry of Finance, the State Administration of Taxation, the National Bureau of Statistics and the State Administration of Foreign Exchange on 16 April 2014, provides that the Foreign-invested Enterprises shall log into the “Online System of Joint Report and Share for the Annual Operating Results of Nationwide Foreign-invested Enterprises (全國外商投資企業年度運營情況網上聯合申報及共享系統)” to declare joint annual report information within the designated time.

Laws and regulations relating to product quality

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated on 22 February 1993 and revised on 8 July 2000, producers shall be liable for the products they produce. Where a defective product causes physical injury to a person or damage to property, the victim may claim compensation against the producer or the seller of such product. If the case is severe enough to constitute a crime, criminal responsibility shall apply.

On 31 October 1993, the Standing Committee of NPC enacted the Law on Protection of Consumers’ Rights and Interests of the PRC (中華人民共和國消費者權益保護法), which came to effect on 1 January 1994 and was amended for the first time pursuant to the Decision on the Amendments of Certain Laws (《關於修改部分法律的決定》) at the 10th session of the Standing Committee of the Eleventh National People’s Congress on 27 August 2009. On 25 October 2013, it was amended for the second time pursuant to the Decision on the Amendments of the Law of the PRC on Protection of Consumer Rights and Interests (《關於修改〈中華人民共和國消費者權益保護法〉的決定》) promulgated by the 5th session of the Standing Committee of the 12th National People’s Congress and came into effect on 15 March 2014. The consumers who purchase and use commodities or receive services for daily consumption shall have the protection under the said law. Business operators which provide the commodities manufactured or sold by them or render services to the consumers shall abide by this law. Business operators shall guarantee that commodities and services supplied comply with the requirements of personal and property safety. Business operators shall make compensations if damages occur. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

Laws and regulations relating to trade

The Foreign Trade Law of the PRC (中國人民共和國對外貿易法), which was promulgated on 12 May 1994 and amended on 6 April 2004, and the Measures for the Archival Filing and Registration of Foreign Trade Operators (對外貿易經營備案登記辦法), which were promulgated by the Ministry of Commerce on 25 June 2004, require that foreign trade operators who engage in the import or export of goods or technologies must register with the Ministry of Commerce or another institution authorised by the Ministry of Commerce. In addition, if a company imports or exports goods as consignee and consignor, it must register with local Customs authority and obtain the PRC Customs Declaration Registration Certificate for Consignors and Consignees pursuant to the Provisions for the Registration of Customs Declaration Agents (中華人民共和國對報關單位註冊登記管理規定).

Laws and regulations relating to taxation

The PRC subsidiaries of our Group shall pay tax in accordance with the PRC laws relating to taxation.

Enterprise income tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) (the “FIE Tax Law”) promulgated on 9 April 1991 and effective on 1 July 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a national income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by law or administrative regulations. The income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on foreign-invested enterprises of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than 10 years was exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a 50% reduction in the following three consecutive years.

On 1 January 2008, the FIE Tax Law was repealed and the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), promulgated on 16 March 2007, became effective. According to EIT Law, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008. The Regulations on the Implementation of the Enterprise Income Tax Law of the PRC were approved at the 197th Executive Meeting of the State Council (Decree of the State Council of PRC No. 512) (中華人民共和國企業所得稅法實施條例(中華人民共和國國務院令 第512號)) on 28 November 2007 and came into force on 1 January 2008. In accordance with the EIT Law and its implementation rules, there will be a transition period for enterprises that previously receive preferential tax treatments under the FIE Tax Law. Foreign-invested enterprises that are subject to an enterprise income rate lower than 25% may continue to enjoy the lower rate and gradually transit to the new tax rate after the effective date of the EIT Law. Foreign-invested enterprises that enjoy a tax rate of 24% will have their tax rate increased to 25% in 2008. Foreign-invested enterprises which enjoy a fixed period of exemptions or reductions under the existing applicable rules and regulations may continue to enjoy such treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment will commence from the effective date of the EIT Law. And according to the EIT Law, high-and-new technology enterprises that the state decides to support are subject to the applicable enterprise income tax rate with a reduction of 15%.

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Withholding tax

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other PRC-sourced passive income of non-resident enterprises. However, the implementation rules of the EIT Law reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC government and the Hong Kong government signed Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the “Arrangement”). According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) effective from 1 January 1994 (amended on 5 November 2008) and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

Meanwhile, China is implementing tax reforms by replacing the business tax with VAT. For details, please refer to “business tax” below.

Business tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) effective from 1 January 1994 (amended on 10 November 2008) and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the list of items and rates of business tax attached to the regulation.

However, China is implementing tax reforms by replacing the business tax with VAT. On 16 November 2011, the Ministry of Finance and the State Administration of Taxation of the PRC promulgated the Pilot Scheme for Merging Business Tax with Value-added Tax (《營業稅改徵增值稅試點方案》), which specified the implementation of the pilot scheme for merging business tax with value-added tax on transportation and selected modern services sectors in Shanghai since 1 January 2011. On 31 July 2012, the State Administration of Taxation promulgated the Announcement on the Tax Administration Issues of Implementing the Pilot Scheme of Replacing Business Tax with Value-Added Tax in Eight Provincial-Level Regions Including Beijing (《關於北京等八省市營業稅改徵增值稅試點有關稅收徵收管理問題的公告》) which stipulated that the transition of the old tax system to the new one should be completed by 1 September 2012 in Beijing. The deadline to complete the transition of the old tax system to the new one should be 1 October 2012 for Jiangsu Province and Anhui Province, 1 November 2012 for Fujian Province

and Guangdong Province, and 1 December 2012 for Tianjin City, Zhejiang Province and Hubei Province. On 12 December 2013, the Ministry of Finance and the State Administration of Taxation of the PRC promulgated the Notice on Including the Railway Transportation and Postal Industries in the Pilot Scheme of Replacing Business Tax with Value-Added Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點稅的通知》), which announced that the pilot projects for replacing business tax with value-added tax in transportation and modern services sectors will be rolled out nationwide as from 1 January 2014. On 29 April 2014, the Ministry of Finance and the State Administration of Taxation of the PRC promulgated the Notice on Including the Telecommunications Industry in the Pilot Scheme of Replacing Business Tax with Value-Added Tax (《關於將電信業納入營業稅改徵增值稅試點的通知》), which announced that the pilot projects for replacing business tax with value-added tax in telecommunications industry will be rolled out nationwide as from 1 June 2014. PRC JV (including its subsidiaries in Beijing and subsidiaries in Hangzhou), Ketao and Youxiang, which are within the regions which converted to value-added tax from business tax as mentioned above, are no longer required to pay business tax as there is applicable value-added tax.

Regulations on dividend distribution

The principal laws and regulations governing distribution of dividends paid by domestic companies, WFOEs and JVs include (i) the Company Law of the PRC (中華人民共和國公司法); (ii) the Wholly Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法) and implementation regulations; and (iii) the Law of the Sino-foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法). Under the above laws and regulations, domestic companies, WFOEs and JVs in the PRC may pay dividends only from accumulated after-tax profits. In addition, such enterprises are required to allocate at least 10% of their after-tax profits each year, if any, to their statutory common reserve, until the accumulated amount reaches 50% of the registered capital of such enterprises. The statutory common reserve is not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

Laws relating to foreign exchange

Pursuant to the Regulation of Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例), which was promulgated on 19 January 1996, as amended on 14 January 1997 and on 1 August 2008 by the State Council, Renminbi are freely convertible for current account items, such as trade-related receipts and payments, interest and dividends. However, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to prior approval from SAFE or its local counterpart.

Pursuant to the Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions (結匯、售匯及付匯管理規定) promulgated and implemented on 20 June 1996 by the People's Bank of China, movement of foreign currency under the current account items and capital account items of enterprises and institutions, governmental authorities, public organization and armies within PRC, including foreign investment enterprises and financial organization, foreign diplomatic authorities in PRC, foreign consular institutions, representative institutions of international organization in PRC, foreign business institutions in PRC and business institutions of foreign non-governmental organization in PRC and permanent

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personnel of organization in PRC, foreigners who stay short-term in PRC, foreigners who are employed by domestic organization and foreign students are subject to the regulation of foreign exchange administration of the PRC and the Regulation to conduct settlement, purchase of exchange, open foreign exchange account and make outward payment at the designed foreign exchange banks. Further regulations of opening of foreign exchange account and procedures of retaining foreign exchange are set out in the Administrative Regulations on Domestic Foreign Exchange Accounts (Yin Fa [1997] No. 416) (境內外匯賬戶管理規定(銀發[1997]416號)), which was promulgated and implemented by the People's Bank of China on 7 October 1997.

Pursuant to the Circular on Issues Concerning Outward Remittance of Profit, Stock Dividends and Stock Bonuses Processed by Designated Foreign Exchange Banks (關於外匯指定銀行辦理利潤、股息、紅利匯出有關問題的通知) promulgated on 22 September 1998 and the Circular on Amending "Circular on Issues Concerning Outward Remittance of Profit, Stock Dividends and Stock Bonuses Processed by Designated Foreign Exchange Banks" (關於修改〈關於外匯指定銀行辦理利潤、股息、紅利匯出有關問題的通知〉的通知) promulgated on 14 September 1999, foreign investors of foreign-invested enterprises shall remit profits, dividends or stock bonuses abroad at designated foreign exchange banks with the documents including but not limited to tax-paid certificate and taxation declaration form, auditing report, the board of directors' resolution on the distribution of profits, stock dividends or stock bonuses, foreign exchange registration certificate, and capital assessment report. Meanwhile, any profit of foreign exchange and bonus of foreign investment enterprises whose registered capital was not in place as agreed in the constitution shall not be remitted outward. The registered capital which was not in place as agreed in the constitution under special circumstance shall be submitted to approval authorities for approval. The profit and bonus can be remitted outward in proportion with the actual registered capital in place with the approval document of approval authorities and required information in accordance with the Notice.

New M&A Rule

On 8 August 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission (the "CSRC") and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "New M&A Rule"), which became effective on 8 September 2006 and was amended on 22 June 2009. This New M&A Rule, among other things, includes provisions that purport to require that an offshore special purpose vehicle ("SPV") formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On 21 September 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by SPVs. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process.

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The PRC Legal Advisers have advised our Group that the listing of our Company on the Stock Exchange does not require permits, licenses and approvals from CSRC or other PRC regulatory authorities as our Company does not fall within the meaning of an “SPV” ascribed thereto in the New M&A Rule.

Laws and regulations relating to labor and social insurance

The Standing Committee of NPC promulgated the Labor Law of the PRC (中華人民共和國勞動法), which became effective on 1 January 1995. Pursuant to the Labor Law of the PRC, the State shall implement a system of guaranteed minimum wages. Specific standards on minimum wages shall be stipulated by provincial, autonomous, regional and municipal people’s governments and reported to the State Council for registration. The employer shall pay laborers wages no lower than local standards on minimum wages.

On 29 June 2007, the Standing Committee of NPC promulgated the PRC Employment Contract Law (中國人民共和國勞動合同法), which became effective on 1 January 2008 and was amended pursuant to the Decision of the Standing Committee of the National People’s Congress on the Amendments of PRC Labour Contract Law (《全國人民代表大會常務委員會關於修改〈中華人民共和國勞動合同法〉的決定》) revised by the Standing Committee of the 11th National People’s Congress of the PRC on 28 December 2012, with effect from 1 July 2013. The PRC Employment Contract Law contains provisions for the protection of the legitimate rights of employees including the requirement of execution of labor contracts in written form, the stipulation as to circumstances under which employees may be entitled to economic compensation for termination of labor contracts and the imposition of stricter penalties on employers who fail to pay wages or social security premiums for their employees according to the laws and regulations.

According to the Interim Regulation on Collections and Payment of Social Insurance Fund (社會保險費徵繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council and the Regulation on Work-related Injury Insurance (工傷保險條例) implemented on 1 January 2004 by the State Council, which has amended at 136th executive meeting of State Council on 8 December 2010 with effect from 1 January 2011 pursuant to the Decision of the State Council on the Amendments of Regulation on Work-related Injury Insurance (《國務院關於修改〈工傷保險條例〉的決定》), the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund and occupational injury insurance fund for the employees. In addition, employers are also subject to other social insurance laws and regulations in the PRC including the Unemployment Insurance Law (失業保險條例) and the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法).

According to the Regulations on the Management of Housing Provident Fund (住房公積金管理條例) effective on 3 April 1999 and revised on 24 March 2002, the PRC companies shall go through housing fund registration with the local housing fund administration centers and open housing fund accounts for their employees with banks. A company may be subject to an order to attend to registration within a time limit for failure to comply with the rules in relation to the abovementioned registration and accounts opening.

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On 28 October 2010, the Standing Committee of NPC promulgated the PRC Social Insurance Law (中華人民共和國社會保險法), which became effective on 1 July 2011. The PRC Social Insurance Law covers a wide range of social insurance programs, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and covers all employing entities within the territory of the PRC and all individuals, including city residents, flexible employment individuals, migrant workers and foreigners working in the PRC. Major provisions include, but are not limited to, the portability of basic pension and health care benefits across different regions in the country, the establishment of a nationwide unified personal social security ID system based on the same identity number for each citizen, the gradual realization of a national pooling fund for the basic pension scheme and a provincial pooling fund for the other social insurance schemes, the coverage of foreigners working in the PRC, enhanced compliance and enforcement measures with regard to a unified collection of social insurance contributions, privacy protection as regards social security information, prevention of the misappropriation of social insurance funds, investment and management of the non-contributory national social security fund (as a strategic reserve for the social insurance schemes).

Online commodities trading and relevant services laws and regulations

Interim Measures for the Trading of Commodities and Services through the Internet《網絡商品交易及有關服務行為管理暫行辦法》(the “Interim Measures”) issued by State Administration for Industry and Commerce of China on 31 May 2010 came into force on 1 July 2010. The Interim Measures regulate online commodities trading and relevant services conducted by online commodity vendors and online service providers. The Interim Measures articulate that the administrative departments of State Industry and Commerce encourage and support the development of online commodities trading and relevant services, and shall implement more proactive policies so as to promote the development of internet economy. Legal persons, other economic organizations or sole proprietors that have been registered with the administrative department of industry and commerce and have obtained the business licenses can engage in commodities trading and relevant services through the internet without prior approval or application. The Interim Measures also provide that online commodity vendors shall abide by the provisions of laws and regulations such as the Trademark Law, the Anti-Unfair Competition Law and the Provisions on the Administration of Enterprise Name Registration and shall make available to the public the information stated in their business license or the link to their business license online at a conspicuous place of their homepages or the websites where their online stores are located. Violations of the above provisions are subject to a warning and order to make rectifications within a specified time limit, in case of failure to rectify the wrong doing within the specified time limit, a fine of no more than RMB10,000.

Regulations relating to intellectual property rights (only involved trademark)

The Trademark Law of the PRC (中華人民共和國商標法) was adopted at the 24th Session of the Standing Committee of the 5th NPC on 23 August 1982, amended for the first time according to the Decision of the 30th Session of the Standing Committee of 7th NPC on Amending the Trademark Law of the PRC (關於修改〈中華人民共和國商標法〉的決定) on 22 February 1993, and amended for the second time according to the Decision of the 24th Session of the Standing Committee of 9th NPC on Amending the Trademark Law of the PRC (關於修改〈中華人民共和國商標法〉的決定) on 27 October 2001 and was subsequently amended for the third time according

to the Decision of the 4th Session of the Standing Committee of 12th National People's Congress on Amending the Trademark Law of the PRC (《關於修改〈中華人民共和國商標法〉的決定》) on 30 August 2013. The law sets out detailed rules of application for registration, assignment, procedure of permitted use and liability of infringement of trademark. On 3 August 2002, the State Council issued the Implementing Regulation of the Trademark Law of the PRC (中華人民共和國商標法實施條例), effective on 15 September 2002. On 29 April 2014, it was amended pursuant to the Order of the State Council of the People's Republic of China (No. 651) with effect from 1 May 2014. The regulation further regulates the application for the trademark registration, review of the application for trademark registration, change, assignment, renewal and assessment of trademark, management of the use of trademark and protection of ownership of registered trademark.

U.S. REGULATIONS

Products shipped to North America represented our largest segment of turnover by geographical location during the Track Record Period. For each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our turnover attributable to customers with headquarters in North America accounted for approximately 88.9%, 87.3%, 90.2% and 87.3% respectively of our total turnover. Accordingly, our sales to the U.S. are subject to certain U.S. laws and regulations and those relevant to our business are summarised in this section.

U.S. import regulations

Quotas

U.S. import quotas may be divided into two types: absolute and tariff rate.

Absolute quotas

Absolute quotas are quantitative, that is, no more than the amount specified is permitted entry during the quota period. Some absolute quotas are global, while others are allocated to specified countries. Imports in excess of a specified quota may be held until the opening of the next quota period by placing them in a foreign trade zone ("FTZ") or entering them into a warehouse, or they may be exported or destroyed under the U.S. Customs and Border Protection ("CBP") supervision. The U.S. did not have in place any absolute import quotas or associated visa or licensing requirements as of 1 February 2011.

Tariff rate quotas ("TRQs")

TRQs provide for the entry of a specified quantity of the product at a reduced rate of duty during a given period. There is no limitation on the amount of the product that may be entered during the quota period, but quantities entered in excess of the quota for that period are subject to higher duty rates.

U.S. import duties

Custom duties

All goods imported into the U.S. are either subject to duty or duty free, depending on their classification under the applicable items in the Harmonized Tariff Schedule of the U.S. (“HTSUS”).

When goods are dutiable, ad valorem, specific or compound rates may be assessed.

- ad valorem rate — the type most often applied — is a percentage of the value of the merchandise, such as 5% ad valorem.
- A specific rate is a specified amount per unit of weight or other quantity, such as 5.9 cents per dozen.
- A compound rate is a combination of both an ad valorem rate and a specific rate, such as 0.7 cents per kilo plus 10% ad valorem.

Rates of duty for imported merchandise may also vary depending upon the country of origin. Most merchandise is dutiable under normal trade relations. Duty free status is available under various exemptions (e.g., Generalised System of Preference, Free Trade Agreements, preference program beneficiaries, and other exemptions listed in HTSUS Chapter 98).

Product quality and consumer protection

The importation of certain classes of merchandise may be prohibited or restricted to protect the economy and security of the U.S., to safeguard consumer health and well being, or to preserve domestic plant and animal life.

Many of these prohibitions and restrictions are prescribed by the laws and regulations administered by CBP or by other U.S. government agencies with which CBP co-operates in enforcement. This applies to all types of importations, including those made by mail and those placed in FTZs.

Any consumer product offered for importation will be refused admission or if the product is already in circulation, will be subject to a Consumer Product Safety Commission recall, if it (a) fails to comply with an applicable product safety standard or regulation or with a specified labeling or certification requirement, or (b) is determined to present a substantial product hazard. These requirements are administered by the U.S. Consumer Product Safety Commission.

Safety of food contact substances

The Office of Food Additive Safety (OFAS) at the U.S. Food and Drug Administration’s (FDA) Center for Food Safety and Applied Nutrition (CFSAN) is charged with, among other responsibilities, regulating industry to ensure that food contact substances are safe. The term “food contact substance” (FCS) is defined in Section 409(h)(6) of the Federal Food, Drug, and

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Cosmetic Act as “any substance intended for use as a component of materials used in manufacturing, packing, packaging, transporting, or holding food if such use is not intended to have any technical effect in such food”. Examples of food contact substances include polymers (plastic packaging materials), pigments and antioxidants used in polymers, can coatings, adhesives, materials used during the manufacture of paper and paperboard, slimicides and biocides (antimicrobial agents), and sealants for lids and caps.

The overall regulatory status of a food contact material is dictated by regulatory status of each individual substance that comprises the article. The individual substance that is reasonably expected to migrate to food because of its intended use in the food contact material shall be covered by one of the following:

- a regulation listed in Title 21 Code of Federal Regulations
- a prior sanction letter
- meeting the criteria for GRAS status (including but not limited to a GRAS regulation or GRAS notice)
- a Threshold of Regulation (TOR) exemption request
- or an effective Food Contact Notification (FCN)

It is the responsibility of the manufacturer of an FCS to ensure that food contact materials comply with the specifications and limitations in all applicable authorizations.

Copyrights and use of trademarks with respect to imports

Articles bearing counterfeit trademarks are subject to seizure and forfeiture. Marks that copy or simulate a registered trademark that has been recorded with CBP are subject to detention and possible seizure and forfeiture. The importation of “parallel” or “grey market” goods is restricted where the registered trademark has been recorded with CBP and grey market protection has been afforded.

Articles imported into the U.S. that are piratical of a registered copyright are subject to seizure and forfeiture.

Anti-dumping in the U.S.

In the United States, the United States International Trade Commission and U.S. Department of Commerce share responsibility for investigating allegations of dumping, under authority granted by the Tariff Act of 1930 (19 U.S.C 1202 et. seq.). The standards and procedures employed by the United States federal agencies are analogous to those described below in respect of the EU. Where an investigation reveals that foreign products are being “dumped” into the United States, the U.S. Department of Commerce may impose appropriate countervailing duties as a remedy for the dumping activities.

During the Track Record Period and up to the Latest Practicable Date, none of the products produced by our Group had been subject to any anti-dumping investigations or measures in the U.S.

EU REGULATIONS

Products shipped to customers with headquarters in Europe represented our second largest segment of our turnover by geographical location during the Track Record Period. For each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively, our turnover attributable to customers with headquarters in Europe accounted for approximately 6.0%, 8.0%, 5.4% and 6.4% of our total turnover. Therefore, our sales to Europe are subject to certain EU regulations and directives and those relevant to our business are summarised in this section.

EU trade-related laws and regulations

The EU is an economic, political and cultural union of 28 member states located primarily in Europe. Committed to regional integration, the EU and its 28 EU member states have a common trade policy and act as one single jurisdiction in all trade-related matters. Pursuant to its exclusive competence, the EU has developed a broad array of legislative instruments (regulations and trade agreements) in the trade sphere.

EU import duties

Custom duties

One of the most important aspects of the EU trade policy is that the EU is a customs union. The same import duties are charged on imports from third countries regardless of the country of entry. The main principles of custom law are regulated at EU level, while the customs authorities of the EU member states are in charge of their application. In addition, trade defence measures against unfair trade practices (i.e. anti-dumping and countervailing measures) and safeguards are adopted by the EU and imposes on the imports concerned regardless of the country of origin.

EU import regulations

Restrictions and prohibitions

The EU has restrictions and prohibitions in place in relation to the importation of some products such as counterfeit and pirated goods. The customs authorities of the EU member states may intervene where goods are suspected of infringing intellectual property rights. The intervention may lead to the destruction of the imported goods as well as the imposition of fines on the importer. As from 1 July 2011, kitchenware from China and Hong Kong can only be imported into the EU with a declaration certifying their compliance with requirements on primary aromatic amines (PAAs) and formaldehyde. The declaration shall be accompanied by a laboratory test report demonstrating that specific migration results are:

- ≤ 0.01 mg/kg PAAs (polyamide materials in kitchenware)
- ≤ 15 mg/kg formaldehyde (melamine materials in kitchenware)

Copyrights and use of trademarks with respect to imports

Goods imported into the EU must not infringe any intellectual property rights, including patents, copyrights and trademarks, which other operators may hold in the EU. Exporters should inquire into whether the goods they want to export to the EU are already subject to a patent, copyright, trademark or any other intellectual property right in any of the EU member states, and obtain, if necessary, an appropriate licence from the right-holder.

To tackle counterfeiting, the EU has adopted a procedure which allows for the suspension of the entry into its territory of counterfeit and pirated goods. This procedure is contained in Council Regulation 1383/2003 and then Council Regulation 608/2013 which entered into force on 1 January 2014. The Regulation sets out the conditions under which customs authorities may intervene where goods are suspected of infringing intellectual property rights, and provides harmonised procedures by which right-holders may apply for action to be taken.

Product safety in the EU

The EU aims to achieve a high level of product safety protection directly linked to the protection of consumer health across all the member states of the EU.

General product safety (the “GPSD Directive”)

Directive is a form of the legal acts of the EU which require the member states to achieve certain result while leaving the member states discretion as to how to achieve the results. The GPSD Directive generally applies to all the member states of the EU on ensuring the consumer products sold in the EU are safe. The original GPSD Directive was adopted in 1992 and had been revised once in the form of Directive 2001/95/EC, which had to be implemented in the member states of the EU by 15 January 2004. On 13 February 2013, the European Commission adopted proposals to improve product safety in the EU, which consists of, inter alia, a proposal for a Regulation on Consumer Product Safety, which would replace the existing GPSD Directive. Among others, the proposed Regulations introduce (i) a mandatory origin making requirement on the consumer products on the packaging of the products; (ii) an additional safety check by the use of a voluntary ‘EU safety tested’ label on the consumer products. The said proposals are currently going through the EU’s legislative procedure for adoptions and is targeted to be enforced from 1 January 2015.

One of the objectives of the GPSD Directive is to protect the health and safety of the consumers of the products in the EU. It requires manufacturers to place only safe products on the EU market. In case the manufacturer is not based in the EU, this obligation applies to its representative in the EU or, in the absence of a representative, to the importer.

The registration, evaluation, authorisation of chemicals (“REACH Regulation”)

The REACH Regulation was first published on 30 December 2006 and later enforced on 1 June 2007. The aim of the REACH Regulation is to protect human health and environment through the better and earlier identification of the intrinsic properties of harmful chemical substances contained in the consumer products.

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The REACH Regulation takes into account of the use of specific chemical substances in consumer products. These specific chemical substances are being included in candidate list of Substances of Very High Concern for Authorisation (the “Candidate List”) on the website of the European Chemicals Authority. If a chemical substance listed on the Candidate List is contained in a consumer product, this may trigger additional obligations on the manufacturers, importers and retailers in supplying this consumer product in the EU.

General requirements for all food contact materials are laid down in Framework Regulation 1935/2004. Specific EU regulations have been established for ceramics, regenerated cellulose film, plastics, recycled plastics and active and intelligent materials. In addition, there are Directives on single substances or groups used in the manufacture of food contact materials. Plastic materials and articles intended for contact with foodstuffs are regulated under Directive 2002/72/EC for products from China and Hong Kong.

Consumer protection in the EU

Consumer protection legislation and policy are central to the EU objectives of achieving a high standard of quality for its citizens. Articles 12 and 114 of the Lisbon Treaty lay out the aims for promoting the interests, health and safety of consumers in the EU. With a view to meeting such objectives, legislations were adopted to govern the economic and health protection of consumers, the safety of products and the free movement of only safe goods within the EU.

The sale of consumer goods and associated guarantees (the “Directive 1999/44/EC”)

The Directive 1999/44/EC, which was adopted in May 1999 and required to be implemented in the member states by 1 January 2002, is a directive at the EU level for all sellers of goods. The relevant provisions of the Directive 1999/44/EC provide consumer with a uniform minimum level of legal rights to remedies in the event of non-conformity of a product with the sale contract at the time of delivery. According to the Directive 1999/44/EC, sellers must deliver only such goods to the consumer that are in conformity with the contracts in particular, comply with seller’s description; fit for the purposes required by the consumer as made known by him to the seller; fit for their normal intended purpose and of quality and performance normally as expected of products of this type.

The liability for defective products (the “Directive 85/374/EEC”)

The Directive 85/374/EEC, a directive issued by the Council of the EU and published on 7 August 1985, states that manufacturers shall be liable to their product consumers for damage caused by defects in their products. The Directive 85/374/EEC is important for all sellers in the EU as any defect in the goods leading to damage, defined as death or personal injury or damage to any item of property, can give rise to liability on parties in the chain between the manufacture and sale of the defective goods.

Anti-dumping in the EU

Pursuant to the Council Regulation (EC) No. 1225/2009 of 30 November 2009 (as amended on 14 December 2012 by Regulation 1168/2012) (“Council Regulation”), the European Commission is responsible for investigating into allegations of dumping within the EU. It

LAWS AND REGULATIONS

usually conducts an investigation either upon receipt of a complaint from producers of the product within the EU or on its own initiative. The investigation must show that (i) there is dumping pursuant to article 2 of the Council Regulation by the exporting producers in the country/countries concerned; (ii) material injury (or threat thereof) has been suffered by the industry concerned within the EU; (iii) there is a causal link between the dumping and injury found; and (iv) the imposition of measures is in the interest of the EU as a whole.

If the investigation comes to the conclusion that the above four conditions have been met, then anti-dumping measures may be imposed on imports of the product concerned. These measures are usually duties or price undertakings. The duties are paid by the importer in the EU and collected by the national customs authorities of the respective EU countries. Exporting producers may offer “undertakings” agreeing to increase its export prices of the products concerned. If their offer is accepted, antidumping duties will not be imposed on imports. The European Commission is not obliged to accept an offer of an undertaking.

Besides the measures taken by the European Commission, most of the EU member states have national legislation not allowing the sale of goods below their costs of production unless such sale is for a short period of time or under special event. In Germany, the Act against Restraints of Competition (Gesetz gegen Wettewerbsheschränkungen, GWB) and the Fair-Trade Law (Gesetz gegen den unlauteren Wettbewerb, UWG) are applicable for these actions. These legislations are enforced by the national antitrust authorities. Investigations might result in damage claims against the importer in the EU by local producers.

During the Track Record Period and up to the Latest Practicable Date, none of the products produced by our Group had been subject to any anti-dumping investigations or measures in the EU.

OVERSEAS REGULATIONS

Our Group supplies kitchenware products mainly to international brandowner customers located overseas and the products are in turn sold by these customers through their distribution channels to local retailers. Therefore, during the Track Record Period, we did not sell our Group’s products directly to overseas retailers nor consumers, but instead delivered the products to our Group’s customers primarily on free-on-board terms (at PRC ports or Hong Kong ports) in accordance with the international brandowner customers’ specifications. Accordingly, the international brandowner customers located overseas were responsible for the registered customs entries of the products to those overseas countries and they were responsible for ensuring the products meet the relevant overseas laws and regulations (including import duties, product safety and anti-dumping regulations, etc.). Details of quality control and assurance of our Group’s products are disclosed in the paragraph headed “Product engineering and mass production — Quality control and production control” in the section headed “Business” in this prospectus.

Accordingly, the Directors do not believe that our Group is exposed to material liabilities as a result of any such regulations once the products our Group delivers meet the customers’ specifications. In addition, in November 2011, our Group commenced our retail business in the PRC. The PRC Legal Advisers have advised our Group that there is no specific laws or regulations in relation to retail of kitchenware products in the PRC.

LAWS AND REGULATIONS

INTERNATIONAL SANCTIONS LAWS

During the Track Record Period, we had product sales in connection with Russia and Egypt in the ordinary course of business. However, we have been advised by our international sanctions counsel that there are no sanctions administered by the U.S., the EU, United Nations, or Australia that would impose restrictions generally on the exportation of goods and services to Russia or Egypt. Rather, the various sanctions bodies have imposed restrictions on transactions with persons or entities that are found on lists of blocked persons, such as the “specially designated nationals” list maintained by OFAC. Upon review of our sales to customers in Russian and Egypt, we have been advised by our legal adviser as to International Sanctions laws that our historical sales to Russia and Egypt during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any person or entity, including our Group’s investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees. For details on our business activities in the Sanctioned Countries and impact of sanctions laws, please see the section headed “Business — Business Activities in Russia and Egypt” in this prospectus.

HISTORY AND DEVELOPMENT

History

Our business dates back to 1984 when our chairman, Mr. Wong, founded a company, Standard Metal & Plastic Mfy Co (“Standard Metal Mfy”), that engaged in the manufacturing and trading of metal and plastic products. In 1989, Mr. Wong founded King’s Flair Development with 2 partners, both being Independent Third Parties, to engage in trading business. On its initial establishment, King’s Flair Development was held as to 40% by Mr. Wong and the rest by the 2 partners equally. Thereafter, Mr. Wong consolidated the resources available in Standard Metal Mfy and King’s Flair Development and formed the business foundation of our Group. Since then, we have focused on manufacturing and supplying various kitchenware products for kitchenware brandowner customers. In September 1991, Mr. Wong and Ms. Rebecca Cheng collectively acquired 50% of the shareholding in King’s Flair Development from the said third party shareholders, thereby increasing their collective shareholding in King’s Flair Development to 90%. In April 1995, Ms. Rebecca Cheng acquired the remaining 10% shareholding in King’s Flair Development and since then King’s Flair Development became wholly owned by Mr. Wong and Ms. Rebecca Cheng collectively.

In 1990, we commenced business relationship with Lifetime Brands Inc., formerly known as Lifetime-Hoan Inc., a global provider of branded kitchenware, tableware and other products used in home, and began to manufacture a wide variety of kitchenware products for Lifetime. We further developed business relationship with a Japanese brandowner and an European brandowner in 1990 and 1992, respectively. In 1999, we and Lifetime further strengthened our business relationship by establishing a joint venture and became strategic partners to engage in marketing and selling of Lifetime kitchenware products in regions outside of North and South America. Our Directors believe that our reputation for product quality and product development capabilities attracted other kitchenware brandowner customers, such as Ignite USA.

At the end of the 1990’s, we began to outsource our production process to other production factories. We believe that outsourcing production has given us flexibility in better resources allocation, optimised production by making the best use of technology and production competency of each production factory, and allowed us to devote more efforts and resources to product design and development. Our business has expanded and successfully transformed from a manufacturing and trading business to an international kitchenware supplier renowned for high product quality.

Leveraging on our product design and development capabilities and experience in the industry, we have been working to capture the fast growing mid to high-end kitchenware market in the PRC. We acquired a 51% equity interest in the PRC JV in Zhejiang Province by way of capital injection into the PRC JV and the PRC JV obtained the new business license as a sino-foreign joint venture in March 2011. As at 30 June 2014, the PRC JV operated one flagship store in Beijing and our products are also sold in over 60 sales points of well-known retailers in Beijing, Shanghai, Tianjin, Xi’an and other PRC cities as well as online shops.

On 31 December 2013, we acquired Wonder Household, which is engaged in trading of kitchenware products. For more details of the Acquisition, please refer to the paragraph headed “5.(ii) Acquisition of Wonder Household” in the “Connected Transactions” section of this prospectus.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Development milestones

The following table sets forth major events and milestones in the development of our business.

Year	Key milestones
1984	<ul style="list-style-type: none"> • Founded Standard Metal & Plastic Mfy Co
1989	<ul style="list-style-type: none"> • Founded King's Flair Development
1990	<ul style="list-style-type: none"> • Established business relationship with Lifetime, a North American based corporation • Established business relationship with Kai Corporation, a Japan based corporation
1992	<ul style="list-style-type: none"> • Established business relationship with William Levene Ltd. (the company was acquired by Diethelm Keller Brands AG)
1993	<ul style="list-style-type: none"> • Commenced manufacturing of kitchenware products in Guangdong Province, the PRC
1999	<ul style="list-style-type: none"> • Became a strategic partner of Lifetime with the formation of a joint venture through World Alliance
2003	<ul style="list-style-type: none"> • Established business relationship with Ignite USA • Received NSF International certification as complying with NSF/ANSI2
2004	<ul style="list-style-type: none"> • Ceased manufacturing operations in the PRC
2005	<ul style="list-style-type: none"> • Commenced retail business of kitchenware products in Hong Kong by establishing first retail store "Gourmet Kitchen" in Hong Kong
2007	<ul style="list-style-type: none"> • Established product design and development team
2010	<ul style="list-style-type: none"> • Contributed to the department of mechanical engineering of the Hong Kong Polytechnic University in supporting a student development project • King's Flair Development became honorary life director of the PolyU Development Foundation as a recognition of the Company's contribution and support to the said foundation
2011	<ul style="list-style-type: none"> • Commenced retail business of kitchenware products in the PRC
2013	<ul style="list-style-type: none"> • Acquisition of Wonder Household

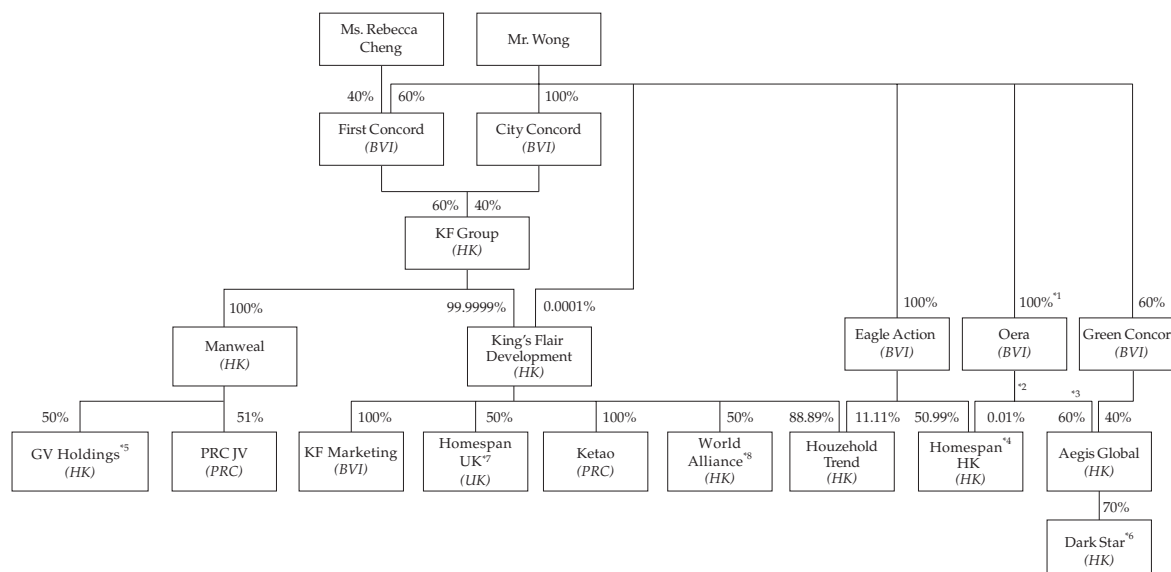
HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION AND GROUP STRUCTURE

In preparation for the Share Offer and in order to streamline our business, we underwent the Reorganisation.

Group structure immediately before the Reorganisation

The following chart illustrates our Group structure immediately before the Reorganisation.



Notes:

*1 the shares in Oera were registered in the name of Mr. Wong pursuant to the agreement between Mr. Wong and Ms. May Cheng dated 2 April 2001 as security for Personal Loan 1 provided by Mr. Wong to Ms. May Cheng until June 2012 when such loan was fully repaid. Please refer to the section headed "Relationship with the Controlling Shareholders" of this prospectus for further details.

*2 & 3 Oera held these shareholdings as nominee of Eagle Action Limited. As disclosed in the section headed "Relationship with the Controlling Shareholders" of this prospectus, the entire shareholding of Oera had been registered in the name of Mr. Wong as security for Personal Loan 1. As such, he had inadvertently used Oera, a member of the Winlot Group, as the investment vehicle for holding his interest in Homespans HK and Aegis Global. Ms. May Cheng has confirmed that Oera was only holding the said shareholding as nominee for Eagle Action Limited.

*4 the other 49% shareholding of Homespans HK is held by two Independent Third Parties.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- *5 the other 50% shareholding of GV Holdings is indirectly held by Lifetime.
- *6 the other 30% shareholding of Dark Star International Limited was, as at the date of our disposal of our interest therein on 11 April 2012, held by an Independent Third Party.
- *7 the other 50% shareholding of Homespan UK was, as at the date of our disposal of our interest therein on 14 December 2012, held by two Independent Third Parties.
- *8 the other 50% shareholding in World Alliance was held by Lifetime. World Alliance applied for deregistration in February 2013 and was dissolved in July 2013.

Other than King's Flair Development which is the main operating subsidiary of the Group, the other companies set out in the above chart are briefly described below.

KF Group was incorporated in Hong Kong on 17 January 2001 and is beneficially owned as to 60% by First Concord and 40% by City Concord. It is an investment holding company for the holding of shares in King's Flair Development and Manweal, both of which have been transferred to Lions Power and Wealth Wise respectively as part of the Reorganisation. KF Group will not be a part of our Group on Listing.

Homespan UK was incorporated in England on 3 April 2002 as a joint venture between our Group holding 50% and two Independent Third Parties holding in aggregate the other 50%, to develop distribution business for kitchenware products in the UK. Homespan HK was incorporated in Hong Kong on 10 May 2002 principally to engage in supply of kitchenware products to Homespan UK. We became acquainted with one of the joint venture partners in 1995 when he worked as managing director in one of our customers in the UK. Homespan UK made a net profit of approximately GBP17,000 for the year ended 31 December 2011. Having considered that we did not have a controlling interest in Homespan UK, our Directors decided to focus on supplying products to Homespan UK instead of participating in its operation and therefore decided to dispose the interest of Homespan UK. Based on our financial statements as at 31 December 2011, the carrying amount of investment in Homespan UK, being an associated company, is at nil as the equity position of Homespan UK was at deficit of approximately GBP112,000 as at 31 December 2011. On 14 December 2012, we disposed of all our shareholding in Homespan UK to an Independent Third Party at nil consideration. There was no gain or loss to our Group as a result of such disposal.

World Alliance was incorporated in Hong Kong on 21 October 1998 as a joint venture between our Group and Lifetime to explore new markets and trading of Lifetime products in the new markets. To focus on the PRC market, the business of World Alliance was scaled down. World Alliance applied for de-registration in February 2013 and was dissolved in July 2013.

Aegis Global was incorporated in Hong Kong on 24 January 2003 as another operating subsidiary of our Group to serve new customers. It is now also principally engaged in supply of kitchenware products.

Manweal was incorporated in Hong Kong on 20 July 1993. Since 2005, it became the retail arm of our Group operating the retail shop "Gourmet Kitchen" until the shop closed in August 2011. Thereafter, Manweal still has a small amount of retail operation in Hong Kong by way of consignment sales and it also holds the equity interest in the PRC JV.

HISTORY, REORGANISATION AND GROUP STRUCTURE

GV Holdings was incorporated in Hong Kong on 5 July 2011 for the purpose of a joint venture between our Group and a wholly owned subsidiary of Lifetime to distribute its branded trademark products, a brandname owned by Lifetime, in the PRC. Such joint venture was entered into by our Group and a wholly owned subsidiary of Lifetime in February 2012.

The PRC JV was established as a domestic company in the PRC on 4 May 2010 by Mr. Lin Zhao (林釗), an Independent Third Party, as the sole shareholder. Manweal acquired 51% equity interest in the PRC JV by way of capital injection into the PRC JV and the PRC JV obtained a new business license as a sino-foreign joint venture in March 2011. The PRC JV is principally engaged in retail and distribution of kitchenware products in the PRC. Please refer to the “Business” section of this prospectus for more details of such business.

Ketao is a wholly-owned foreign enterprise established in the PRC on 19 June 1996 to manufacture porcelain products but has suspended business since 2001. It still holds certain property in the PRC. For details, please refer to the sub-section headed “Property Interest” in the “Business” section of this prospectus.

Houzehold Trend was incorporated in Hong Kong on 9 August 2000 with its principal business being provision of information technology supporting services principally to us. As such business is unrelated to our core business, we have disposed of our shareholding in Houzehold Trend to Eagle Action as part of the Reorganisation and Eagle Action has subsequently disposed of all its interest in Houzehold Trend to an Independent Third Party.

Dark Star was incorporated in Hong Kong on 21 August 2007 for the trading of printed materials and products. As such business is unrelated to our core business, we have disposed of our shareholding in Dark Star to Eagle Action as part of the Reorganisation.

KF Marketing was incorporated in the BVI on 23 May 2012 for provision of marketing services.

Reorganisation

To streamline our Group structure, we carried out the following Reorganisation steps:

- On 20 February 2012, the authorised share capital of Manweal was increased from HK\$300,000 to HK\$10,000,000 by the creation of 9,700,000 shares of HK\$1.00 each ranking pari passu with all the existing shares. On the same day, 3,440,000 and 1,760,000 ordinary shares in Manweal were issued and allotted to KF Group and Mr. Lin Zhao respectively at par value. As a result, Manweal became held as to 68% by KF Group and 32% by Mr. Lin Zhao (who subsequently transferred the 1,760,000 ordinary shares in Manweal to Primehill Holdings Limited, a BVI company wholly and beneficially owned by a family member of Mr. Lin Zhao as at the Latest Practicable Date).
- On 20 March 2012, the PRC JV resolved to increase its registered capital from RMB5,000,000 to RMB10,000,000, out of which RMB4,950,000 was contributed by Manweal and RMB50,000 by Mr. Lin Zhao. The equity interest of PRC JV became held as to 75% by Manweal and 25% by Mr. Lin Zhao as from 28 June 2012 after the capital contribution and the issue of the new business licence. The aforesaid reorganisation facilitates the capital injection into the PRC JV by our Group and also the repatriation of profits of the PRC JV back to Hong Kong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- On 11 April 2012, King's Flair Development disposed of its 8,000 shares, being 88.89% of the shareholding, in Houzehold Trend to Eagle Action, which was then holding the other 11.11% shareholding, at a consideration of HK\$1,058,000, being the net asset value of such shares. On 16 November 2012, Eagle Action disposed of all its shareholding in Houzehold Trend to an Independent Third Party.
- On 11 April 2012, Aegis Global disposed of all its shareholding, being 7,000 shares, in Dark Star to Eagle Action at a consideration of HK\$7,000, being the par value of such shares since it is a net liability company.
- On 12 April 2012, King's Flair Development acquired an aggregate of 10,000 ordinary shares of HK\$1.00 each in Aegis Global, being the entire issued share capital thereof, as to 6,000 ordinary shares from Oera (as trustee for and with the consent of Eagle Action) and 4,000 ordinary shares from Green Concord at a consideration of HK\$3,663,000 and HK\$2,442,000 respectively, being the net asset value of such shares.
- On 26 April 2012, King's Flair Development acquired an aggregate of 5,100 ordinary shares of HK\$1.00 each in Homespan HK, being 51% of the issued share capital thereof, as to 5,099 ordinary shares from Eagle Action and 1 ordinary share from Oera (as trustee for and with the consent of Eagle Action) at a consideration of HK\$3,929,943 and HK\$771 respectively, being the net asset value of such shares.
- Lions Power was incorporated in the BVI on 3 May 2012. The authorised share capital of Lions Power upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, of which 1 share has been fully paid and allotted to KF Group.
- Wealth Wise was incorporated in the BVI on 3 May 2012. The authorised share capital of Wealth Wise upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, of which 1 share has been fully paid and allotted to KF Group.
- Our Company was incorporated in the Cayman Islands on 25 June 2012 as an exempted company with limited liability. The authorised share capital of the Company upon incorporation was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. It was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. On incorporation of our Company, one nil-paid Share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to First Concord. On the same date, 199 Shares and 800 Shares were allotted and issued nil-paid to First Concord and City Concord respectively.
- Youxiang was established as a domestic company in the PRC on 25 October 2012 with a registered capital of RMB1,000,000, the entire equity interest of which is held by the PRC JV, to engage in retail, wholesale and distribution of kitchenware products in the PRC.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- On 20 November 2012, KF Group transferred 3,740,000 ordinary shares, being all its shareholding, in Manweal to Wealth Wise at a consideration of HK\$3,740,000.
- On 14 December 2012, King's Flair Development disposed of 499 ordinary shares and 1 ordinary A share of Homespan UK, being our entire shareholding interest in Homespan UK, to an Independent Third Party at nil consideration since Homespan UK was a net liability company.
- On 17 December 2014, KF Group transferred 999,999 ordinary shares in King's Flair Development, being 99.9999% of the shareholding thereof, to Lions Power at a consideration of HK\$248,765,955 (being the net asset value thereof), and Mr. Wong transferred 1 ordinary share in King's Flair Development, being 0.0001% of the shareholding thereof, to Lions Power at a consideration of HK\$249 (being the net asset value thereof).
- On 22 December 2014, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares.
- On 23 December 2014, shareholder's loan (i) in the aggregate sum of HK\$248,766,204 advanced by KF Group to Lions Power to finance its payment of the consideration for the acquisition of the 1,000,000 ordinary shares in King's Flair Development was capitalized by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Lions Power; and (ii) in the sum of HK\$3,740,000 advanced by KF Group to Wealth Wise to finance its acquisition of the 3,740,000 ordinary shares in Manweal was capitalized by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Wealth Wise.
- On 24 December 2014, our Company acquired the entire issued share capital of Lions Power and Wealth Wise from KF Group. The consideration for such acquisition was satisfied by the allotment and issue of 9,000 shares of our Company, credited as fully paid, as to 1,800 shares of our Company in favour of First Concord and as to the remaining 7,200 shares of our Company in favour of City Concord and crediting as fully paid at par the 1,000 nil paid Shares in issue at the time.

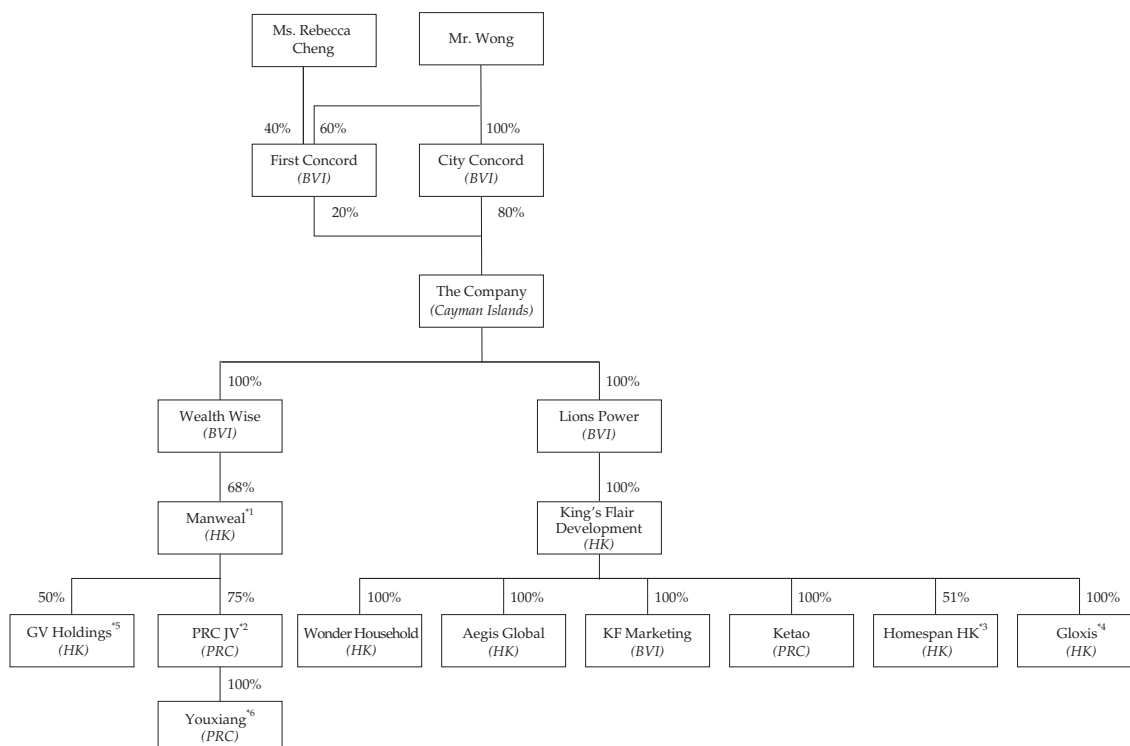
New business development

- Gloxis was incorporated in Hong Kong on 6 November 2013 with a share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares, of which 100,000 ordinary shares were subscribed by King's Flair Development. Gloxis is currently engaged in the distribution and retail (by way of consignment and online sales) of kitchenware products in the Hong Kong market.
- Pursuant to an agreement dated 31 December 2013, King's Flair Development, a subsidiary of our Group, acquired the entire issued share capital of Wonder Household at a consideration of HK\$19.2 million. The Acquisition was completed on 31 December 2013. As disclosed in the paragraph headed "Business of Winlot Group" in the "Relationship with the Controlling Shareholders" section of this prospectus, Wonder Household was a member of the Winlot Group and a customer of our Group during the Track Record Period prior to the Acquisition.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Group structure immediately after the Reorganisation and the new business development but prior to completion of the Capitalisation Issue and the Share Offer

The following diagram sets out our Group structure immediately after the Reorganisation and the new business development but prior to completion of the Capitalisation Issue and the Share Offer.



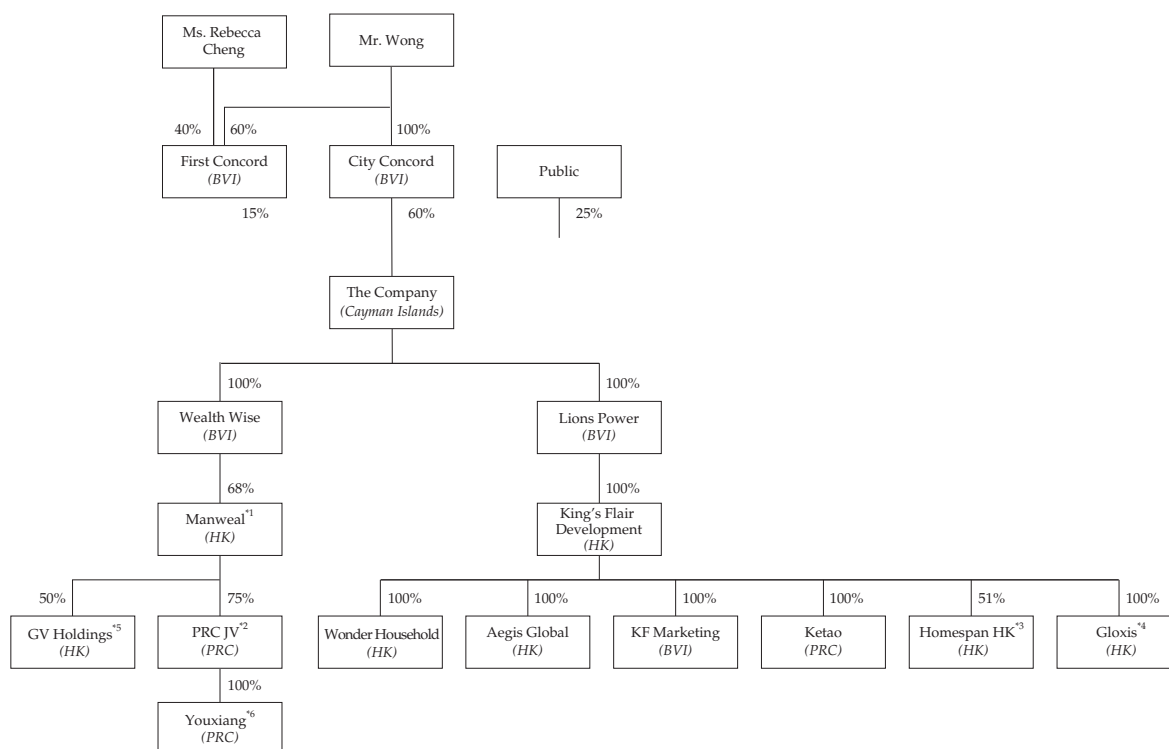
Notes:

- *1 the other 32% equity interest in Manweal is held by Primehill Holdings Limited, a BVI company wholly and beneficially owned by a family member of Mr. Lin Zhao as at the Latest Practicable Date.
- *2 the other 25% equity interest in the PRC JV is held by Mr. Lin Zhao.
- *3 the other 49% shareholding of Homespans HK is held by two Independent Third Parties.
- *4 Gloxis was incorporated in Hong Kong on 6 November 2013 and is engaged in distribution and retail of kitchenware products for the Hong Kong market.
- *5 the other 50% shareholding of GV Holdings is held indirectly by Lifetime.
- *6 Youxiang was established as a domestic company in the PRC on 25 October 2012 to engage in retail, wholesale and distribution of kitchenware products in the PRC.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Group structure immediately after the completion of the Share Offer and the Capitalisation Issue

The following chart sets out our Group structure immediately upon completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):



Notes:

- *1 the other 32% equity interest in Manweal is held by Primehill Holdings Limited, a BVI company wholly and beneficially owned by a family member of Mr. Lin Zhao as at the Latest Practicable Date.
- *2 the other 25% equity interest in the PRC JV is held by Mr. Lin Zhao.
- *3 the other 49% shareholding of Homespan HK is held by two Independent Third Parties.
- *4 Gloxis was incorporated in Hong Kong on 6 November 2013 and is engaged in distribution and retail of kitchenware products for the Hong Kong market.
- *5 the other 50% shareholding of GV Holdings is held indirectly by Lifetime.
- *6 Youxiang was established as a domestic company in the PRC on 25 October 2012 to engage in retail, wholesale and distribution of kitchenware products in the PRC.

OVERVIEW

We are a provider of kitchenware products with headquarters in Hong Kong for more than 20 years. We are principally engaged in designing, developing and supplying an extensive assortment of kitchenware products, including but not limited to tools and gadgets, drinkware, bakeware and accessories, food preparation products and storage and accessories, mainly for international kitchenware brandowner customers in North America, Europe and Asia who sell products under their own brand names and distribution networks.

Our Directors consider that our effort and achievements in product design, development and engineering and customer services are key success factors for our business and will continue to contribute to our success and growth. We have an experienced product design team which is mainly responsible for reviewing and modifying designs provided by customers and also carrying out our own design from scratch. We are capable of introducing quality kitchenware products that are responsive to customer and market demand. We also have an experienced production engineering team which is capable of ensuring the mould casting and precision mechanism working with best performance and meeting the requirements of customers. Our Directors believe that in conducting business with international kitchenware brandowner customers, we are able to differentiate ourselves from competitors by providing to our customers services including market research, concept creation, product design, product development, raw material sourcing, production factory sourcing, production engineering, production control, quality assurance, order tracking and logistics, as well as ancillary service. We aim to position ourselves as a complete one-stop shop on kitchenware products for international kitchenware brandowner customers.

Our origin can be traced back to 1984 when our chairman, Mr. Wong, founded a company that engaged in the manufacturing and trading of metal and plastic products. In 1989, Mr. Wong founded a Hong Kong limited company to engage in the trading business and, in the 1990's, consolidated the two businesses and formed our business foundation. We have evolved from manufacturing and trading to providing a variety of kitchenware products mainly to international brandowner customers in North America, Europe and Asia. Our Directors believe that we are the partner of choice for kitchenware products, especially kitchen tools & gadgets, drinkware, bakeware, food preparation products and storage and accessories in the North American and European markets.

We have enjoyed growth in revenue and net profit during the Track Record Period. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we generated a revenue of HK\$968.5 million, HK\$1,077.4 million, HK\$1,236.3 million and HK\$624.7 million, respectively, representing a CAGR of 13.0% over 2011 to 2013. For the same periods, the net profit was HK\$45.4 million, HK\$68.2 million, HK\$78.3 million and HK\$41.9 million, respectively, representing a CAGR of 31.3% over 2011 to 2013.

COMPETITIVE STRENGTHS

We believe that our position in the kitchenware business is underpinned by our principal strengths set out below:

Well established, long-standing strategic relationships with international kitchenware brandowners

We have established long-standing relationships with several international kitchenware brandowner customers, including Lifetime, Ignite USA and Kai Corporation, some of which possess recognised brand names.

We provide a product mix of kitchenware products with different designs, style, materials, and colour tones in accordance with the preferences and standards as specified by the customers and/or designs recommended by us. Our Directors believe that one of the factors for the success of our Group is attributable to our ability to secure and maintain long-term relationships with these international kitchenware brandowner customers.

As at 30 June 2014, we have sustained business relationships with our five largest customers for the financial year ended 31 December 2013 for a period ranging from approximately 10 to over 20 years. Our Directors believe such long-standing relationships were established by our comprehensive services including, but not limited to: (i) product design and development, (ii) production engineering solutions, (iii) stringent quality control and production control, (iv) stable delivery of high quality products, and (v) timely completion of customers' orders. Our Directors also believe such relationships help preserve the loyalty of our customers and reinforce commitment from our customers to place further orders with us. In line with industry practice, we do not have long-term contracts with our customers.

Our Directors consider that another major strength of our Group which has secured such long established relationships is our efficient and effective communication with the customers. Our sales and marketing team is responsible for coordinating and maintaining an effective communication channel between customers and production factories in the PRC. The members of our sales and marketing team communicate with the customers through emails, telephone and/or regular visits to the customers. Such communication allows us to better understand the needs and requirements of our customers. By leveraging on the long term relationships between us and our customers, our Directors believe that we can obtain stable orders from our customers.

Strong and established product design, development and engineering capabilities

Our Directors believe products can only be competitive if product design, development and engineering are responsive to align with new product trends. As at 30 June 2014, we employed a total of 5 full-time personnel engaged in market research, product design and development of which four were bachelor's degree holders and one was a master's degree holder in product design and engineering fields with, on average, more than 8 years of relevant experience in product design and development. In addition, as at 30 June 2014, we employed in Hong Kong a total of 8 full-time personnel engaged in

production engineering of which 7 were bachelor's degree holders in engineering field with, on average, more than 10 years of relevant experience in product development. Our product design and development team, together with our sales and marketing team, focuses on developing product concepts and graphic arts, while the production engineers transform such designs into physical products. In order to keep abreast of the trends in kitchenware products, we analyse and monitor market trends, new materials, colour trends and design updates on products. Information is collected through attending trade shows and events, studying industry magazines, communicating with major market players and visiting our major markets regularly. We continuously seek to identify new product trends and applications to cater to the latest market trends.

We explore the use of different raw materials in the manufacturing of kitchenware products. For example, we have adopted liquid crystal polymer, because its material mix resists high heat when used on the bakeware products supplied by us. In addition, since December 2012 we have employed a materials manager who is responsible for researching different material mixes which may enhance the performance of our kitchenware products. Our Directors believe the use of different raw materials can differentiate our products from our competitors and enhance our competitive position in the kitchenware industry.

Our Directors believe that our success is in part attributable to our knowledge of the market and products, the ability to identify market trends, and the hands-on experience and acute awareness of the needs in product enhancement and development.

Reputation for quality, consistency and reliability

We place emphasis on product quality by implementing comprehensive quality control and production control. As at 30 June 2014, the production and quality control processes are carried out by a team of over 90 quality assurance professionals in the PRC who provide quality control and production control services to us and are stationed at or near the Production Factories in the PRC and under the close supervision of our quality assurance management. Stringent quality control procedures have been established throughout the entire production process so as to ensure that the kitchenware products are manufactured with consistent, reliable and high quality standard. Our quality assurance management also meets regularly with the quality assurance professionals in order to review the possibilities of further quality enhancement. Based on the positive feedback from our key customers, our Directors believe that the comprehensive quality control procedures and the stringent standards adopted in production process are our critical success factors and constitute our competitive edge over other kitchenware product providers. These procedures and standards also enable us to meet the food safety standards in various countries to which our products are shipped. During the Track Record Period and up to the Latest Practicable Date, we had neither any major sales return nor any complaint about product quality from our customers.

Strict compliance with standards for food contact substances

We place emphasis on food safety in relation to our products by implementing comprehensive product testing to ensure compliance with standards for food contact substances. We assist the Production Factories to set up in-house component and product testing facilities to perform product testings during the production process. Prior to confirming orders placed by customers, our sales and marketing team communicates with the customer to understand and define their needs, expectations and specifications for products and to adopt or tailor-make a specific quality assurance plan (“QAP”) which sets out a list of procedures and measurements to be undertaken to ensure the quality of the products by describing standards, inspection criteria and methodology checks. All the inspections and tests are carried out in accordance with the QAP. We may also conduct additional product tests. If necessary, we may appoint international third party laboratories to perform tests to comply with the relevant standards as required by the customer. During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints for not complying with standards for food contact substances in relation to our products.

Experienced and professional management team with an entrepreneurial spirit and a proven track record

The growth and success of our business is also attributable to our experienced and dedicated management team with extensive knowledge in the kitchenware industry. Our senior management is led by Mr. Wong, the Chairman and Chief Executive Officer, who has approximately 30 years of management and operation experience. Our Directors believe we have a strong professional management team that is characterised principally by its continued commitment and entrepreneurial spirit, and its diverse and extensive experience:

Continued commitment and entrepreneurial spirit: Our founder, Mr. Wong, who established our Group in 1984, is currently the Chairman and Chief Executive Officer, and is primarily responsible for providing corporate strategic planning and the corporate management of our Group. In addition, our senior management team has demonstrated a loyal, continuing and enthusiastic commitment to our Group. The members of our senior management team have, on average, served our Group for more than 10 years.

Extensive experience: Our senior management team members have extensive experience in the kitchenware industry. By bringing together the senior managers, our Directors believe we are able to offer and deliver a strong track record through experienced execution capability. Most of our Executive Directors and senior management have more than 15 years of experience in the kitchenware industry. Our Directors believe that this has been critical to our success in the past and has positioned us well for further growth and development.

BUSINESS PLANS AND STRATEGIES

We intend to further enhance our presence and expand market share in the global kitchenware industry and fortify our competitive strengths. To achieve these goals, we will adopt the following plans and strategies:

Broaden existing customer base and expand into new markets

For the existing target market, we plan to leverage on our market presence and quality customer services to attract new international kitchenware brandowners in order to diversify our revenue sources. Our marketing effort to attract new international kitchenware brandowners was ongoing during the Track Record Period and up to the Latest Practicable Date.

Furthermore, we intend to further collaborate with our existing customers to develop our target markets and to deepen our penetration into such target markets. Specifically, we plan to (i) encourage our existing customers to expand globally through referrals to induce more sales; and (ii) collaborate with our existing customers to develop new series of kitchenware products in order to expand our existing target markets. Our expansion plans for encouraging customers to expand globally and for developing a new series of kitchenware products with existing customers have been ongoing.

We also intend to enter into new markets (excluding Sanctioned Countries) with good potential such as Eastern Europe, Africa and South America, by working with local importers and trade agents when we deem appropriate.

Enhance design, development and engineering capabilities

The design, development and engineering services that we provide to our customers are an important focus of our business. We plan to continue to collaborate with certain major customers in their product design and development process and provide input on the production of kitchenware products with new designs.

Our goal is to make use of our market research, our innovative product ideas, our variety of designs, our use of innovative raw materials and product designs and development initiatives and translate them into commercially successful kitchenware products. To achieve this goal, we plan to:

- continue improving our design quality and technical skills by providing training and global exposure to design team members and further enhance the design technology for development of kitchenware products;
- continue improving our production engineering quality by providing advanced engineering software and hardware and providing training, exposure and experience to our production engineers on the characteristics of various engineering raw materials, kitchenware products engineering, and knowledge and new techniques on the production process; and
- expand the size of our production engineering team to 12 members by the end of 2015.

In addition, we plan to enhance the variety of the designs and also to re-design kitchenware products that suit the preference and cooking habits of our target markets, such as the PRC and South Africa. We plan to design, develop and build toolings for approximately 10 categories of products such as storage, tools and gadgets and food preparation by 2017. We plan to apply for mechanical patents and design patents of such products covering U.S., China, Europe and Japan.

Expand our retail networks and e-commerce in China

In November 2011, we tapped into the retail business in China and as at 28 October 2014, we had one self-operated flagship store located at “Solana Lifestyle Shopping Park” in Beijing and our products were sold in over 80 sales points of our retailers in China. Our kitchenware products are also sold through online websites in China.

Our business strategy is to introduce our various brands and selection of kitchenware products to the Chinese consumers in our flagship store in up-scaled shopping malls to get them familiarised with the kitchenware brands and products that we supply. Once the consumers are familiar and comfortable with our kitchenware products, we believe they will begin shopping for the brand and kitchenware products that are sold in sales points or online shops of our retailers. To achieve our goal to expand the China retail business, we plan to:

- Enhance our shop image and publicity by adopting marketing strategies to launch advertising campaigns, engage celebrity spokespersons, sponsor events, and organise customer interactive events, etc;
- Establish one flagship store in Shanghai by end of 2015 to expose the brands and kitchenware products we supply in the Yangtze River region. We intend to establish more flagship stores in the PRC after 2015. However, as at the Latest Practicable Date, no specific regional location was chosen related thereto. The total expenditure expected to be incurred in 2015 for the Shanghai flagship store is approximately HK\$3.6 million which includes, but not limited to, set up cost (i.e. the leasehold improvement), rental expenses, staff salaries and marketing expenses. The expected set-up cost (i.e. the leasehold improvement) is approximately HK\$0.5 million, which is expected to have an economic value for 5 years and will re-occur after 5 years. The source of funding is primarily from the proceeds from the Share Offer. We expect the flagship store in Shanghai will breakeven in approximately 18 months from its business commencement. Breakeven point is determined as when the total sales during the month can cover the variable expenses, such as salary expenses and rental expenses, incurred during the same month. We expect the payback period for the flagship store is approximately 40 months from its business commencement. Payback point is determined as when the aggregate profits generated since its business commencement can cover the total expenditures, including initial capital investment, incurred during the same period;

BUSINESS

- Expand our retail networks as to accelerate our PRC retail business and have our products sold in 120 and 250 sales points of our retailers by the end of 2014 and 2015 respectively through developing business relationships with more retailers. In 2014, our primary focus is to develop business relationship with retailers with retail sales point in Shanghai area as we believe the customers in Shanghai market will begin shopping for the brands and kitchenware products we supply in the sales points of our retailers after they become familiar and comfortable with our kitchenware products in our flagship stores in up-scaled shopping malls. In 2015, in addition to continuing to develop business relationship with new retailers in Shanghai area, we intend to develop business relationship with retailers with retail sales points in Beijing, Tianjin, Shanghai and Yangtze River region. There is no capital expenditure in relation to the sale of our products in retail sales points of our retailers as the retailers are themselves responsible for operating their retail sales points.

If we experience high demand for our products from the retailers, we will increase purchase of the same from our Production Factories or source additional production factories for the supplies of such products. The primary raw materials for the manufacturing of our kitchenware products are plastics and stainless steels, which are common materials. As at the Latest Practicable Date, our Directors do not see any difficulties in sourcing additional production factories and raw materials supplies in the PRC should the demands from our retailers accelerate. During the Track Record Period, we outsourced our warehousing and logistics services to external service providers. As at the Latest Practicable Date, our Directors do not see any difficulty in sourcing warehousing of and delivery services for our products to the retailers.

- Enhance our e-commerce operations and sales by (i) offering our products on more online shopping websites, (ii) build our own online shopping platform; (iii) hiring additional employees to build a team of 9 e-commerce staff from 4 as at 30 June 2014 by the end of 2015, and (iv) upgrading our warehouse management system to facilitate an efficient e-commerce transaction process.

We expect that the establishment of additional flagship stores and sales point networks in the PRC will increase our revenue and revenue stream apart from our brandowner sales business. In addition, as in general our selling price to retailers and consumers are higher than the wholesale price of the similar products sold to our brandowner customers, we expect the retail business would enhance our gross profit margins. However, we would incur additional costs related to the operation of the flagship stores such as rental expenses, sales staff salary and administrative expenses. In the early stage of the establishment of the flagship stores, our profit margin would be negatively affected as we would incur cost associated with the setup of the flagship stores. However, in the long run, we expect our net profit margin will improve as a result of enhancement of the gross profit margin.

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Our cash flow position would also be negatively affected initially primarily due to the costs associated with the establishment of flagship stores, security deposits for store rental and replenishment of inventory. However the cash flow position should improve in the long run from cash generated from the sales of kitchenware products to retailers and consumers, net of cash outflow for purchases of kitchenware products and operating expenses.

We have taken the following actions and measures to support our PRC retail business expansion plan:

- We have been identifying new well established retailers through multiple channels to expand our retail network;
- We have designated employees to station in Shanghai area to research and familiarise ourselves with the kitchenware consumer market, and responsible for identifying and research on flagship store location with the ideal public flow to promote the images of our products;
- We are introducing performance-oriented compensation scheme to motivate, retain and recruit skilled personnel;
- We are working with multiple established logistics service providers to deliver goods to our customers to ensure competitive cost on the services. We also have records on performance indicator of the logistics service providers to assist us to evaluate their service quality; and
- We have implemented periodic budgeting and targets for our PRC retail business, such that we can evaluate and improve our sales performance and control our expenses in order to further improve our financial performance.

However, the expansion plan entails risks. Please refer to the paragraph headed “Additional flagship stores and sales points” in the “Risk Factors” section of this prospectus for more detail.

The expansion plan will be funded by the proceeds from the Share Offer. Please refer to the “Future Plans and Use of Proceeds” section of this prospectus for more details. We believe these business plans and strategies will allow us to penetrate the PRC market with optimal growth.

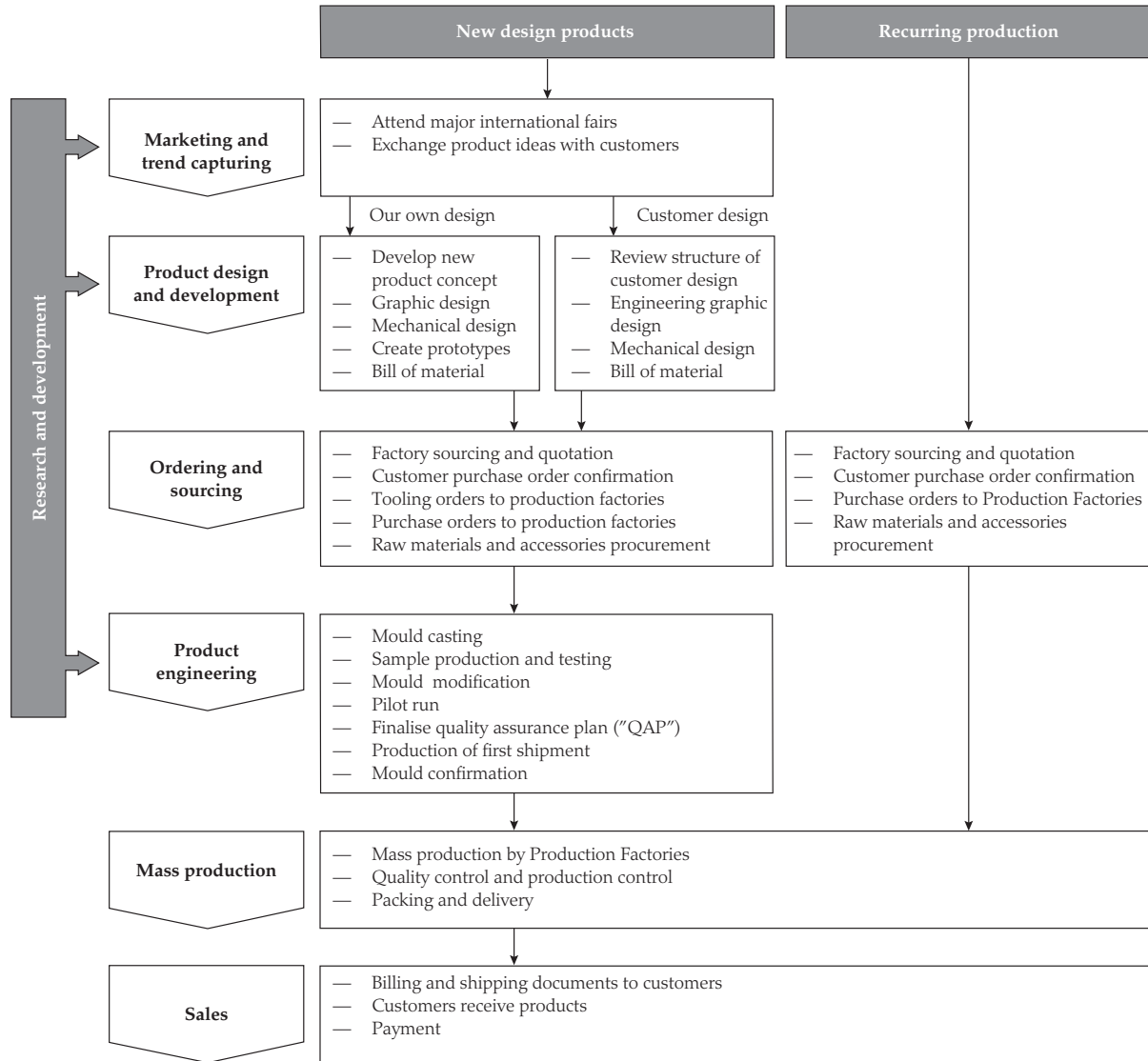
Selectively pursue acquisition and strategic alliance opportunities

We plan to consider opportunities to acquire distribution platforms that complement our existing business and enter into strategic alliances with international brandowners. We believe that pursuing these opportunities could enhance our competitiveness and further solidify our market position. The criteria of selection of potential targets include a reputable management, solid track record and good operating platform. We will carefully consider and evaluate each potential acquisition and strategic alliance opportunity on its merits to ensure that our existing business platform will derive appropriate benefits. As at the Latest Practicable Date, we have not identified any suitable investment target.

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BUSINESS MODEL OF THE GROUP

We are principally engaged in designing, developing and supplying kitchenware products mainly for international brandowner customers in North America, Europe and Asia. These kitchenware products are in turn sold by the international brandowner customers through their distribution channels to local retailers. We have outsourced our entire manufacturing function to various Production Factories in the PRC. The following diagram illustrates our current business model:



Note: Depending on the customer's request and product specification, services provided by us may not proceed in the same order as described above.

Research and development

One of the competitive strengths sustaining us to be a market player in the kitchenware industry for over 20 years is our strong capability on research, product design, development and engineering. Accordingly, we have devoted financial and human resources to research and development. Our research and development efforts are performed under “marketing and trend capturing”, “product design and development” and “product engineering” processes of our business model, which are addressed below with more details.

Marketing and trend capturing

We carry out market researches to monitor market developments, anticipated market trends and changing end-user preferences. Our Directors and members of our sales and marketing team regularly attend international fairs and visit target markets such as the U.S. to study the market trends including product concepts, material and colour fashions, etc., as well as to meet customers to discuss and exchange ideas and agree on directions while marketing their services and products. Our Directors believe that we have established effective communication and cooperation channels with our key customers to share market intelligence in a timely manner.

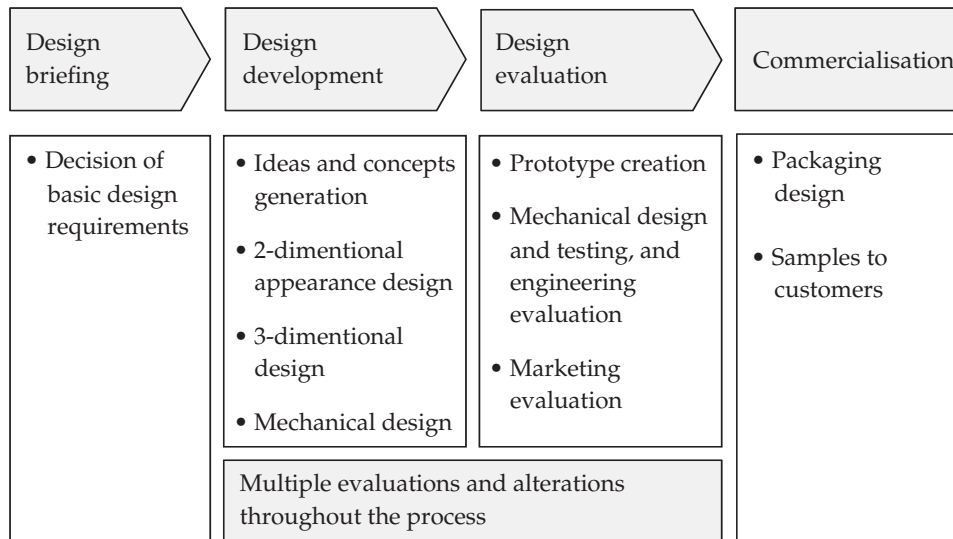
In addition, we devote time and resources to test the application of different raw materials on kitchenware product manufacturing with an aim to provide more choices of kitchenware products to our customers to suit consumer preferences. We have established over 5 years relationships with a number of international and local raw material suppliers.

Product design and development

Our Directors consider product design and development is one of the key factors for our success. We have a product design team which has the capability to collaborate with customers to enhance and improve designs provided by customers and to produce our own design of kitchenware products. As at 30 June 2014, we employed a total of 5 full-time personnel engaged in product design and development of which four were bachelor’s degree holders and one was a master’s degree holder in the product design and engineering fields with, on average, more than 8 years of relevant experience in product design and development. Our product design and development team is responsible for conducting market research, designing products based on our own concept, collaborating with customers on product design based on the preliminary product concepts provided by customers. We also work closely with our international brandowner customers in the market research, product design and customising such products to cater the needs of our international brandowner customers.

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The diagram below summarises the design workflow for our new products.



Note: Depending on the design requirements, steps carried out in the product design process may not proceed in the same order as described above.

Design briefing

Our product design team works closely with the sales and marketing team to develop market oriented product solutions. During design briefing, the product design team and sales and marketing team jointly establish basic design requirements.

Design development

During the design development stage, our product design team analyses the market research and creates ideas and concepts that capture the market trends and preferences of the target end-users and customers. Our product design team first focuses on developing new product concept and graphic arts and later translates that into a mechanical design. The concept creation incorporates designs and product structures after taking into consideration factors such as functionality, durability, appearance and design trends. Based on the concepts created, the product design team designs a two-dimensional appearance. Later a three-dimensional modelling and mechanical design is created after taking specification and production feasibility into account.

Design evaluation

When concept is evolved into a design, both the two-dimensional appearance, and three-dimensional modelling and mechanical design must generally be approved by the sales and marketing team to ensure the designs cater to the needs and preferences of our target end-users and customers. Our product design team then creates a prototype (a preliminary sample built to demonstrate the intended design and visual appearance of the product), which must be approved by both the sales and marketing team and the production engineering team.

The concept design and product design are subject to multiple evaluations and alterations. Designs approved by the sales and marketing team and production engineering team are then presented to our customers. Furthermore, the product design team also looks into product packaging so that our products are differentiated from others. If the design is requested by customers, we communicate with our customers to ensure that our design properly reflects the idea behind the conceptual design of our customers during the product design process.

In order to protect all the designs of kitchenware products owned by our customers, information pertaining to customers' designs is generally kept confidential from any third parties or the general public, other than the Production Factories. We are also requested by some of our customers to sign non-disclosure agreements. In turn, the Production Factories are also obliged to keep confidential our commercial secrets (e.g. design, specification and costs of production of the products) under the framework cooperation agreements. Please refer to the paragraph headed "Production Factories and Raw Material Suppliers — Production Factories" in this section for more details.

Bill of materials

After the design is approved by the customer, we then finalise the list of raw materials, sub-assemblies, intermediate assemblies, sub-components, components, parts and the quantity of each needed to manufacture the product. We also evaluate and select appropriate PRC production factories which have the technical skill and mould casting capability to manufacture the products.

Ordering and sourcing

Upon receipt of orders from our customers, the sales and marketing team reviews the orders, checks with production factories in the PRC for production capability, pricing and delivery dates and confirms the details with the customers. To better control our cost of purchases and the quality of products, we generally get quotes from 2 to 3 potential production factories to compare production quotations and select production factories based on cost analysis, comparison results and other criteria, including machinery and technology competency, production specialization and quality assurance.

Selecting qualified production factories

We have been outsourcing our entire production process to Production Factories in the PRC. We have established stringent internal control measures and standards for selecting and approving qualified Production Factories. We perform factory visits and audits as part of our selection measures. We select qualified Production Factories in the PRC based on several factors, including factory scale, factory facilities and equipment quality, standard management skills, financial stability, production capacity and location. Only those who meet our standards and requirements are qualified to be approved main Production Factories. A number of Production Factories are ISO accredited. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints on product non-compliance with the U.S. Food and Drug Administration nor food and safety standards in relevant EU countries.

Once a production factory has been selected, we make concerted efforts to ensure its quality standards meet the requirements of our customers. During the Track Record Period, we outsourced our production process to more than 200 Production Factories. We have not experienced any significant difficulties in sourcing production factories during the Track Record Period.

Raw material sourcing

Based on the communication with our customers and our estimates, we procure certain types of raw materials on behalf of the Production Factories for production purposes. The raw materials procured by us include polypropylene resin, copolyesters, acrylonitrile butadiene styrene and polypropylene which are imported from overseas markets such as the U.S., South Korea, Germany, Australia, Taiwan and Japan. For the financial year ended 31 December 2013, we procured raw materials from over 15 suppliers. We have established business relations with a number of raw material suppliers for over 5 to 10 years.

Product engineering and mass production

As at the Latest Practicable Date, we had a team of 8 full-time production engineers of which 7 are bachelor's degree holders in the engineering field with, on average, over 10 years of relevant working experience in product development. The production engineering team provides technical advice to customers on engineering and mould casting to ensure products manufactured from the mould meet the quality, high precision, consistency and appearance as designed. Our Directors consider our capability to provide technical engineering advice on product development and mould casting for our customers has been one of our key success factors.

We normally provide product samples to customers for approval before mass production. The selected production factory then proceeds to mass production and our sales and marketing team works with the production factory to monitor its production progress.

Quality control and production control

The quality control and production control of the Production Factories are carried out under supervision by our quality assurance team (comprising of two people as at 30 June 2014) together with a group of quality assurance personnel hired by a third party agent (the "QA Firm"), an Independent Third Party engaged by us. The engagement of the QA Firm is in line with similar industry practice. Our Directors consider that such engagement allows us to minimise our costs of hiring employees in the PRC. The QA Firm is a company incorporated under PRC laws with limited liability and hires the quality assurance personnel as their employees. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, approximately HK\$2.9 million, HK\$6.7 million, HK\$10.1 million and HK\$6.2 million, respectively, have been incurred by us to the QA Firm for its services.

Our quality assurance team comprises a manager who holds a master degree of science in quality management and another staff who has over 10 years of experience in quality assurance. As at 30 June 2014, our quality assurance team oversees over 90 quality assurance personnel who have provided quality control and production control services at the Production Factories.

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The quality assurance personnel perform their services according to strict quality assurance methods and procedures under our quality assurance guidelines. We also provide training to the quality assurance personnel on the quality assurance guidelines, methods and procedures. The quality assurance personnel either station at or pay regular visits to the production sites of the Production Factories. They are responsible for inspecting and monitoring the production process of Production Factories, and reporting to our quality assurance team.

We have entered into a quality control consultancy agreement dated 5 June 2012 (the “Consultancy Agreement”) with the QA Firm under which we are required to pay service fees to the QA Firm for the provision of quality control and production control services at the Production Factories and updated information regarding the standard of quality assurance of the products. We have the right to appoint nominees to supervise and inspect the work of the quality assurance personnel. Pursuant to the Consultancy Agreement, the QA Firm is responsible for assisting the production of products to comply with the national, industry and customer standards. The quality assurance personnel are also required to follow the instructions given by our nominees. If the QA Firm fails to perform its obligations, we have the right to terminate the Consultancy Agreement and claim for loss and damages, and the right to require the QA Firm to pay twice the service fees already paid by us to the QA Firm. Our PRC Legal Adviser has advised that the Consultancy Agreement is legal and valid under applicable PRC laws and regulations including the PRC Labor Contract Law, and it does not create any employment relationship between us and the quality assurance personnel.

To ensure ongoing compliance with customer quality requirements and applicable specifications and the national food safety requirements of the relevant countries to which our kitchenware products are delivered, we adopt a comprehensive quality control procedure throughout the production process which is carried out by the Production Factories.

The quality control process begins with our sales and marketing team defining the needs, expectation and specification of our customers regarding products. We either adopt a quality assurance plan (“QAP”) provided by the customer or prepare a specific QAP in accordance with customers’ specifications. A QAP is the core quality control document that contains a set of quality control procedures, standards and measurements to be followed for a product. Various tests and inspections are performed during the product development and production process:-

- Testing during product development — Our production engineers carry out tests on product samples before trial production to set or modify the QAP for each new product;
- Raw material testing — For those products the Production Factories have supplied to us before, Production Factories or raw material suppliers are generally required to provide a material safety data sheet for the raw material used;
- Production line sample testing — The quality assurance personnel randomly inspect and perform sample testing in the production lines;

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- Final product testing — At the final stage of production, the quality assurance personnel inspect and test the final products for defects before the products are shipped to customers. All inspections and tests are carried out in accordance with the QAP. In addition, we generally appoint international third party laboratories to perform food safety tests for new products with food safety requirements, in order to comply with standards for food contact substances in relevant countries in accordance with the customer's specified requirements; and
- Extra testing — We also conduct extra testing in addition to that set out in the QAP.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there was no major quality control issues encountered by the Production Factories to whom production had been outsourced. During the Track Record Period and up to the Latest Practicable Date, there was no major return of products supplied by us to our customers.

Sales

We mainly supply kitchenware products to international brandowner customers who in turn sell under their distribution channels to local retailers in North America, Europe and Asia. We normally have a production lead time of around 45 to 60 days and the shipping department communicates with the Production Factories to arrange transportation logistics in advance.

During the financial year ended 31 December 2013, approximately 73% of the sales were from shipments with the port of discharge in the PRC and approximately 27% of the sales were from shipments with the port of discharge in Hong Kong. Despite the difference in location of port of discharge, the transactions for both (i) the brandowner sales and (ii) the purchases of products from Production Factories are transacted by King's Flair Development, the principal operating subsidiary of our Group in Hong Kong. Our operating PRC subsidiaries, such as PRC JV and Youxiang, are primarily engaged in our retail business and do not handle transactions for our brandowner sales business.

PRODUCTS

Products

The products supplied by us include a comprehensive range of over approximately 1,500 kitchenware products as at 30 June 2014, which can be broadly classified into five major categories: tools and gadgets, drinkware, bakeware and accessories, food preparation products, storage and accessories. Based on our own internal records, the sales breakdown by product category during the Track Record Period is as follows.

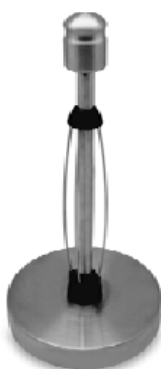
BUSINESS

Product category	Sales % for the financial year ended 31 December						Sales % for the six months ended	
	2011		2012		2013		30 June 2014	
	<i>(HK\$/000, except %)</i>							
Tools and gadgets	307,570	32%	302,963	28%	347,610	28%	155,289	25%
Drinkwares	321,268	33%	411,548	38%	487,844	39%	303,890	49%
Bakewares and accessories	196,408	20%	180,871	17%	174,790	14%	76,273	12%
Food preparation products	44,271	5%	34,021	3%	46,498	4%	17,128	3%
Storage and accessories	62,422	6%	104,483	10%	145,091	12%	59,695	9%
Others	36,566	4%	43,465	4%	34,451	3%	12,440	2%
	<u>968,505</u>		<u>1,077,351</u>		<u>1,236,284</u>		<u>624,715</u>	

Our sales in drinkwares increased during the Track Record Period primarily due to the success of our major customers in introducing new drinkware products to capture market demand and providing stylish and colourful products to induce sales, in which we supply those drinkware products. Our sales in bakeware and accessories decreased during the Track Record Period as some of our major customers had reduced launching new bakeware and accessories products.

Tools and Gadgets

- Utensils that allow consumers to have particular tools for particular tasks.



Drinkware

- a vessel intended to contain beverages or liquid foods for drinking or consumption both indoors and outdoors.



Bakeware and accessories

- Cooking vessels intended for use inside an oven along with other baking preparation utensils.



Food preparation products

- Utensils that prepare, measure or combine food or raw food ingredients to achieve a desired food serving.



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Storage and accessories

- A vessel to contain cooked food, uncooked food or raw food ingredients. Some vessels can go into a microwave, freezer or refrigerator.



CUSTOMERS, SALES AND MARKETING

For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our revenue was HK\$968.5 million, HK\$1,077.4 million, HK\$1,236.3 million and HK\$624.7 million, respectively, representing a CAGR of 13.0% over the three financial years ended 31 December 2013.

North America is the largest market for our business and 88.9%, 87.3%, 90.2% and 87.3% of our revenue was derived from the sale of products shipped to customers with headquarters in North America for the three financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. The table below sets out, for the periods indicated, a breakdown of our revenue by regions which our customers' headquarters locate and the such as a percentage of our total revenue. The location of customers' headquarters may not necessarily correspond to the region in which the products are ultimately sold by our customers.

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	For the financial year ended 31 December						For the six months	
	2011		2012		2013		ended 30 June 2014	
	<i>(HK\$'000, except %)</i>							
North America	860,207	88.9%	940,546	87.3%	1,115,009	90.2%	545,326	87.3%
Europe	58,358	6.0%	85,811	8.0%	67,452	5.4%	40,071	6.4%
Asia	40,775	4.2%	39,476	3.7%	43,072	3.5%	33,439	5.4%
Others	9,165	0.9%	11,518	1.0%	10,751	0.9%	5,879	0.9%
Total	968,505	100.0%	1,077,351	100.0%	1,236,284	100.0%	624,715	100.0%

We have classified our businesses into brandowner sales business and retail business. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total sales from our brandowner sales business accounted for more than 98% of our revenue, while the retail business accounted for the remainder. During the Track Record Period, we did not have our own brand products for production and sale.

Brandowner sales business

One of our marketing strategies has been to continue to focus on international brandowner customers, who sell kitchenware products supplied by us under their brands through their distribution channels, as our Directors believe that international brandowner customers will gain further market share as a result of economies of scale. We refer our business segment of "brandowner sales business" as sale of kitchenware products both (i) directly to customers who are brandowners, and (ii) indirectly through trading companies to their customers who are brandowners, as we supplied our products under their brands.

We received orders from over 80 customers in the financial year ended 31 December 2013. As at 30 June 2014, we had a sales and marketing team of over 35 employees to interface with our international brandowner customers with respect to sales orders and other sale-related services. We have also enhanced our sales by exploring and building further business opportunities with our existing customers. In addition, the sales and marketing team regularly participated in trade fairs to establish new business opportunities with potential brandowner customers.

We emphasise a customer-oriented approach in serving our customers. The sales and marketing staff coordinate with customers, Production Factories and supportive functions of our Group such as the design team, so that information flow among the parties are direct and efficient. We also seek feedback from our customers in order to continuously improve our services and enhance customer satisfaction.

In order to keep abreast of and capture the latest market trends, our Directors and sales and marketing staff regularly attend international fairs and also visit target markets such as the U.S. to study the market trends including new product concepts, material and colour fashions, etc., as well as to meet customers to discuss and exchange ideas and agree on directions. Our Directors believe that we have established effective communication and cooperation channels with our key customers to share market intelligence in a timely manner.

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Our Directors consider that we have established our reputation among our major customers as a trust-worthy, quality and competitive supplier who can meet customers' requirements, place customers' interests as priorities and work with them with integrity. We are able to enhance our collaboration with our existing industry leader customers and expand our business with new customers.

Retail business

We had gained kitchenware retail experience in Hong Kong before establishing the retail business in China. In 2005, we established our retail business in Hong Kong by opening up a retail shop at Harbour City, Tsim Sha Tsui, Hong Kong. The Hong Kong retail business had been profitable since 2006 to 2010. The retail shop was closed down due to the termination of the lease by the landlord in August 2011 for renovation of the shopping mall. We also established and operated a retail website since November 2013 as an online sales platform (www.gourmetkitchen.hk) to offer our kitchenware products in Hong Kong. Our Directors believe the e-commerce channel provides a growth potential for our Group.

We operate the PRC retail business, which includes the PRC e-commerce, through the PRC JV. The PRC JV was initially set up as a domestic company on 4 May 2010 by Mr. Lin Zhao (林釗), an Independent Third Party as the sole shareholder. Mr. Lin Zhao was once the general manager of a Production Factory which has had an established business relationship with us for over 20 years. It was also one of our five largest Production Factories during the Track Record Period and an Independent Third Party. Given his experience in the kitchenware industry in the PRC and business relationship with us, we considered it was a good opportunity to cooperate with him to tap into the retail and e-commerce business in the PRC.

In March 2011, Manweal acquired a 51% equity interest in the PRC JV by way of capital injection of RMB2.55 million into the PRC JV and obtained a new business license as a sino-foreign joint venture enterprise. In February 2012, Manweal became 68% held by our Group and 32% held by Mr. Lin Zhao (and Mr. Lin Zhao subsequently transferred his shareholding to Primehill Holdings Limited which, as at the Latest Practicable Date, was held by a family member of Mr. Lin Zhao). In June 2012, Manweal and Mr. Lin Zhao contributed an additional RMB4.95 million and RMB500,000 respectively as registered capital to the PRC JV which then became 75% held by Manweal and 25% by Mr. Lin Zhao. The major terms of the PRC joint venture agreement of the PRC JV, which were negotiated between the parties on arm's length basis, are:

- (i) the term of the PRC JV is ten years and can be terminated or extended by unanimous consent of all members of the board of directors of the PRC JV;
- (ii) the board of directors of the PRC JV shall consist of five members, four of whom shall be appointed by Manweal and the other by Mr. Lin Zhao; and
- (iii) in case of any breach of the agreement, the non-defaulting party shall have the right to claim against the defaulting party and apply for dissolution of the PRC JV.

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In November 2011, we launched our first flagship store in a shopping mall in Hangzhou, Zhejiang Province, as our first step for tapping into the retail business in China, but which was closed in March 2014 as we considered that the mall did not have an ideal traffic flow. As at 30 June 2014, we had one self-operated flagship store, located at “Solana Lifestyle Shopping Park” in Chaoyang District, Beijing. The flagship store targets mid to high income consumers and mainly sells kitchenware products with international brand names.

As at 28 October 2014, we have agreements with over 20 retailers, such as Beijing Hualian, Hypermarket Co., Ltd. and New World Department Store China Limited, for retailing our kitchenware products in over 80 sales points in China (with 29 in Beijing, 11 in Tianjin, 7 in Xi’an, 5 in Shanghai and the remaining in other PRC cities). The sales points are operated by the retailers and we sell directly to our retailers. The ownership and the risks of the products pass to the retailers when the products are delivered to the retailers and the receipt thereof are confirmed by them. We, following the accounting principle, recognise revenue for sales to the retailers when the risks and ownership of the products are transferred to the retailers. We did not grant any exclusive right to the retailers for sales of our products. The major terms of the agreements with certain major retailers are set out below:

- (i) the price of the products to be sold to the retailers is at an agreed discount percentage to the retail price prescribed by our Group;
- (ii) the payment terms for the retailers range from full payment prior to delivery and partial payment with credit period up to 45 days upon delivery;
- (iii) our Group shall prescribe and maintain unified retail prices of the products in the PRC;
- (iv) our Group shall be responsible for delivery of products to the retailers under usual circumstances;
- (v) our Group will provide rebate if the annual purchases by the retailers reach the target amounts;
- (vi) our Group shall ensure the products will meet the national quality standards;
- (vii) if there is any problem with the quality of the products, our Group shall be responsible for their repair for a one-year period and their replacement for a three-months period after purchase by consumers;
- (viii) the retailers shall not sell the products through unauthorised channels or sell the products at areas not stipulated in the agreements without consent of our Group;
- (ix) the retailers shall follow the retail price prescribed by our Group and shall not change the retail price (including giving discounts) of the products without our authorisation;
- (x) the retailers shall not infringe the intellectual property rights of the brandowners;
- (xi) the form of display of the products in the retail shops shall be approved by our Group;

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- (xii) if the agreement is early terminated by our Group through no fault of the retailer, we shall repurchase the stock at the original price we sold to the retailers; if the agreement is early terminated by us due to the fault of the retailer, we shall repurchase the stock at a discounted price to the original price; and
- (xiii) the term ranges from 12 months to 21 months.

We plan to expand our retailer networks through developing business relationships with more retailers. We expect the agreements with the new retailers to be similar to those with the existing retailers as described above.

Our relationships with the retailers were built during the last three years since we had commenced our PRC retail business in 2011. The revenue generated from sales to those retailers is approximately 1% of the total sales of our Group during the Track Record Period.

During the Track Record Period and as at the Latest Practicable Date, none of our Directors, their respective close associates or our Shareholders had any interest in any of the retailers. Our Directors confirm that all the retailers are Independent Third Parties, and during the Track Record Period and as at the Latest Practicable Date, we did not have any significant dispute with or had any major cancellation of orders by our retailers nor did we experience any material sales returns.

The products we offer in the PRC include tools and gadgets, bakeware, cookware, drinkware, table tops and food preparation products consisting of mainly international brands and imported from Hong Kong and overseas. As at 30 June 2014, we were authorised to distribute, sell and market kitchenware and houseware products in the PRC under over 10 brand names and trademarks, including “Mikasa”, “AUTOSEAL” and “Contigo”, for a period ranging from one year to over five years. We do not own any of these brand names or trademarks.

In April 2012, we entered into a distribution and licence agreement with a major customer, pursuant to which we are granted an exclusive right to sell branded trademark houseware products within the PRC (including Hong Kong and Macau) and an exclusive and royalty-free license (i) to use certain branded trademarks, and (ii) to use its domain names, in connection with the marketing, promotion, advertising, distribution and sale of such products. As at the Latest Practicable Date, we have also entered into distribution agreement with one other brandowner and trademark owner.

The major terms of the abovementioned agreements are summarised below:

- Geographic area

We are granted an exclusive right to market, distribute and sell specified products under the respective brand names or trademarks in the PRC (including Hong Kong and Macau).

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- Duration and renewal

The term of the agreements is for a period of one year. The agreements are automatically renewable, with one subject to our achieving the minimum purchase requirements.

- Sales and pricing policy

One agreement provides for fixed prices at which the products are supplied to us. For the other, the prices are to be fixed at the time of purchase orders. One agreement has restrictions on the channels through which we can on-sell the products. There is however, no restriction on the price at which we can on-sell the products.

- Minimum purchases

One agreement provides for minimum purchases by us, which amount to approximately HK\$1.5 million in aggregate per annum in terms of total purchase amount.

- Payment and credit terms

Payment terms vary from full payment prior to shipping to within 30 days of receipt of invoice.

- Goods return arrangement

One agreement expressly provides that the brandowner will replace all defective or unsatisfactory products or issue credit notes for the same. The other agreement does not expressly mention any defective goods arrangement.

- Termination

The agreements may be terminated by the brandowners in the event of our breach and which is not remedied within the prescribed period. There is no express provision on penalties payable by us in case of termination due to our breach. However, we have to indemnify and hold the brandowners indemnified against all losses and damages of whatever form or nature arising from our breach of any provisions of the agreements. The agreements may also be terminated upon mutual written consent, or in certain cases, by the brandowner by giving us prior written notice without any reason, or in some cases, by certain insolvency events of our Group.

- Others

There are no specific sales or expansion targets.

PRC e-commerce

In 2011, we commenced our e-commerce operation in China. As at 30 June 2014, our products are sold through four major online retail channels being (www.taobao.com), (www.amazon.cn), (www.jd.com) and (www.tmall.com), by setting up our own online shops on these online sales platforms. We also sell our products directly to our online retailer customers (www.amazon.cn) and (www.jd.com). All of the abovementioned online sales platforms are operated by Independent Third Parties. As at 30 June 2014, we have 4 employees handling the operation of the e-commerce sales.

For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our PRC retail business recorded revenue of approximately HK\$1.5 million, HK\$9.1 million, HK\$10.5 million and HK\$7.1 million respectively; while we also recorded losses of approximately HK\$0.6 million, HK\$5.5 million, HK\$10.9 million and HK\$3.9 million respectively. The losses were primarily due to the initial set up costs associated with the establishment of our PRC office and flagship stores, along with salary and marketing expenses.

Although our PRC retail business has been loss-making, our strategic intention to expand in the PRC retail market remains positive as we have researched and analysed several market studies, including the Euromonitor Report, on the PRC kitchenware retail market which suggested that:

- (i) the PRC's kitchenware market managed to achieve a CAGR of 14.3% during the period of 2009 to 2013. The retail market size of kitchenware in China is expected to grow from RMB70 billion in 2013 to exceeding RMB100 billion by 2018;
- (ii) the consumer expenditure in the PRC saw a CAGR of 14.4% during the period of 2009 to 2013 and it is forecasted to witness a higher growth in 2015 when the 12th Five-Year plan reaches fruition. As the PRC consumer expenditure on household goods (including kitchenware) shows a higher growth rate than the overall consumer expenditure for the period of 2009 to 2013, we expect to see a higher expenditure in kitchenware products;
- (iii) the rising PRC consumers preference for products that enhance their living standard will positively stimulate kitchenware sales, being products which we supply; and
- (iv) PRC consumers are becoming more aware of the importance of choosing kitchenware products made from quality and safe materials and thus are willing to pay more for better kitchenware, products which we supply.

In addition, our Directors believe that the growth drivers for our PRC retail business include (i) demand from online sales channels and (ii) establishment of retailer sales points with major retailers in the PRC. Accordingly, we have achieved the following milestones to pave the way for our expansion in the PRC retail business:

- (v) our sales in the PRC retail business increased by over 50% during the first nine months of 2014 compared to the same period of 2013;

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- (vi) in addition to (www.taobao.com), we have established business relationship with three other major online sales channels in the PRC including (www.amazon.cn), (www.jd.com) and (www.tmall.com) and was awarded by Amazon China as one of the top five partners within the kitchenware categories;
- (vii) we are in the process of developing business relationship with a multinational retailer that operates chains of mega stores of approximately 300 stores in the PRC; and
- (viii) our recent success in the expansion of retail sales points and online sales channels in the PRC. As at 31 December 2012 we have 15 retail sales points which increased to 82 in October 2014, representing approximately 4.5 times growth rate. We also established business relationship with four major online sales channels and commenced our online sales in early 2014.

In view of above analysis and growth factors, our Directors believe that once our retail sales point and channels are expanding, our business volume will start to accelerate; and revenue from our retail business will increase, which will reverse the loss making situation to profit generating for our PRC retail business in the near future. Our Directors are of the view that our PRC retail business will experience high growth in the next few years together with the execution of our expansion strategies in 2015.

Five largest customers

For the financial years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, our aggregated sales to our five largest customers accounted for approximately 84.1%, 80.5%, 83.3% and 81.8% of our revenue respectively. Our largest customer accounted for approximately 23.2%, 32.4%, 35.3% and 42.8% of our revenue respectively, for the same periods.

As at the Latest Practicable Date, our business relationships with our top five largest customers ranged from 10 to over 20 years. Our Directors believe such long standing relationships stem from the recognition of our product quality and timely completion of customers' orders under delivery schedules and short production lead time. Our Directors believe that such close relationships help preserve the loyalty of our customers and reinforce commitment from our customers to place further orders with us.

The following were our major customers during the Track Record Period listed in no particular order.

Ignite USA

Ignite USA is a premier designer and marketer of drinkware products. The products of Ignite USA are sold internationally including the U.S., Canada, the U.K., Germany, China, Japan, Korea and Mexico. Ignite USA retails its products mainly through mass market retailers and warehouse clubs. In September 2014, Ignite USA was acquired by Newell Rubbermaid Inc. ("Newell"), a major US domestic homeware company. We were introduced by Ignite USA to the senior management of Newell who visited us in Hong Kong before the said acquisition, with

encouraging signs that we are underway towards the building of business relationship with Newell. The current chief executive of Ignite USA confirmed that he would continue to stay with Newell after the acquisition until full integration which tentatively would be by end of 2015. However, any statements about the Company's business relationship with Ignite USA should be seen in the context that they might not be reflective of the position that would apply after Ignite USA had been fully integrated into Newell. We confirm that up to the Latest Practicable Date, our Directors have not received any indication from Newell or Ignite USA relating to any change of existing business relationship between us and Ignite USA.

For the past ten years or more, Ignite USA would provide us a full year of purchase forecast at the beginning of each year. Ignite USA would then confirm its orders with us three months in advance. Ignite USA provided us the 2015 purchase forecast after the change of ownership of Ignite USA, which indicated that the estimated purchases from us for the year ending 31 December 2015 will be approximately 5% more than the level in 2014.

In addition, after the change of ownership of Ignite USA, our Company continued to receive confirmed orders from Ignite USA for the period from September to December 2014. Our estimated sales to Ignite USA for the four months from September to December 2014 is expected to increase by 2.1% when compared with the same period in 2013. Given the abovementioned, our Directors are of the view that the business relationship between our Company and Ignite USA remained stable and positive for the periods before and after the change of ownership of Ignite USA.

Lifetime

Lifetime, a company listed on the NASDAQ stock exchange in the U.S., is a global provider of branded kitchenware, tableware and other products used in home. Lifetime retails its products through mass market retailers, warehouse clubs, national chains and specialty stores. Our Group first established business relationship with Lifetime back in 1990.

Kai Corporation

Kai Corporation is a Japanese company that manufactures, sells, exports and imports cutlery and cutting tools, ranging from kitchen utensils to cosmetic accessories and surgical implements. The business location of Kai Corporation covers Japan, Hong Kong, China, Korea, the U.S. and Germany. Kai Corporation retails its products mainly through national chains and specialty stores.

Winlot Group

Winlot Group is mainly engaged in sourcing and trading kitchenware products for customers including global kitchenware, houseware and home décor companies. The customers of Winlot Group were primarily international brandowner customers ranging from private company to listed company with headquarters in the United Kingdom, Germany and Russia. Those customers sell kitchenware products under their brands and through their distribution channels. Wonder Household, one of the operating subsidiaries of Winlot Group, became part of our Group on 31 December 2013 as a result of the Acquisition. For the six months ended 30 June 2014, the largest customer of Wonder Household accounted for approximately 11.7% of our

Group's revenue. Please refer to the "History, Reorganisation and Group Structure" section and "Connected Transactions" section of this prospectus for further details of the Acquisition.

Save as disclosed in the "Relationship with Controlling Shareholders" section of this prospectus, none of our Directors nor any of their respective close associates, or any shareholder who owned more than 5% of the issued share capital of our Company held any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

Customer relationship

Our sales are conducted on the basis of confirmed purchase orders which set out the specific terms for a particular batch of orders. Most of our customers only confirm their orders three months in advance, which our Directors confirm that it is in line with the industry norm. We maintain close communications with our customers throughout the entire process. At times, some customers will provide purchase forecasts, we will then be able to estimate our sales with some reliability and plan our outsourcing, production schedules and material procurement. During the Track Record Period and up to the Latest Practicable Date, we did not have any significant disputes with our customers nor experienced any sales returns.

Notwithstanding the fact that we have maintained long-term relationships with our customers, to reduce reliance on the key customers and to avoid significant impact on our performance if the major customers reduce their order amounts, we have strived to extend our business to reach new customers in other markets (excluding Sanctioned Countries) in Eastern Europe, Africa and South America.

Pricing policy

We determine our pricing by adding a margin to the estimated cost of purchase, after taking into account major factors including the size of the order, values added by us such as product design and development, delivery instructions and destination, specifications and features of the products, as well as the prevailing demand and supply sentiment. Our Directors are not aware of any existing legal or regulatory controls in countries where we conduct business that regulate the price of our products.

Credit control

Payments by customers were primarily made by telegraphic transfer and letter of credit and credit periods vary from 7 days to 90 days during the Track Record Period. The payment method and the credit period are granted after having considered the respective customer's known financial position, credit track record, quantity of orders and future business prospects. We generally require only new customers to pay a deposit.

Our finance department is responsible for preparing monthly statements to customers and monitoring settlement from them. Our finance department also generates a monthly trade and bills receivables ageing report for review by senior management, alerting them of overdue balances. In the event that there is an overdue balance, sales and marketing personnel and senior management will liaise with the relevant customers to seek prompt settlement of the overdue balance.

No general provisions for impairment of trade and bills receivables are made; instead, trade and bills receivables are evaluated on an individual basis and a specific provision for impairment of trade and bills receivables is made where necessary. Our management regularly reviews the trade and bills receivables ageing and considers payment history, recent news and information regarding the specific debtors as bases for the assessment of the recoverability of the outstanding trade and bills receivables.

PRODUCTION FACTORIES AND RAW MATERIAL SUPPLIERS

Production Factories

During the Track Record Period, we outsourced the entire production of our products to more than 200 Production Factories, most of which are located in the Guangdong Province. For the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the cost of purchases amounted to approximately HK\$773.3 million, HK\$848.0 million, HK\$973.6 million and HK\$488.1 million, respectively. For the same periods, our single largest outsourced Production Factory accounted for approximately 13.1%, 18.5%, 15.9% and 14.2% of our cost of purchases respectively; our five largest Production Factories accounted for approximately 51.3%, 55.1%, 52.1% and 49.7% of our cost of purchases respectively, and our ten largest Production Factories accounted for approximately 71.9%, 72.3%, 68.0% and 65.9% of our cost of purchases respectively. We have established long term business relationships with our five largest Production Factories for the financial year ended 31 December 2013 ranging from approximately 8 to over 20 years. To the best knowledge of our Directors, except for Standard Metal, with whom we had discontinued connected transactions since January 2012, and Easy Kitchen, who ceased to be our connected person since April 2012, all the Production Factories during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties. Please refer to the “Connected Transactions” section of this prospectus for more detail related to transactions with Standard Metal and Easy Kitchen.

We select production factories based on several factors, including but not limited to factory scale, factory facilities and equipment quality, standard management skills, financial stability, production capacity and location, and only those who meet our stringent requirements are qualified to be approved Production Factories. To better control our cost of purchases and quality of products, we generally get quotes from 2 to 3 Production Factories for comparing production quotation for a purchase order. We may be required by new Production Factories to pay a monetary deposit and for those Production Factories who have a longer relationship with us, the deposit is generally contributed in the form of raw materials procured for the Production Factories. During the Track Record Period, the purchase orders for the five largest Production Factories are on normal commercial terms and generally with a credit period of 14 to 30 days upon the delivery of goods and the receipt of all shipping documents and invoices from the Production Factories. We have not entered into long term contracts with any of the Production Factories. The major terms of cooperation are as follows:

- the Production Factories have no proprietary rights in any of our and our customers’ intellectual property rights;
- the Production Factories shall ensure the products manufactured comply with our specifications, and be responsible for all losses arising from any defective products;

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- we are responsible for supervising quality control and the production process of the products carried out by the Production Factories;
- the Production Factories shall keep confidential all our commercial secrets (e.g. design, specification and cost of production of the products); and
- the Production Factories shall comply with all laws of the place where they are located and the code of conduct we provide.

We normally enter into a framework cooperation agreement with a new Production Factory before the commencement of our cooperation. It lays out the general rights and obligations of the parties in the event of cooperation including, product quality, responsibility of returned goods and faulty goods, intellectual property rights, code of conduct of Production Factory and confidentiality, but does not specify the term of engagement and purchase details. Such framework cooperation agreement will remain effective during the cooperation period between us and the relevant Production Factory and for two to five years thereafter. According to the advice given by our legal advisers as to Hong Kong law and PRC law, the signed framework cooperation agreements entered into with the top ten Production Factories or their holding companies in Hong Kong are legal. During the Track Record Period and up to the Latest Practicable Date, there was no material breach of the framework cooperation agreements by the Production Factories.

The terms for the purchase of products by us from the Production Factories are set out in the purchase order we place each time. They include quality requirements and specifications of the products, unit prices, payment terms, liability of the Production Factories for non-compliance with relevant food safety standards and delivery requirements of such orders.

During the Track Record Period, we, based on co-operation history, provided advances to certain Production Factories for (i) procurement of raw materials on behalf of Production Factories from the raw material suppliers, and (ii) facilitating the production process including acquiring production equipment to complete our purchase orders. We have not provided advances to Production Factories in 2013 and up to the Latest Practicable Date. The procurement of raw materials is accounted for as “trade deposits” and the advances for facilitating the production process is accounted as “other receivables” in our financial statements during the Track Record Period, both of which are generally repaid by set off against our purchases from such Production Factories. Please refer to the paragraphs headed “Prepayments, deposits and other receivables” of the “Financial Information” section of this prospectus and the paragraph headed “Litigation” of this “Business” section for more details.

Our Directors believe that outsourcing production has given us flexibility in choosing Production Factories and optimising production by making best use of the technology and production competency of each Production Factory, saving us from the costs and risks of managing the daily operation of production and the difficulty in recruiting production staff to handle the labour intensive production, and allowing us to devote more efforts to product design and development. In addition, we are not required to make up-front significant capital investments in production facilities.

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As confirmed by our Directors, save as disclosed in the “Connected Transactions” section, none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company immediately following the completion of the Share Offer, had any interests in any of the top five outsource Production Factories during the Track Record Period.

Raw materials suppliers

To maintain high quality, cost effectiveness and the stability of raw materials supply, we procure certain raw materials used in the production of kitchenware products on behalf of the Production Factories based on communications with our customers and our estimates. We mainly procure plastic materials including copolyester and acrylonitrile butadiene styrene. The raw materials are imported from overseas markets including the U.S., South Korea, Germany, Australia, Taiwan and Japan. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major difficulties in sourcing raw materials, nor encounter any major disruption to our business as a result of shortage of raw materials.

During the financial year ended 31 December 2013, we procured raw materials on behalf of the Production Factories from over 15 raw material suppliers. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total amount of raw material purchased on behalf of the Production Factories by us from raw material suppliers was approximately HK\$124.6 million, HK\$61.0 million, HK\$66.8 million and HK\$37.9 million respectively. For the same period, the purchase of raw materials on behalf of the Production Factories attributable to our five largest raw material suppliers amounted to HK\$114.3 million, HK\$50.5 million, HK\$58.6 million and HK\$37.2 million respectively, and accounted for approximately 91.7%, 82.8%, 87.7% and 98.1% of our total purchase of raw materials from raw material suppliers respectively. As of 31 December 2013, our five largest raw material suppliers included a Taiwan-based petrochemicals firm, a Hong Kong arm of a U.S. based global chemicals company and three Hong Kong based traders of plastic materials.

We generally place purchase orders with our raw material suppliers on normal commercial terms and settle payment by cheque or telegraphic transfer with a credit period of approximately 7 to 30 days. We had over 4 years business relationships with two of our five largest raw material suppliers in the financial year ended 31 December 2013.

When (i) we foresee, based on our customers’ estimates, that we may need a large quantity of a specific raw materials; (ii) we want to control the quality of a specific raw materials; or (iii) we want to reduce the price fluctuation of a specific raw material, we will procure raw materials on behalf of a Production Factory and negotiate with raw material suppliers for bulk purchase at an agreed price and quantity. We normally require both the Production Factories and customers to lock-in the unit price of finished products for a period of three to six months, subject to our negotiations with the Production Factories and the customers. The Production Factories also purchase raw materials by themselves. If there is a significant price fluctuation of raw materials, it will be reflected in the price quotation to customers. As a result, the price increase in raw materials will be passed onto the customers. We intend to continue to adopt this practice.

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The cost for raw materials that we procure on behalf of the Production Factories are immediately recorded as trade deposits to the Production Factory and are normally settled by being set off from our purchases from the Production Factories. We did not keep any inventory of raw materials during the Track Record Period.

Our Directors believe that our raw material procurement function has provided the following benefits: (i) lowering our cost of goods sold and reducing the impact of raw material price increase; (ii) stabilizing the supply of raw materials; and (iii) better control of the quality of raw materials.

As confirmed by our Directors, none of our Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of our Company immediately following the completion of the Share Offer had any interests in any of our top five raw material suppliers during the Track Record Period.

INVENTORY

For our brandowner sales business, all of the products produced by the Production Factories are shipped from their sites to the customers' designated port of discharge or warehouse. It is our policy to source products from Production Factories upon receipt of purchase orders from customers. We did not keep any inventory of finished products from the Production Factories during the Track Record Period.

We maintain inventory for our retail business. Our inventory is measured at the lower of cost and net realisable value. The cost of inventories may not be recoverable if those inventories are damaged or become obsolete. Specific provisions are made after considering their physical condition, age, movements, current selling price, residual value and etc. There was no write-down of inventories and we did not make any general provision for our inventory during the Track Record Period.

To reduce the risk of inventory obsolescence, we monitor the inventory records through regular reviews and physical inspections. During the inspections, we inspect the physical condition of our inventory.

QUALITY CONTROL AND ASSURANCE

Our Directors believe that the quality of our products has not only been a key to our success, but is also crucial to our future prospects. Delivering quality products to customers is our corporate goal and one of our competitive strengths. We have designed and implemented stringent quality control procedures to ensure the products produced by outsourced Production Factories conform to our and/or our customers' quality standards. We only select Production Factories which have the ability to produce quality products up to the requirements and standards of our customers. We implement quality control procedures at different stages of production, ranging from the sourcing of raw materials and the manufacturing process to the delivery of end products to our customers. We provide quality specifications and a quality

assurance plan of the products for the Production Factories. In order to ensure the quality of our products are up to the standard set out in such specifications and the plan, we have engaged a quality assurance team to supervise the Production Factories by either being stationed at or paying regular visits to the respective production sites. Please see the paragraphs headed “Product engineering and mass production — Quality control and production control” in this section of this prospectus for more details.

We do not make any refunds for nor recall any defective products sold to the customers unless such defects are our responsibility. During the Track Record Period, we did not have any significant disputes with our customers nor experience any product returns or product liability claims. Please see the paragraphs headed “Insurance — Product liability insurance” in this section of this prospectus for more details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims or refunds or returns from our customers or remedies in respect of our products which materially and adversely affected our financial condition. Our Directors confirm that we comply with the product safety standards of the jurisdictions in which we operate. Our Directors believe that our commitment to high quality helps strengthen the recognition and trust from our customers, which subsequently translates to increased orders with us.

MARKET AND COMPETITION

According to the Euromonitor Report, the global kitchenware market grew by approximately US\$11.1 billion from approximately US\$72.7 billion in 2009 to approximately US\$83.8 billion in 2013 in terms of retail sales value, representing a CAGR of approximately 3.6%. The market is expected to continue to grow with an approximate CAGR of 2.1% and reach approximately US\$93.0 billion in 2018. The majority of the new sales is expected to be contributed by the PRC market. In 2013, the sales in the U.S. kitchenware market for the first time in history fell behind its Chinese counterpart.

In 2013, according to the Euromonitor Report, the total export value of kitchenware products from the PRC and Hong Kong amounted to approximately HK\$114.1 billion and HK\$5.4 billion respectively. During the financial year ended 31 December 2013, approximately 73% of our sales were from shipments with the port of discharge in the PRC, which accounts for approximately 0.8% of the total kitchenware export value in the PRC for the same period; and approximately 27% of our sales were from shipments with the port of discharge in Hong Kong, which accounts for approximately 6.2% of the total kitchenware export value in Hong Kong for the same period.

We face competition from exporters or manufacturers who may successfully build up their product designs and development capabilities to match with us. According to the Euromonitor Report, global consumers pay more attention to product quality and show their preference for products with environmental-friendly concepts as well as those that conform to their functionality expectations. Our Directors are of the view that international brandowner customers have been careful in selecting their suppliers and are likely to partner with accepted

and reliable suppliers to match with their consumer preference, and prefer to work with such suppliers on a long term basis. During the Track Record Period and up to the Latest Practicable Date, we did not suffer any loss of major customers. Our Directors believe that we are capable of competing effectively with our competitors based on our selected and innovative product specialties, proficient customer services, experienced management team and well-established relationships with our customers. Accordingly, our Directors believe that we have established a solid market presence in the North American and European kitchenware industry.

INTERNAL CONTROL

Tax compliance

In order to ensure compliance with all relevant tax rules and regulations in the jurisdictions where we operate Hong Kong and the PRC, we have implemented strict internal control measures with reference to all relevant tax laws and regulations for those jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we have been in full compliance with the relevant tax rules and regulations in Hong Kong and the PRC and there was no investigation or non-compliance issues raised by the relevant tax authorities.

We have appointed either a tax representative or a consultant to handle our tax matters in Hong Kong and the PRC. In addition, our Financial Controller is responsible for monitoring compliance with the relevant tax rules and regulations, reviewing the tax filings prior to submission to the relevant government authorities in Hong Kong and the PRC and keeping themselves regularly updated with the latest rules and regulations from the website of the relevant tax authorities as well as with advice from the tax representative/consultant. If there are any relevant amendments and updates, our Financial Controller provides a briefing to responsible staff members for their better understanding thereof. Our Directors are of the view that our internal control measures on tax compliance are effective.

Our brandowner sales business does not involve transactions between our subsidiaries in Hong Kong and the PRC. The PRC subsidiaries are engaged in the PRC retail business only and not intended to carry out the brandowner sales business. Our principal subsidiary, King's Flair Development, has been engaged in brandowner sales business long before our investment into or establishment of our PRC subsidiaries, the PRC JV and Youxiang, in 2011 and 2012 respectively. Therefore, there was no transfer pricing issue for our brandowner sales business. As for our PRC retail business which only constitutes approximately 1% of our the Group's revenue, our Directors confirm that during the Track Record Period we do not encounter any transfer pricing issue between our Hong Kong subsidiary and our PRC subsidiary, namely the PRC JV, as we, on average, earned a higher gross profit margin on sales from the PRC JV to its customers in the PRC than the sales from our Hong Kong subsidiary to the PRC JV. We have not received any enquiry or been subject to any investigation by the PRC or the Hong Kong tax authorities in relation to transfer pricing issues.

Compliance with all relevant rules and regulations

In order to ensure our ongoing compliance with all relevant rules and regulations of Hong Kong and the PRC, we have appointed independent professional advisers including certified public accountants, tax consultants and legal advisers on a case by case basis. Other compliance issues relating to our Group include but are not limited to, tax compliance, financial reporting to government departments and company secretarial matters which are handled by Mr. Po Tien Chu Ronnie, the Financial Controller and the company secretary of our Company in accordance with the direction of the Board and the advice of the independent professional advisers. We also encourage our Directors, senior management and staff to attend various seminars and training classes on the relevant rules and regulations organised by the government bureau and professional organisations.

Compliance with code of conduct

Up to the end of the Track Record Period, we have not been required by our customers to execute any undertaking or other legally binding document in relation to compliance with code of conduct in our business with them. Some of our customers did however from time to time carry out random audits of the Production Factories. In October 2014, we executed an anti-corruption compliance certificate with one of our top 5 customers which contributed to approximately 35% of our revenue in the financial year ended 31 December 2013, under which we agree to comply with their anti-bribery and anti-corruption policy as well as anti-corruption laws. There is no expressed provision on the consequences of breach of such anti-corruption compliance certificate. During the Track Record Period and up to the Latest Practicable Date, we have not received any warning or other notice that our business with such customers may be adversely affected due to the results of such audits being unsatisfactory or notice of breach of the anti-corruption compliance certificate.

On the other hand, we have established a code of conduct relating to, among other things, labour, anti-corruption and confidentiality and in order to ensure its compliance, we have implemented the following initiatives:

- (i) our code of conduct incorporates audit requirements of our customers and compliance requirements under the above mentioned anti-corruption compliance certificate;
- (ii) our staff are required to sign a confirmation of understanding of our code of conduct and are required to follow our code of conduct contained in the employee handbook;
- (iii) the department head monitors the performance of each staff member, and may take disciplinary action or terminate the employment if the staff member breaches the code of conduct;
- (iv) we have established relevant policies and internal control procedures to safeguard the confidential and proprietary information of the customers. Product design graphics and sketches are kept by us and the engineer department of the Production Factories;

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- (v) Production Factories are required to comply with the code of conduct we provide to them;
- (vi) Ms. Wong Fook Chi, as our compliance officer, manages matters relating to any compliance requirements from our customers;
- (vii) we have established a reporting channel for employees to report affairs which are not in compliance with the code of conduct; and
- (viii) all our staff including the Financial Controller are encouraged to attend the seminars organised by the government departments or professional organisations in relation to relevant rules and regulations.

INTELLECTUAL PROPERTY

We have registered various domain names, details of which are set out in the paragraph headed “Intellectual property” in Appendix VI to this prospectus.

We have also obtained registration of and in the process of applying for various trademarks which may be material for our business, details of which are set out in the paragraph headed “Intellectual property” in Appendix VI to this prospectus.

In addition, as disclosed in the paragraph headed “Retail business” in the section headed “Business” of this prospectus, we have been authorised to use certain trademarks in the PRC pursuant to a number of licence agreements. We have not filed such licence agreements with the relevant trademark authorities in the PRC but our PRC Legal Advisers have advised that despite such non-filing, under the PRC laws, the licence agreements are legal, valid and enforceable and our use of such trademarks will not be affected.

We confirm that there was no dispute or infringement of intellectual property rights in relation to such domain names and trademarks registered or under application for registration by us during the Track Record Period and up to the Latest Practicable Date.

PROPERTY INTERESTS

Hong Kong

As at the Latest Practicable Date, we owned the following properties in Hong Kong:

- (a) the whole of the 12th floor and car parking spaces numbered 89, 90 and 91 of Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The property, excluding the car parking spaces, has a saleable area of approximately 468.53 sq.m. and was occupied by us as our head office in Hong Kong during the Track Record Period and up to the Latest Practicable Date;

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- (b) workshop A on the 4th floor and its flat roof and car parking space number P5 on the ground floor of Goodwill Industrial Building, 36–44 Pak Tin Par Street, Tsuen Wan, Hong Kong. The property, excluding the car parking space, has a total saleable area of approximately 381.64 sq.m. and was used by us as our warehouse during the Track Record Period and up to the Latest Practicable Date; and
- (c) Flat A901 on the 9th floor and car parking spaces numbered A4 and A5 of Block A of Villa Verde, No. 16 and 18 Guildford Road, Hong Kong. The property, excluding the two parking spaces, has a saleable floor area of approximately 242.70 sq.m.. The property is designated as staff quarters and was occupied by two Executive Directors, Mr. Wong and Ms. Wong Fook Chi and a Controlling Shareholder, Ms. Rebecca Cheng, during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we leased the following properties in Hong Kong:

- (a) Units A and B on the 22nd floor and a car parking space number G1 on the ground floor of Goodwill Industrial Building, 36-44 Pak Tin Par Street, Tsuen Wan, Hong Kong with a total gross floor area of approximately 812.89 sq.m. and a saleable area of approximately 593.46 sq.m.; and
- (b) Flats A, B, C, D and E on the 12th floor of Champion Building, 287/291 Des Voeux Road Central, Hong Kong, with a lettable area of approximately 2,270 sq.ft..

PRC

As at the Latest Practicable Date, Ketao held certain rights in certain lands and buildings in the PRC as follows. Pursuant to an agreement signed in 1996 (as supplemented by a supplementary agreement of the same year), we purchased a porcelain factory together with the ancillary land use rights and factory buildings (being the two parcels of land and buildings described below). We originally planned to acquire the factory to manufacture porcelain products. However, such production was ceased and Ketao suspended its business since 2001. As at the Latest Practicable Date, we do not have any plans in relation to these lands and buildings for 2014 and 2015.

- (a) a parcel of land in Hongdong Village, Huiping Town, Qidong City, Jiangsu Province, the PRC (江蘇省啟東市惠萍鎮鴻東村永鎮街2號) with a site area of approximately 3,994.8 sq.m., for which the relevant land use rights certificate has been obtained;
- (b) another parcel of land in Hongdong Village, Huiping Town, Qidong City, Jiangsu Province, the PRC (江蘇省啟東市惠萍鎮鴻東村) with a site area of approximately 8,404 sq.m., for which the relevant land use rights certificate has been obtained; and
- (c) buildings erected on the Southern End of Huiping Town, Qidong City, Jiangsu Province (江蘇省啟東市惠萍鎮南首) with a gross floor area of approximately 2,075.52 sq.m., for which the relevant building ownership certificate has been obtained.

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As at the Latest Practicable Date, we leased the following properties in the PRC:

- (a) Unit 903, Block 4, Jianwai SOHO, No. 39 Middle Road of E 3rd Ring Road, Chaoyang District, Beijing, with a lettable area of approximately 161.99 sq.m.;
- (b) Shop No. L-SMM-173, Block 17, Solana Lifestyle Shopping Park, No. 6 Chaoyang Park Road, Chaoyang District, Beijing, with a lettable area of approximately 114.30 sq.m.. The shop is used as our PRC retail flagship store in Beijing;
- (c) a warehouse located at No. 5 Daxian Road, Daludian, Ercun, Heizhuanghuxiang, Chaoyang District, Beijing, with a lettable area of approximately 300.00 sq.m.;
- (d) an office unit on 4th Floor of Block A, E Link World, No. 999 Huaxu Road, Xujing Town, Qingpu District, Shanghai, with a gross floor area of approximately 1,421.88 sq.m.;
- (e) a portion of warehouse located at No. 658 Huacai Road, Qingpu District, Shanghai, with a lettable area of approximately 1,075.00 sq.m.; and
- (f) Unit 1005-2 on 10/F of Block 1, No. 5 Xingye 1st Road, Ningbo Free Trade Zone, Ningbo City, Zhejiang Province, the PRC with a gross floor area of approximately 12.58 sq.m..

We have entered into lease agreements with respect to each of the six leased properties above but have not completed registration of the lease agreements. The PRC Legal Advisers have advised that despite such non-registration, under the PRC laws, the lease agreements are legal, valid and enforceable and our occupation and use of such leased properties will not be disrupted.

Other property interests

Save as disclosed in this section, as at the Latest Practicable Date, we did not have any owned property or other leased properties. Details of our property interests are set out in “Appendix IV — Property Valuation” to this prospectus.

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EMPLOYEES

As at 30 June 2014, we have employed 139 full-time employees. Their respective function is exhibited in the following table:

Function	Number of employees
Executive Directors and senior management	10
Marketing and retail	66
Product design, product engineer and quality control	13
Administration, human resources, shipping and warehouse, information technology, printing, accounting	50
Total	139

Remuneration

The remuneration payable to our employees consists of salaries. We determine our employees' remuneration based on factors such as qualifications, contribution and years of experience. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive, consistent with best practice and supports the interests of Shareholders. We aim to align the interests of our senior executives with those of the shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Welfare contributions

We participate in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the Ordinance subject to a maximum of HK\$1,000 (up to May 2012), HK\$1,250 (up to May 2014) and thereafter up to HK\$1,500 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future.

The total amount of contribution we made for such provident fund scheme during the Track Record Period was approximately HK\$619,000, HK\$839,000, HK\$939,000 and HK\$547,000, respectively.

Share Option Scheme

Our employees and Directors are eligible to participate in the Share Option Scheme. Please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix VI of this prospectus for further details of the Share Option Scheme.

PRODUCT RETURNS AND WARRANTY

For our brandowner sales business, we do not make any refunds for nor recall any defective products sold to the customers unless such defects are our responsibility. During the Track Record Period, we did not have any significant disputes with our customers nor experience any sales returns or product liability claims. Please see the paragraphs headed “Insurance — Product liability insurance” in this section of this prospectus for more details of the product liability insurance. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims, refunds or returns from our customers or remedies in respect of our products which materially and adversely affected our financial condition.

For our PRC retail business, in the case of quality issues relating to our products, the retailers are generally permitted to return the defective product for replacement or if no stock is available, refund. The amount of products returned as a result of quality issues during the Track Record Period is immaterial.

INSURANCE

Product liability insurance

We maintain product liability insurance coverage for the kitchenware products that we supply. As at 30 June 2014, the product liability insurance covers US\$15 million of our sales worldwide. Given that our customers are brandowners and distributors of kitchenware products rather than end consumers, our Directors believe such product liability insurance provides adequate coverage against the risk of any claims that may be made against us and is in accordance with industry practice. We recorded the expenditure for insurance policy premiums for product liability insurance as approximately HK\$238,000, HK\$276,000, HK\$258,000 and HK\$148,000 during the Track Record Period respectively. During the Track Record Period and up to the Latest Practicable Date, we did not make any major product liability claim.

Property and business interruption insurance

We maintain insurance coverage against risk of loss or damage to our office, business interruption, assets — including raw materials — finished products, automobiles and vehicles. Our Directors believe such coverage is adequate.

As at the Latest Practicable Date, we had not experienced any significant loss or damage to our assets. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we recorded the expenditure for insurance policy premiums for our property and business interruption insurance as approximately HK\$66,000, HK\$130,000, HK\$78,000 and HK\$15,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not make any material claims under our insurance policies.

Other insurance

We maintain insurance policies for employee compensation and medical insurance for our Hong Kong staff to provide coverage against injury or sickness during employment. During the Track Record Period, we recorded the expenditure for such insurance policy premiums as approximately HK\$334,000, HK\$415,000, HK\$511,000 and HK\$302,000, respectively.

ENVIRONMENTAL MATTERS

We are not subject to environmental laws and regulations in our operations as we outsource our entire production to the Production Factories and our subsidiaries in the PRC are either non-operating subsidiary or engaged in retail, distribution and wholesales business.

OCCUPATIONAL, HEALTH AND SAFETY

Our operations are subject to work safety laws and regulations and periodic monitoring by relevant authorities. If we fail to comply with present or future laws and regulations in such respects, we will be subject to fines, suspension of business or cessation of operations. We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations.

Our Directors confirmed that to the best of their knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, we are in compliance with the work safety laws and regulations in all material respects. During the Track Record Period, we had not received any notice or order from any government or regulatory authorities relating to non-compliance of work safety laws and regulations nor experienced any significant incidents or accidents in relation to work safety.

LICENSES AND PERMITS

We have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China and Hong Kong, and except as disclosed in the sub-section headed "Non-compliance" in this section, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have complied with all relevant PRC and Hong Kong laws and regulations in all material respects.

BUSINESS ACTIVITIES IN RUSSIA AND EGYPT

Certain countries or organisations, including the U.S., the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries and with Sanctioned Persons.

Sales to Russia and Egypt

We have had product sales in connection with Russia and Egypt, which are subject to certain international sanctions prohibiting dealing with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia. The amount of total revenue generated

from sales to Russia and Egypt for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 represented approximately nil, nil, 0.05% and 0.12% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, based on the following procedures conducted by them, our historical sales in Russia and Egypt during the Track Record Period do not implicate the applicability of International Sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees:

- (a) reviewed documents provided by us that evidence our sales transactions to customers in Russia and Egypt during the Track Record Period;
- (b) received written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions; and
- (c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that none of our customers are on such lists.

In relation to our sales to customers in Russia and Egypt during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations. Our Directors undertake not to enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC nominees to risk of being sanctioned. Our Directors do not expect any significant increase or decrease in our Group's sales to Russia and Egypt upon Listing.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the U.S., the EU, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in the

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Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and with Sanctioned Persons and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus:

- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie, and their responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions law risks;
- We will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions law matters;
- in order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons;
- the risk management committee will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice; and

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- if necessary, external international legal counsel will provide training programmes relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

To monitor our exposure to sanctions risk and to ensure compliance with the undertakings to the Stock Exchange, we have adopted the internal control measures, including the measures described above.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

NON-COMPLIANCE

Name of the subsidiary	Description of non-compliance incident	Legal consequence, maximum potential penalty and rectification
PRC JV	As at 30 June 2014, we have not opened housing fund accounts with the relevant housing fund authority	<p>As advised by the PRC Legal Advisers, from 2012 to May 2014, the amount of housing fund contribution in arrear is approximately RMB191,000. The relevant housing fund authority may also impose a daily sub-charge of 0.1% calculated on the unpaid contribution from the due date.</p> <p>On 23 July 2014, we submitted the application to the relevant housing fund authority to register our housing fund account. We have recorded housing fund provision of RMB285,000 and RMB162,000 for the financial year ended 31 December 2013 and the six months ended 30 June 2014 respectively, to cover the amount outstanding during the Track Record period.</p> <p>The PRC JV had rectified the non-compliance in July 2014 and, since August 2014, has fully complied with the relevant laws and regulations.</p>

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We have taken the following steps to ensure future compliance with the applicable law, rules and regulations: (i) our PRC Legal Advisers have informed the directors, senior management and employees of the PRC JV about the compliance responsibilities and (ii) we have appointed a compliance officer for the PRC JV who if has any compliance-related questions, should report to the board of the PRC JV and could access external professional retained by our Group from time to time. As at the Latest Practicable Date, (i) we have not received any notification or direction from the relevant authorities; (ii) there is no penalty imposed on the PRC JV for failure to make punctual and full contributions for their employees; and (iii) there is also no claim made by the employees against the PRC JV in respect of the relevant non-contribution.

In light of the nature and materiality of the above non-compliance internal control measure and the remedial actions taken by our Company, our Directors believe that the same do not, and the Sole Sponsor is not aware of any facts or circumstances that might, affect the suitability of our Directors and our suitability for Listing.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, and save as disclosed above, our Directors were not aware of any material non-compliance with the relevant rules and regulations in the countries in which we operate.

LITIGATION

In October 2011, King's Flair Development issued a writ of summons against Silicon Arts Company Limited ("Silicon Arts"), Ngan Chi Wan, Wan Ping Man, Wong Ming and Chow Wai Man, being the directors of Silicon Arts, for an aggregate amount of HK\$50 million and interest and costs, being the balance of the advances extended by King's Flair Development to Silicon Arts, one of our Production Factories, on various occasions during the period from 2002 to August 2011, and guaranteed by Ngan Chi Wan, Wan Ping Man, Wong Ming and Chow Wai Man jointly and severally. King's Flair Development obtained default judgment against Silicon Arts and each of the other defendants between February and April 2012. Silicon Arts, a company incorporated in Hong Kong, and the other defendants are Independent Third Parties.

Under the default judgments, the defendants were ordered to pay us a sum of HK\$50 million together with interest thereon and fixed costs of HK\$11,045 and HK\$12,045 respectively. No payment has been made by any of the defendants under the judgments. Based on searches of public record made by our Company in contemplation of enforcement proceedings against the defendants, it was found that a winding up order was made against Silicon Arts in March 2012 on the petition of a bank and that it was ordered to be dissolved from November 2013. Of the 4 guarantors, bankruptcy orders were made against Wan Ping Man, Ngan Chi Wan and Wong Ming in January 2011, April 2012 and August 2012 respectively. As for Chow Wai Man, according to the report from the consultant engaged by us for recovery of the judgment sum, he cannot be located, and therefore no action has been taken against him.

We have already ceased all business relationships with Silicon Arts since King's Flair Development issued the writ of summons. The amount of purchases from Silicon Arts was HK\$54.1 million and HK\$33.0 million for the years ended 31 December 2010 and 2011, respectively. In respect of the said amount owed by Silicon Arts, approximately HK\$45.6 million of it has been written-off and directly charged to the profit and loss account in the financial

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years of 2006, 2007 and 2008 in the amount of HK\$1.6 million, HK\$19.1 million, HK\$24.9 million respectively. In addition, we also made a specific bad debt provision of HK\$4.1 million in the financial year of 2011. Therefore, there will be no additional provision and/or bad debt write-off in future years in respect of such outstanding amounts.

Save as disclosed above, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

We had also provided advances to other Production Factories for the purpose of facilitating the production process which included acquiring equipment to complete our purchase orders in the total amount of approximately HK\$2.4 million, HK\$500,000, HK\$18,000 and nil respectively for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. The outstanding balance of the advances provided to Production Factories, for the purpose of facilitating the production process amounted to approximately HK\$2.0 million, HK\$18,000, nil and nil respectively as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The table below sets out the information regarding our Directors.

Name	Age	Position	Date of appointment to the Board
Executive Directors			
Mr. Wong Siu Wah	58	Chairman, Executive Director and Chief Executive Officer	25 June 2012
Ms. Wong Fook Chi	31	Executive Director	25 June 2012
Mr. Wong Ying Wai Dennis	41	Executive Director	20 August 2014
Independent Non-Executive Directors			
Dr. Lau Kin Tak	46	Independent non-executive Director	22 December 2014
Mr. Anthony Graeme Michaels	71	Independent non-executive Director	22 December 2014
Ms. Leung Wai Ling, Wylie	47	Independent non-executive Director	22 December 2014

EXECUTIVE DIRECTORS

Mr. Wong Siu Wah, aged 58, founded the business of our Group in 1984 and was appointed as the Chairman and Executive Director on 25 June 2012 and held various positions within our Group. Mr. Wong has been a director of King's Flair Development, a major operating subsidiary of our Company which is engaged in design, development and supply of kitchenware products, since 1989 and has been involved in business development and product engineering of kitchenware products in King's Flair Development. Mr. Wong has approximately 30 years of management and operation experience gained from the business operation of our Group. Mr. Wong is the Chief Executive Officer and is primarily responsible for the overall corporate strategic planning and corporate management of our Group. Mr. Wong was a director of Wonder House Limited, a private company incorporated in Hong Kong in April 1996, which was dissolved in November 2002 when it was struck off the register of the Companies Registry pursuant to section 291 of the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as it has never commenced business. Mr. Wong's suitability to be a director is not affected by Wonder House Limited being dissolved as described above. Mr. Wong is a member of the advisory committee for the department of mechanical engineering of the Hong Kong Polytechnic University since 2012. Mr. Wong is the spouse of Ms. Rebecca Cheng, a Controlling Shareholder, and the father of Ms. Wong Fook Chi, an Executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong Fook Chi, aged 31, joined our Group in 2006 and was appointed as an Executive Director on 25 June 2012 and held various positions within our Group. She has over 8 years of experience in the management and operation of kitchenware business gained from the business operation of our Group. Ms. Wong oversees the business operation and corporate strategy implementations of our Group. Ms. Wong previously held various positions in our Group in relation to sales, merchandising and relationship management. In 2006 Ms. Wong obtained a bachelor of science degree from the University of Toronto in Canada. Ms. Wong is the daughter of Mr. Wong, the Chairman and an Executive Director, and the step-daughter of Ms. Rebecca Cheng, a Controlling Shareholder.

Mr. Wong Ying Wai Dennis, aged 41, was appointed as an Executive Director on 20 August 2014. Mr. Wong has over 13 years of experience in the kitchenware industry gained from the business operation of Wonder Household which became a member of the Group since 31 December 2013. Mr. Wong is primarily responsible for the business operation and corporate management of the Group. From 12 April 2005 to 30 May 2012, Mr. Wong was a director of Wonder Household, and was responsible for its business development and corporate strategic planning. In 1998, Mr. Wong obtained a bachelor degree of commerce in management and organisational behavior from the University of Auckland in New Zealand.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Kin Tak, aged 46, was appointed as an independent non-executive Director on 22 December 2014. Dr. Lau is currently an associate dean (industrial relations) of faculty of engineering of the Hong Kong Polytechnic University. Dr. Lau has over 10 years of experience in the mechanical engineering academic field gained from the Hong Kong Polytechnic University and has 3 years of experience as a craft apprentice in the Hong Kong Aircraft Engineering Company Limited (Stock Exchange stock code: 0044) which engages in aircraft engineering and maintenance business. Dr. Lau is a fellow of the Institution of Engineers Australia; a fellow of the Institution of Mechanical Engineers; a fellow of the Institute of Materials, Minerals and Mining; a fellow of the Institution of Engineering Designers; a fellow of the Hong Kong Institution of Engineers; and a member of European Academy of Sciences. In 2001, Dr. Lau was awarded a doctor of philosophy (PhD) by the Hong Kong Polytechnic University. In 1997 and 1996, Dr. Lau obtained a master degree and a bachelor degree, respectively, of engineering in aerospace engineering in the Royal Melbourne Institute of Technology in Australia.

Mr. Anthony Graeme Michaels, aged 71, was appointed as an independent non-executive Director on 22 December 2014. Mr. Michaels has 36 years of combined industry experience gained from DKSH Holding Ltd. and its former entities and Zyliss Australia Pty Ltd. DKSH Holding Ltd. is a subsidiary of DKSH Holding AG (“DKSH”), which is a company listed on the SIX Swiss Exchange, which primarily engages in provision of market expansion services with focus in Asia. DKSH Australia Pty Ltd. (“DKSH Australia”), a wholly-owned subsidiary of DKSH, carries a variety of international kitchenware brands including, but not limited to, Zyliss, Cole & Mason, Cullinare, Turmix, Koenig and Outdoorchef. Mr. Michaels was Managing Director of the Consumer Goods Business Units of DKSH Australia. Mr. Michaels retired from DKSH Australia in July 2012.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung Wai Ling, Wylie, aged 47, was appointed as an independent non-executive Director on 22 December 2014. Ms. Leung currently serves as the company secretary of Hong Wei (Asia) Holdings Company Limited (Stock Exchange stock code: 8191) and an associate director of Grandtop International Capital Limited, which engages in provision of corporate secretarial services. Ms. Leung possesses over 10 years experience in the finance and accounting. She had served as an independent non-executive director of two listed companies on the Stock Exchange, including Ming Kei Holdings Limited (Stock Exchange stock code: 8239) from 2002 to 2006 and Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (Stock Exchange stock code: 8047) from 2001 to 2005. Ms. Leung also worked as the financial controller of subsidiaries of Casablanca Group Limited (Stock Exchange stock code: 2223) for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S..

Save as disclosed above, each of our Directors had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date and did not hold any other directorship in any listed companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for the interests in the Shares of Mr. Wong which are disclosed in the paragraph headed “Interests and/or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations” and the paragraph headed “Further information about Directors and substantial shareholders” in Appendix VI to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other matter in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no material matters relating to our Directors that need to be brought to the attention of our Shareholders.

FORMER EXECUTIVE DIRECTOR

Ms. Cheng Rebecca Hew Hong, aged 60, was appointed as an Executive Director on 25 June 2012 and held various positions within our Group. She resigned as an Executive Director on 28 August 2014 due to her personal reason to devote more time to charities as she is currently a resource development director of Chi Heng Foundation, a non-government organisation based in Hong Kong which offers helps to children affected by AIDS in China, and was a director of Yan Oi Tong, a non-profit organisation based in Hong Kong which provides charities and community services, from 2005 to 2006. Ms. Cheng confirmed that she had no disagreement with our Board and there were no matters that need to be brought to the attention of the Stock Exchange in relation to her resignation. Ms. Cheng is the spouse of Mr. Wong, the Chairman and an Executive Director, and the step-mother of Ms. Wong Fook Chi, an Executive Director.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below sets out the information regarding our senior management.

Name	Age	Year joined the Group	Position
Mr. Wong Chi Man	49	1997	Manager, supply chain and logistic
Mr. Wong Lok Hey	32	2008	Manager, R&D development
Mr. Po Tien Chu Ronnie	44	2013	Financial controller and company secretary
Mr. Chow Chi Wai, Kevin	47	2003	Regional manager, sales and marketing
Ms. Lam Hau Fung	49	2008	Regional manager, sales and marketing
Mr. Chan Chi Man, Arthur	32	2010	Quality assurance manager

Mr. Wong Chi Man, aged 49, joined our Group in 1997 and is the supply chain and logistic manager of our Group. Mr. Wong is primarily responsible for the overall supplier management and oversees the supplies network and production capacity. He is also responsible for the management of the shipping department and the logistic arrangement of our Group. Mr. Wong has approximately 17 years experience in quality control and production coordination gained from the business operation of our Group.

Mr. Wong Lok Hey, aged 32, joined our Group in 2008, is the R&D development manager of our Group. Mr. Wong is primarily responsible for product design and product development of our Group. Mr. Wong has approximately 6 years of kitchenware design and development experience gained from our Group. Prior to joining our Group, Mr. Wong has over 3 years marketing experience in bathware industry. In 2008, Mr. Wong obtained a master degree of science in engineering (mechanical engineering) from the University of Hong Kong and, in 2005, obtained a bachelor degree of engineering in mechanical engineering from the University of Hong Kong.

Mr. Po Tien Chu Ronnie, aged 44, joined our Group in 2013 as the financial controller of our Group and is also the company secretary of our Company. Mr. Po is responsible for financial and accounting management, taxation and compliance of our Group. Mr. Po has over 10 years of experience in auditing and accounting field including over 6 years in Ernst & Young, 3 years in UHY Vocation HK CPA Limited and 1 year in BDO Limited. Mr. Po is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. In 1992, Mr. Po obtained a bachelor degree of arts in business studies and in 2005, Mr. Po obtained a master degree of professional accounting both from the Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chow Chi Wai, Kevin, aged 47, joined our Group in 2003, is a regional manager, sales and marketing of our Group. Mr. Chow is primarily responsible for the business development and customer relationships of the worldwide (excluding China) business of our Group. Mr. Chow has over 10 years experience in kitchenware business development gained from the business operation of our Group. Prior to joining our Group, Mr. Chow has approximately 10 years experience in marketing and merchandising field.

Ms. Lam Hau Fung, aged 49, joined our Group in 2008, is a regional manager, sales and marketing of our Group. Ms. Lam is primarily responsible for the business and customer relationships of the worldwide (excluding China) business of our Group. Ms. Lam has over 6 years of experience in the kitchenware business development gained from the business operation of our group. Prior to joining our Group, Ms. Lam has gained over 9 years experience in marketing and merchandising filed from various companies in Hong Kong. In 2003, Ms. Lam obtained a bachelor degree of arts in marketing from the University of Surrey in the United Kingdom.

Mr. Chan Chi Man, Arthur, aged 32, joined our Group in 2010, is the quality assurance manager of our Group. Mr. Chan is primarily responsible for the management of the quality control of our Group. Mr. Chan has over 4 years experience in the kitchenware industry gained from the business operation of our Group. Between June 2010 and June 2013, Mr. Chan was a senior merchandiser of Wonder Household. Before joining our Group, Mr. Chan has over 5 years experience in sales and marketing filed. In 2011, Mr. Chan obtained a master degree of science in quality management from the Hong Kong Polytechnic University and, in 2006, obtained a bachelor degree of science (honors) in computer studies from City University of Hong Kong.

COMPANY SECRETARY

Mr. Po Tien Chu Ronnie is also the company secretary of our Company. For detail of Mr. Po's background, please refer to the paragraph headed "Senior Management" in this section.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 22 December 2014 with written terms of reference which are in line with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board. The audit committee currently has 3 members comprising Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie. The chairman of the audit committee is Ms. Leung Wai Ling, Wylie.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company established a remuneration committee on 22 December 2014 with written terms of reference which are in line with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in appendix 14 to the Listing Rules. The remuneration committee makes recommendations to the Board on, among other matters, our Company's policy and structure for the remuneration of all Directors and senior management and has been delegated the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management. It has 5 members comprising Dr. Lau Kin Tak, Mr. Wong, Mr. Anthony Graeme Michaels, Ms. Wong Fook Chi and Ms. Leung Wai Ling, Wylie. The chairman of the remuneration committee is Dr. Lau Kin Tak.

Nomination committee

Our Company established a nomination committee on 22 December 2014 with written terms of reference which are in line with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in appendix 14 to the Listing Rules. The responsibilities of the nomination committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The nomination committee also evaluates the Board's performance and makes recommendations for the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. It has 4 members comprising Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Mr. Wong. The chairman of the nomination committee is Mr. Wong.

Risk management committee

Our Company established a risk management committee pursuant to a resolution of our Directors passed on 22 December 2014. The primary duties of the risk management committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanctions law risks. The risk management committee currently consists of Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie and is currently chaired by Ms. Wong Fook Chi.

DIRECTORS' REMUNERATION

During the Track Record Period, the total remuneration paid to Directors, excluding benefit in kind, for the financial years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 were approximately HK\$4.8 million, HK\$5.5 million, HK\$14.0 million and HK\$3.2 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The following table provides details of the various components of total remuneration paid to our Directors during the Track Record Period:

	Financial Year ended 31 December			For the six months ended
	2011	2012	2013	30 June 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	—	—	—	—
Other emoluments:				
Salaries and allowances	3,849	5,395	5,954	3,141
Performance related bonuses	963	25	8,000	—
Retirement benefits	—	—	—	—
Employee share option benefits	—	—	—	—
Pension scheme contributions	36	41	44	23
Benefit in kind	1,560	1,560	1,560	834

Benefit in kind includes the estimated rateable value of residential accommodation, as valued by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor, in respect of properties owned by our Group for staff quarter purposes during the Track Record Period.

There were no amounts paid to or receivable by our Directors as an inducement to join or upon joining our Company or for the loss of office as a Director and there were no arrangements under which a Director has waived or agreed to waive any emoluments.

The aggregate amount of remuneration paid by our Company to the five highest paid individuals for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were approximately HK\$6.2 million, HK\$7.1 million, HK\$16.2 million and HK\$3.6 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The following table provides details of the various components of total remuneration paid to the five highest paid individuals during the Track Record Period:

	Financial Year ended 31 December			For the six months ended
	2011	2012	2013	30 June 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	—	—	—	—
Other emoluments:				
Salaries and allowances	4,558	6,320	6,869	3,491
Performance related bonuses	1,580	693	9,300	80
Retirement benefits	—	—	—	—
Employee share option benefits	—	—	—	—
Pension scheme contributions	60	55	46	39
Benefit in kind	1,560	1,560	1,560	834

Benefit in kind includes the estimated rateable value of residential accommodation, as valued by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor, in respect of properties owned by our Group for staff quarter purposes during the Track Record Period.

There were no amounts paid to or receivable by the five highest paid individuals as an inducement to join or upon joining our Company or for the loss of office in connection with the management of the affairs of our Company.

COMPLIANCE ADVISOR

Our Company has appointed Baron as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder. Baron will, inter alia, provide advice to our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

In addition, Baron will also provide, inter alia, the following services to our Company:

- if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in the foregoing paragraph above;
- in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise us on our obligations and in particular the requirement to appoint an independent financial advisor; and
- assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a company listed on the Main Board, and, to the extent Baron forms an opinion that a new appointee's understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we have entered into certain transactions with our connected persons. Most of the transactions are not expected to continue after the Listing Date whilst the rest will continue after the Listing, constituting continuing connected transactions within the meaning of the Listing Rules.

Set out below is a summary of the discontinued connected transactions, one time connected transaction and continuing connected transactions.

Item	Type	Connected person	Nature of transactions	Connected transaction historical amounts			
				Year ended 31 December 2011	2012	2013	Six months ended 30 June 2014
				<i>(in HK\$ million)</i>			
1	Discontinued connected transactions	Standard Metal & Plastic Manufacturing Co., Limited (“Standard Metal”)	Purchase of products from Standard Metal	64.6	nil	nil	nil
2	Discontinued connected transactions	中山易廚家庭用品有限公司 (“Easy Kitchen”)	Purchase of products from Easy Kitchen	1.1	15.8	nil	nil
3	Discontinued connected transactions	Houzehold Trend	Information technology support services provided by Houzehold Trend	0.54	0.50	nil	nil
4	Discontinued connected transactions	Fund Wise Company Limited (“Fund Wise”)	Motor vehicle services provided by Fund Wise	0.36	nil	nil	nil
5	(i) Discontinued connected transactions	Winlot Group	(i) Sale of products to the Winlot Group	187.5	176.0	178.1	nil
	(ii) One time connected transaction		(ii) Acquisition of Wonder Household	nil	nil	19.2	nil
6	Exempt continuing connected transactions	Ignite (HK)	Licensing fee to Ignite (HK)	1.7	2.2	2.7	1.4
7	Exempt continuing connected transactions	Mr. Wong	Lease of premises from Mr. Wong	nil	nil	nil	nil

CONNECTED TRANSACTIONS

CONNECTED PERSONS

The following entities will be connected persons of our Company under the Listing Rules upon Listing.

1. Standard Metal — Standard Metal is a company incorporated in Hong Kong. It was principally engaged in manufacturing of metal and plastic products prior to the Track Record Period but has gradually ceased manufacturing activities with the setting up of Easy Kitchen and became engaged in trading of household products during the Track Record Period. Prior to dissolution, it was 51% owned by Mr. Wong and 49% owned by Ms. Rebecca Cheng. Mr. Wong is an Executive Director, Chairman and a Controlling Shareholder. Ms. Rebecca Cheng is the spouse of Mr. Wong and also a Controlling Shareholder. By virtue of Mr. Wong and Ms. Rebecca Cheng's shareholding interest in Standard Metal, Standard Metal would be deemed as a connected person of our Company upon Listing. During the Track Record Period, we were the sole customer of Standard Metal. Standard Metal applied for deregistration in May 2013 and was dissolved in October 2013. For further details of Standard Metal, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus.
2. Easy Kitchen — Easy Kitchen is a company established in the PRC and principally engaged in manufacturing of household products. It was wholly owned by Chasen Company Limited (formerly known as I.T. Kids Company Limited) ("Chasen") when Mr. Wong's brother, Mr. Wong Wan Kwong, disposed of his interest in Chasen on 5 April 2012. Chasen was 50% owned by Mr. Wong until 20 January 2012 when Mr. Wong and the then other shareholder of Chasen disposed all their shareholding in Chasen to Mr. Wong Wan Kwong. On 5 April 2012, Mr. Wong Wan Kwong disposed of all his interest in Chasen to an Independent Third Party. By virtue of Mr. Wong's interest in Easy Kitchen until 20 January 2012 and his brother's interest in Easy Kitchen from 20 January 2012 to 5 April 2012, Easy Kitchen would be deemed as a connected person of our Company upon Listing for the period until 5 April 2012. During the Track Record Period, Standard Metal was a major customer of Easy Kitchen. For further details of Easy Kitchen, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus.
3. Houzehold Trend — Houzehold Trend is a company incorporated in Hong Kong and principally engaged in provision of information technology services. From 16 August 2005 to 11 April 2012, it was owned as to 88.89% by King's Flair Development and as to 11.11% by Eagle Action. As a result of the Reorganisation, on 11 April 2012, Houzehold Trend became wholly owned by Eagle Action. On 16 November 2012, Eagle Action disposed of all its interest in Houzehold Trend to an Independent Third Party. By virtue of Mr. Wong's interest in Houzehold Trend from 16 August 2005 to 16 November 2012, Houzehold Trend would be deemed as a connected person of our Company upon Listing for the period from 16 August 2005 to 16 November 2012.

CONNECTED TRANSACTIONS

4. Fund Wise — Fund Wise is a company incorporated in Hong Kong and is principally engaged in motor vehicle lending. Fund Wise is 80% owned by Mr. Wong and 20% owned by an Independent Third Party. By virtue of Mr. Wong's interest in Fund Wise, Fund Wise will be a connected person of our Company upon Listing.
5. Winlot Group — Winlot is wholly owned by Ms. May Cheng, who is the sister of Ms. Rebecca Cheng, a Controlling Shareholder, and therefore a sister-in-law to Mr. Wong, an Executive Director and a Controlling Shareholder. By virtue of Ms. May Cheng's shareholding interest in Winlot, Winlot and its subsidiaries would be deemed as connected persons of our Company upon Listing.

For further information of the Winlot Group, please refer to the paragraph headed "Business of Winlot Group" in the section headed "Relationship with Controlling Shareholders" of this prospectus.

6. Ignite (HK) — Ignite (HK) is principally engaged in licensing of trademarks for kitchenware products during the Track Record Period with 50% owned by the KF Group and the other 50% owned by Ignite USA. By reason of Mr. Wong and Ms. Rebecca Cheng's interest in Ignite (HK) through KF Group, Ignite (HK) will be a connected person of our Company upon Listing.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we had the following transactions with our connected persons. These transactions are not expected to continue after the Listing.

1. Purchase of products from Standard Metal

During the Track Record Period, we purchased kitchenware products from Standard Metal. There was no long term agreement between us and Standard Metal and we placed orders with Standard Metal on separate occasions with relevant price and terms agreed on a case-by-case basis. For the financial year ended 31 December 2011, the payment from us to Standard Metal in respect of such purchases amounted to an aggregate of approximately HK\$64.6 million. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms. We have not made any purchases from Standard Metal since January 2012. Standard Metal was dissolved in October 2013.

CONNECTED TRANSACTIONS

2. Purchase of products from Easy Kitchen

During the Track Record Period, we purchased kitchenware from Easy Kitchen. There was no long term agreement between us and Easy Kitchen and we placed orders with Easy Kitchen on separate occasions with relevant price and terms agreed on a case-by-case basis. For the financial years ended 31 December 2011 and 2012, the aggregate purchases made by us from Easy Kitchen amounted to approximately HK\$1.1 million and HK\$15.8 million respectively. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms.

On 20 January 2012, Mr. Wong and the then other shareholder of Chasen at that time disposed of the entire shareholding in Chasen, the holding company of Easy Kitchen, to Mr. Wong's brother, Mr. Wong Wan Kwong who disposed all shareholding in Chasen to an Independent Third Party on 5 April 2012. As a result, since 5 April 2012, the transactions between our Group and Easy Kitchen ceased to be connected transactions within the meaning of the Listing Rules.

3. Information technology support services provided by Houzehold Trend

Our Group engaged Houzehold Trend to provide us with information technology consulting and supporting services during the Track Record Period. For the financial years ended 31 December 2011 and 2012, the total fees paid by us to Houzehold Trend amounted to approximately HK\$540,000 and HK\$495,000 respectively. Our Directors considered the fees charged by Houzehold Trend were comparable with the fees charged by other providers of similar services, and that such fees were reasonable, fair and on normal commercial terms. On 16 November 2012, Eagle Action disposed of all its interest in Houzehold Trend to an Independent Third Party. As a result, the transactions between our Group and Houzehold Trend since 16 November 2012 ceased to be connected transactions within the meaning of the Listing Rules.

4. Motor vehicle services provided by Fund Wise

For the financial year ended 31 December 2011, we engaged Fund Wise to provide motor vehicle services which included the use of a motor vehicle for the whole year at the total fees of HK\$360,000. Our Directors consider that the fees charged by Fund Wise were fair and reasonable and on normal commercial terms. This arrangement has ceased since January 2012.

5.(i) Sale of products to the Winlot Group

During the Track Record Period, we sold kitchenware products to the Winlot Group. There was no long term agreement between our Group and the Winlot Group. The Winlot Group placed purchase orders directly with our Group which set out the price and other specific terms relating to each purchase. For each of the financial years ended 31 December 2011, 2012 and 2013, the aggregate sales to the Winlot Group amounted to approximately HK\$187.5 million, HK\$176.0 million and HK\$178.1 million respectively. Our Directors and the Sole Sponsor considered that the terms of the said transactions were fair and reasonable and on normal commercial terms.

CONNECTED TRANSACTIONS

In 2013, Ms. May Cheng proposed to wind down the Winlot Group or dispose of its business. We ceased to accept orders from Emington and its subsidiaries since April 2013. On 31 December 2013, we acquired Wonder Household, which has become our wholly owned subsidiary since then. As a result, connected transactions with the Winlot Group were discontinued as from 1 January 2014. For details of the Acquisition, please refer to the paragraph headed "Acquisition of Wonder Household" below.

ONE TIME CONNECTED TRANSACTION

5.(ii) Acquisition of Wonder Household

On 31 December 2013, King's Flair Development, a subsidiary of our Group, as buyer and Oera as seller entered into a sale and purchase agreement for the acquisition and disposal of all the issued shares of Wonder Household at a consideration of HK\$19.2 million, HK\$9.6 million of which to be paid on completion, HK\$4.8 million to be paid within 3 months of completion and the balance in the sum of HK\$4.8 million within 6 months of completion. The Acquisition was completed on 31 December 2013 and all the consideration had been settled by 31 March 2014 pursuant to the terms of the said agreement from our internal resources. The consideration of HK\$19.2 million was arrived at after arm's length negotiations between our Group and Ms. May Cheng with reference to the valuation of Wonder Household performed by an appraiser which is an Independent Third Party and the net profit of Wonder Household for the year ended 31 December 2013. The consideration of HK\$19.2 million represents approximately (i) 35.1% discount on the valuation of Wonder Household of approximately HK\$29.6 million; (ii) 4.25 times price-to-earnings ratio (with reference to private companies trade sell ranging from 4 to 9 times price-to-earnings ratio) of Wonder Household's net profit for the year ended 31 December 2013 of approximately HK\$4.5 million.

In view of the above basis, our Directors believed that the consideration is fair and reasonable. As a result of the Acquisition, our Group has recognised a gain on bargain purchase of HK\$6.3 million mainly due to (i) our Group is the sole supplier to Wonder Household, thus enjoyed better bargaining power; and (ii) Wonder Household is a private company and it is difficult to identify a ready buyer.

Wonder Household is principally engaged in trading of kitchenware products. Based on the audited financial statements of Wonder Household for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, its revenue, profit for the year/period and gross profit margin were set out as below:

	For the financial years ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
	<i>(HK\$'000, except %)</i>			
Revenue	193,870	163,434	179,633	77,692
Profit for the year/period	16,512	2,527	4,549	935
Gross profit margin	13.1%	5.5%	6.5%	5.4%

CONNECTED TRANSACTIONS

We acquired only Wonder Household from the Winlot Group as Wonder Household is the major operating subsidiary of the Winlot Group whilst the remaining members of Winlot Group were either planning to or in the process of deregistration or disposal.

As sales made to Wonder Household for the years ended 31 December 2011, 2012 and 2013 amounted to approximately 17.4%, 14.3% and 13.5% of our total revenue respectively, our Directors are of the view that the Acquisition would broaden our customer base as the customer base of Wonder Household consists of more brandowners in Europe (including the United Kingdom, Germany and Russia) compared to our Group, which could diversify our Group's customer mix in terms of geographic segments.

Further, as Ms. May Cheng has indicated her intention to dispose of the Wonder Household business, the Acquisition would also eliminate any uncertainty regarding continual business relationship with the Winlot Group should a change of shareholder occur. In addition, Wonder Household by itself has maintained a steady customer base in recent years with recurring orders from existing customers. In view of the above factors, financial performance and business model of Wonder Household which is compatible with that of our Group, our Directors believed that it is in the best interests of our Company and our Shareholders as a whole to acquire Wonder Household.

As Wonder Household is principally engaged in the trading of kitchenware products to international brandowners, which is compatible with our Group's business model, we believe that there has been no change in our Group's revenue model and risk profile after the Acquisition.

The gross profit margin of Wonder Household itself was approximately 13.1%, 5.5%, 6.5%, and 5.4% for the years ended 31 December 2011, 2012 and 2013 and the six month ended 30 June 2014 respectively. The gross profit margin of Wonder Household for the year ended 31 December 2011 was higher than the other periods mainly due to the relatively higher gross profit margin from sales of certain customers as a result of launching new products that require more complicated process control and production know how. However, the products did not receive the expected demands from consumers, and thus, Wonder Household's customers reduced ordering such products in 2012. Despite Wonder Household experienced a higher gross profit margin in 2011, our Group's gross profit margin remained relatively stable throughout the Track Record Period as we generate sales from a larger group of customers and products as compared to Wonder Household.

The acquisition of Wonder Household has a small positive impact on our Group's profitability in view of the gross profit contributed by Wonder Household which accounted for approximately 4% of our Group's total gross profit for the six month ended 30 June 2014. Our Group's gross profit margin for the six months ended 30 June 2014 of 16.7% would have become 16.2% if Wonder Household were not a part of our Group for such period. The slight improvement of 0.5% in gross profit margin is a result of elimination of an intermediary. In terms of the liquidity impact on our Group, as we provided credit period of 30 days to Wonder Household prior to the Acquisition while Wonder Household provided credit period of 14 to 30 days to its own customers, we experienced a slight improvement from the collection period after the Acquisition. Further, as Wonder Household did not have any outstanding bank borrowings or debts as at 31 December 2013, our financial position and indebtedness are not affected by the

CONNECTED TRANSACTIONS

Acquisition. As a result, our Directors are of the view that the Acquisition did not result in material changes to profit margins and liquidity of our Group.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition would be considered as a disclosable transaction of our Company under the Listing Rules should our Company be listed on the Stock Exchange at the time of the transaction.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transactions will be regarded as exempted continuing connected transactions of our Group under Rules 14A.73 of the Listing Rules.

6. License fee to Ignite (HK)

During the Track Record Period, Ignite USA ordered certain products from us for sale in the U.S. under the trademarks "AUTOSEAL" and "Contigo". On the other hand, Ignite USA granted a licence to Ignite (HK) for the use of such trademarks on the same types of products for sale outside of North America and all territories and possessions of the U.S. In turn, Ignite (HK) granted us a sub-licence to use such trademarks on certain goods sold by us. The licence fee for use of such trademarks is calculated at the rate to be agreed on order by order basis based on the net-sale price of the products in each order. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total licence fee paid to Ignite (HK) amounted to approximately HK\$1.7 million, HK\$2.2 million, HK\$2.7 million and HK\$1.4 million respectively. If the licence granted by Ignite USA to Ignite (HK) is terminated the licence arrangement between us and Ignite (HK) will also terminate. Our Directors confirm that the licence fee we paid were fair and reasonable and on normal commercial terms.

Our Directors expect that we will continue the sale of products under the said trademarks but currently estimate that the amount of licence fee payable in the near future will come within the *de minimis* exemption under Rule 14A.76 of the Listing Rules and therefore such continuing connected transaction is fully exempt from shareholders' approval, annual review and all disclosure requirements. Should the amount of licence fee paid or payable by us to Ignite (HK) exceed the relevant threshold, our Company will comply with the Listing Rules where applicable.

7. Lease between our Group and Mr. Wong

On 1 July 2014, Gloxis and King's Flair Development, subsidiaries of our Group, as tenants and Mr. Wong as landlord entered into tenancy agreements for the lease (by Gloxis) of Unit B on 22nd floor and (by King's Flair Development) Unit A on 22nd floor and Carpark G1 of Goodwill Industrial Building, 36-44 Pak Tin Par Street, Tsuen Wan, New Territories, Hong Kong at total monthly rental of HK\$63,500. Please refer to "Appendix IV — Property Valuation" to this prospectus for more detail of the premises. The term of both tenancy agreements is for the period from 1 July 2014 to 31 December 2016. Our Directors confirm that the terms of the tenancy agreements are fair and reasonable and on normal commercial terms.

CONNECTED TRANSACTIONS

The total annual rental of HK\$762,000 payable to Mr. Wong under the tenancy agreements will come within the *de minimis* exemption under Rule 14A.76 of the Listing Rules and therefore such continuing connected transaction is fully exempt from shareholders' approval, annual review and all disclosure requirements. Should the annual rental payable exceeds the relevant threshold, our Company will comply with the Listing Rules where applicable.

CONFIRMATION FROM THE DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the connected transactions described in items 6 and 7 above have been entered into on normal commercial terms and in the ordinary and usual course of business of our Group, and such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed relevant information, documentation and historical data provided by our Group in relation to the connected transactions described in items 6 and 7 above. On such basis, the Sole Sponsor is of the view that the connected transactions described in items 6 and 7 above have been entered into in the ordinary and usual course of the business of our Group, on normal commercial terms, and such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

Our Directors confirm that, immediately following completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, the following persons are the Controlling Shareholders:

Name	Capacity and nature of interests	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding
First Concord <i>(Note 2)</i>	Beneficial owner	105,000,000 (L)	15%
City Concord <i>(Note 3)</i>	Beneficial owner	420,000,000 (L)	60%
Mr. Wong <i>(Notes 2 & 3)</i>	Interest of controlled corporation	525,000,000 (L)	75%
Ms. Rebecca Cheng <i>(Notes 2 & 3)</i>	Interest of controlled corporation	525,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of our Company.
2. First Concord is held as to 60% by Mr. Wong and 40% by Ms. Rebecca Cheng. Mr. Wong and Ms. Rebecca Cheng are both deemed to be interested in the 105,000,000 Shares held by First Concord.
3. City Concord is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord. Ms. Rebecca Cheng is deemed to be interested in the 420,000,000 Shares held by City Concord by reason of her being the spouse of Mr. Wong.

COMPETITION

As at the Latest Practicable Date, Mr. Wong, an Executive Director, and Ms. Rebecca Cheng, both Controlling Shareholders, are the ultimate beneficial owners of the entire shareholding in KF Group. KF Group in turn holds 50% shareholding in Ignite (HK), a joint venture company incorporated in Hong Kong on 1 March 2005, with the other 50% held by Ignite USA.

Pursuant to the agreement between Ignite USA and KF Group, the principal business of Ignite (HK) is the licensing of the trademarks "AUTOSEAL" and "Contigo" for marketing and sale of household products. Ignite (HK) has not and will not be conducting any trading business of household products unless both Ignite USA and KF Group agree.

Ignite USA is our customer and during the Track Record Period has ordered from us products bearing the trademarks "AUTOSEAL" and "Contigo". Ignite USA has, since 2005, granted a licence to Ignite (HK) to use such trademarks on the same types of products for sale in (i) territories outside of North America and all territories and possessions of the U.S. prior to 19 July 2014; and, (ii) since 19 July 2014, China (including Hong Kong, Macau and Taiwan), Thailand and Australia. In turn, Ignite (HK) has permitted us to use such trademarks on our

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

products sold to other customers. The revenue generated from sale of such products to our customers represented less than 0.5% of our total revenue for each of the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. For each of the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the aggregate licence fee we paid to Ignite (HK) amounted to approximately HK\$1.7 million, HK\$2.2 million, HK\$2.7 million and HK\$1.4 million, respectively.

Pursuant to the agreement between Ignite USA, KF Group and Ignite (HK), each of Ignite USA and KF Group is entitled to appoint 2 directors to the board of Ignite (HK) and therefore neither Mr. Wong nor Ms. Rebecca Cheng nor the two of them together have control over Ignite (HK).

Save and except the abovementioned licence arrangement, we have no other business relationship with Ignite (HK). Therefore, our Directors are of the view that (i) there is a clear delineation between us and Ignite (HK); (ii) our business is independent from Ignite (HK); and (iii) Ignite (HK) does not compete with our Group.

DEED OF NON-COMPETITION

Controlling Shareholders and Directors

In order to protect our interest in our business activities, the Controlling Shareholders as covenantors entered into a deed of non-competition in favour of our Company dated 22 December 2014 (the "Deed of Non-competition"). Pursuant to the terms of the Deed of Non-competition each of the Controlling Shareholders has undertaken to our Company (for our Company and for the benefit of our subsidiaries) that effective upon Listing, it/he/she will not, and will procure that its/his/her close associates will not (a) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with our business in Hong Kong and any other country or jurisdiction to which we provide our services and/or in which any member of our Group carries on business from time to time (the "Restricted Activity") or (b) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in our Group any person, firm, company or organization who to its/his/her knowledge is now or has been a client, supplier or employee of any member in our Group.

Each of the Controlling Shareholders has also undertaken that (a) it/he/she will promptly provide our Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of our Group which it/he/she or its/his/her close associates may have knowledge for our Company to assess such new business opportunity, (b) it/he/she will, and will procure its/his/her close associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of our Group to participate in

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

the relevant Restricted Activity, (c) it/he/she will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-competition and (d) it/he/she will make an annual declaration in favour of our Company on whether it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition, for inclusion in the annual reports of our Company in the manner consistent with the principles of making voluntary disclosures in the section headed "Corporate Governance Report" of the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

The Deed of Non-competition and the rights and obligations thereunder are conditional on and will take effect immediately upon Listing. The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

- (a) the Shares cease to be listed on the Main Board; and
- (b) the Controlling Shareholders and their respective close associates and/or successors, individually and/or collectively, cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time),

whichever occurs first.

Each of the Controlling Shareholders also represented and warranted to our Company in the Deed of Non-competition that neither it/he/she nor any of its/his/her close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity otherwise than through our Group.

The Controlling Shareholders confirmed that they do not have any interests in other businesses that compete or are likely to compete with the business of our Group. Save as disclosed above, none of the Controlling Shareholders and the Executive Directors has interests in any business which competes or is likely to compete with the business of our Group.

NON-DISPOSAL UNDERTAKINGS

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (ii) in the period of six months commencing from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholders would, either individually or taken together with the others, cease to be a Controlling Shareholder.

Each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, within a period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company of such pledge/charge together with the number of Shares so pledged/charged; and
- (ii) when he/she/it receives any indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company must inform the Stock Exchange as soon as we have been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 13.17 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the Corporate Governance Code and Corporate Governance Report (the “Code”) in Appendix 14 to the Listing Rules. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report to be included in our annual reports. Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules which provides, among other matters, prohibitions on directors’ dealings in securities and protection of minority shareholders’ rights. Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority shareholders’ rights after Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Furthermore, our Company will adopt the corporate governance measures with the following principles to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (i) we will comply with the Listing Rules, in particular, strictly observe any proposed transactions between our Group and connected persons and comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable. We have also appointed Baron as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules;
- (ii) we have appointed three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in the Board. Our independent non-executive Directors have the character, integrity, independence and experience to fulfil their roles effectively and enhance our overall corporate governance standards. Please see "Directors and Senior Management" in this prospectus for more details of our independent non-executive Directors;
- (iii) except for certain circumstances as disclosed in the sub-paragraph headed "Summary of the constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Directors — (v) disclosure of interests in contracts with the Company or any of its subsidiaries" in Appendix V to this prospectus, according to the Articles, a Director shall not vote (nor be counted in the quorum) in relation to any resolution of the Board approving any contract or arrangement or any other proposal in which such Director or any of his close associates is materially interested; and
- (iv) an annual review will be performed by the independent non-executive Directors with regard to the information provided by the Controlling Shareholders (the "Annual Review"). After the Annual Review, the independent non-executive Directors will decide whether to exercise our Company's rights in respect of the compliance and enforcement of the Deed of Non-competition. Our Company will disclose all decisions on the matters pertaining to the Annual Review either through the annual reports, or by way of announcements to the public. The Controlling Shareholders will provide all information necessary for the Annual Review and the enforcement of the Deed of Non-competition, after which they will make an annual declaration on compliance and the manner of compliance with the Deed of Non-competition in the annual reports of our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders after Listing.

Management independence

The Board comprises three Executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each of the Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Moreover, the Board comprises of seven Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. This is in line with current best practice in relation to corporate governance in Hong Kong.

Our Company has independent senior management to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management is able to perform their roles in our Company independently, and our Directors are of the view that they are capable of managing our business independently from our Controlling Shareholders after the Listing.

Operational independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. We have independent access to source raw materials or production factories for finished products. We have also established various internal control procedures to facilitate the effective operation of our business.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs.

Respectively as at 31 December 2011, 2012 and 2013 and 30 June 2014, our bank borrowings amounting to HK\$42.2 million, HK\$27.8 million, HK\$20.7 million and HK\$11.7 million were secured by time deposits amounting to HK\$8.1 million, HK\$8.1 million, HK\$8.1 million and HK\$8.1 million; by the pledge of leasehold land and buildings with the carrying value of HK\$24.3 million, HK\$23.5 million, HK\$22.7 million and HK\$22.3 million; by limited guarantee by the Hong Kong Government under the Special Loan Guarantee Scheme; and by unlimited guarantees granted by Mr. Wong and Ms. Rebecca Cheng. As at the Latest Practicable Date, consents for the release of personal guarantees (which are all limited guarantees) given by Mr. Wong and Ms. Rebecca Cheng conditional upon Listing have been obtained from the relevant banks. In addition, an unlimited guarantee provided by them to a bank had already been released in 2012.

There were no amounts due from our Controlling Shareholders during the Track Record Period and the amounts due to our Controlling Shareholders was HK\$3.5 million, nil, nil and nil as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively.

On the basis above, our Directors are of the view that our financial system is independent from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INFORMATION ON CLOSELY RELATED COMPANIES

During the Track Record Period, Mr. Wong, an Executive Director, and Ms. Rebecca Cheng, both Controlling Shareholders, have interests in Standard Metal, Easy Kitchen and Ignite (HK) and Mr. Wong has close relationship with the Winlot Group (the “Closely Related Companies”). The Closely Related Companies are not members of our Group and the details of the relationships and their respective business transactions with our Group during the Track Record Period are set out below and also in the section headed “Connected Transactions” of this prospectus. Certain financial information of those Closely Related Companies were included in Appendix III to this prospectus. Please note that the audited financial statements of those Closely Related Companies mentioned below were not audited by the Reporting Accountants.

Standard Metal

Business, management and operation

Standard Metal was a company incorporated in Hong Kong and owned by Mr. Wong and Ms. Rebecca Cheng as to 51% and 49% respectively. It was principally engaged in manufacturing of metal and plastic products prior to the Track Record Period but has gradually ceased manufacturing activities with the setting up of Easy Kitchen in the PRC in 2004. Since then, Standard Metal became engaged in trading of household products. It was dissolved in October 2013. During the Track Record Period until December 2011 when we ceased to place purchase orders with Standard Metal, we were the sole customer of Standard Metal, and until its dissolution our Group and Standard Metal were under the same ownership and management. However, Standard Metal had its own employees and during the Track Record Period, had not used the resources of our Group nor share any banking facility, accounting and other support functions of our Group. When we placed purchase orders with Standard Metal, it would in turn place back to back purchase orders with Easy Kitchen. Although we also placed purchase orders directly with Easy Kitchen as disclosed in the other paragraphs of this section, we would place purchase orders through Standard Metal instead of directly with Easy Kitchen for products which required more complicated procedures since Standard Metal could provide value-added service to us as it had employees with expertise to oversee the production process and provide technical support for the manufacturing of such products. Standard Metal did not have its own office premises as all its employees worked in the PRC at the premises of Easy Kitchen.

Financial information

Based on the audited financial statements for the financial year ended 31 December 2011 and the period ended 15 November 2012 of Standard Metal, prepared in accordance with HKFRSs, (i) its total sales for such periods amounted to approximately HK\$64.6 million and nil respectively, (ii) its net profit/(loss) for such periods amounted to approximately HK\$467,000 and HK\$(425,000) respectively, (iii) its total assets as at the end of such periods were approximately HK\$53.9 million and HK\$1.2 million respectively, and (iv) its net assets as at the end of such periods were approximately HK\$3.3 million and HK\$1.1 million respectively.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Connected transactions

During the Track Record Period up to December 2011, we purchased kitchenware products from Standard Metal. There was no long term agreement entered into between our Group and Standard Metal. We placed purchase orders with Standard Metal at such price and on such terms as agreed between the parties on a case-by-case basis. For the financial year ended 31 December 2011 and period ended 15 November 2012, the aggregate purchases made by us from Standard Metal amounted to approximately HK\$64.6 million and nil respectively, representing approximately 8% and nil of our total cost of sales for the same period and approximately 100% and nil of the total sales of Standard Metal for the same period. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms. We had not made any purchases from Standard Metal after December 2011. Please refer to the section headed “Connected Transactions” in this prospectus for more detail.

Reason for exclusion

In view of the expansion of our business, Mr. Wong and Ms. Rebecca Cheng decided to cease the business operation of Standard Metal to devote more time and effort in the management of our Group. Since January 2012, Standard Metal had scaled down its operation and we had ceased placing purchase orders with Standard Metal. In November 2012, Standard Metal started the procedure for deregistration and was dissolved in October 2013.

Easy Kitchen

Business, management and operation

Easy Kitchen is a company established in the PRC in 2004 and principally engaged in manufacturing of household products. Easy Kitchen was wholly-owned by Chasen which in turn was owned by Mr. Wong as to 50% until January 2012 when Mr. Wong together with the shareholder holding the other 50%, Ms. Yvonne Chow Hau Yee, an Independent Third Party, disposed of their entire shareholding in Chasen to Mr. Wong’s brother Mr. Wong Wan Kwong, who subsequently in April 2012 disposed of all his interest to an Independent Third Party. During the Track Record Period, Easy Kitchen was managed by its board of directors comprising Mr. Wong Wan Kwong (up to November 2012) as the legal representative and other directors who were also employees of either Easy Kitchen or Standard Metal. Easy Kitchen was therefore considered to be under separate management from our Group during the Track Record Period. Mr. Wong ceased to have any control over Easy Kitchen after he resigned as its director in December 2009 and disposed of his interest in Easy Kitchen in January 2012. Easy Kitchen was considered independent of our Group since April 2012 when Mr. Wong Wan Kwong disposed of all his interest in Chasen. During the Track Record Period when it was a connected person of our Group, Easy Kitchen has its own employees and premises in the PRC and has not used any resources nor shared any banking facility, accounting or other support functions of our Group. During such period, Standard Metal and our Group were major customers of Easy Kitchen.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial information

Based on the audited statement of financial statements of Easy Kitchen for the financial year ended 31 December 2011 and the period ended 30 April 2012, prepared in accordance with HKFRSs, (i) its total sales for such periods amounted to approximately HK\$48.2 million and HK\$15.8 million respectively, (ii) its net profit for such periods amounted to approximately HK\$512,000 and HK\$286,000, respectively, (iii) its total assets and net assets as at 31 December 2011 were approximately HK\$25.4 million and HK\$5.7 million respectively.

Connected transactions

During the Track Record Period, we purchased kitchenware products from Easy Kitchen. There was no long term agreement entered into between our Group and Easy Kitchen and we placed orders with Easy Kitchen at such price and on such terms agreed between the parties on a case-by-case basis. For the financial year ended 31 December 2011 and the period ended 30 April 2012, the aggregate purchases made by our Group from Easy Kitchen amounted to approximately HK\$1.1 million and HK\$15.8 million respectively, representing approximately 0.1% and 2% of the total cost of sales of our Group for the respective period and approximately 2% and 100% of the total sales of Easy Kitchen for the respective period. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms. Please refer to the section headed “Connected Transactions” in this prospectus for more detail.

Reason for exclusion

As our Group had began to outsource our production process to other Production Factories in the 1990’s, we had transformed from a manufacturing and trading company to a company focusing on designing, developing and supplying kitchenware products to international customers. It is not in line with our business or future business plan that we incorporate any manufacturing operations or facilities as part of our business. Furthermore, although Mr. Wong was not involved in the management of Easy Kitchen, he decided to dispose of his interest in Easy Kitchen to focus on the business of our Group, which is in the interest of our Group.

Ignite (HK)

Business, management and operation

Ignite (HK) was incorporated in Hong Kong on 1 March 2005. As at the Latest Practicable Date, Mr. Wong and Ms. Rebecca Cheng indirectly held 50% interest in Ignite (HK) through their holding in KF Group, with the other 50% interest held by Ignite USA. Ignite USA is a customer of our Group and during the Track Record Period has ordered from our Group products bearing the trademarks “AUTOSEAL” and “Contigo”. Pursuant to the agreement between Ignite USA, KF Group and Ignite (HK) (the “Ignite JV Agreement”), the principal business of Ignite (HK) is the licensing of these trademarks for marketing and sale of household products in (i) territories outside of North America and all other territories and possessions of the U.S. prior to 19 July 2014; and (ii) since 19 July 2014, China (including Hong Kong, Macau and Taiwan), Thailand and Australia. During the Track Record Period, the principal business of Ignite (HK) was the licensing of such trademarks to our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Pursuant to the Ignite JV Agreement, each of Ignite USA and KF Group is entitled to appoint 2 directors to the board of Ignite (HK) and therefore neither Mr. Wong nor Ms. Rebecca Cheng nor the two of them together have control over Ignite (HK). Accordingly, our Group and Ignite (HK) were considered to be under separate management during the Track Record Period. As the predominant function of Ignite (HK) is the holding and licensing of the said trademarks, it did not have its own office premises. During the Track Record Period it did not use any resources nor share any banking facility, accounting or other support of our Group except using our office as its registered office for the purpose of collection of mails.

Financial information

Based on the audited financial statements for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 of Ignite (HK), prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants, (i) its total licensing fees received for such years/period amounted to approximately HK\$1.7 million, HK\$2.2 million, HK\$2.7 million and HK\$1.4 million, respectively, (ii) its net profits for such years amounted to approximately HK\$1.4 million, HK\$1.8 million, HK\$2.2 million and HK\$1.4 million, respectively, (iii) its total assets as at the end of such years were approximately HK\$3.2 million, HK\$5.2 million, HK\$2.7 million and HK\$4.0 million, respectively, and (iv) its net assets as at the end of such years were approximately HK\$2.8 million, HK\$4.6 million, HK\$2.2 million and HK\$3.6 million, respectively.

Connected Transactions

For each of the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the aggregate licence fee paid by our Group to Ignite (HK) amounted to approximately HK\$1.7 million, HK\$2.2 million, HK\$2.7 million and HK\$1.4 million, respectively. Our Directors confirm that the licence fees paid by our Group were fair and reasonable and on normal commercial terms. Please refer to section headed “Connected Transactions” in this prospectus for more details.

Reason for exclusion

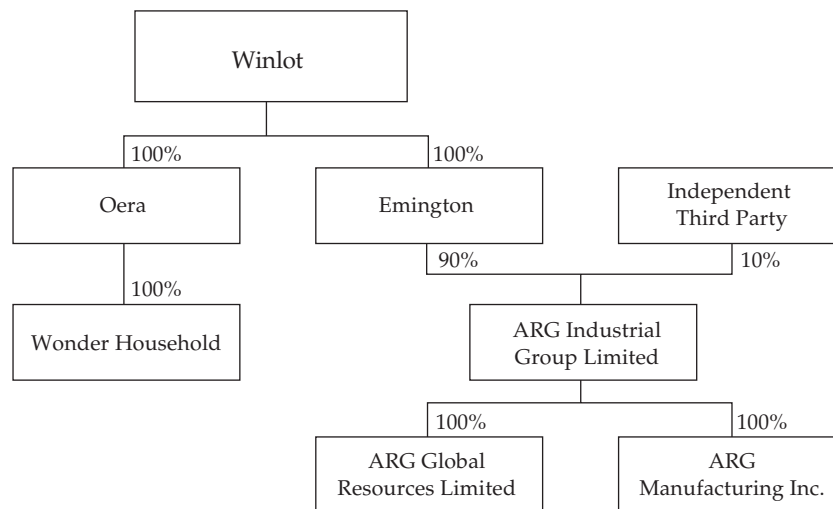
KF Group had requested Ignite USA, as a 50% shareholder of Ignite (HK), to consent to KF Group transferring its shareholding in Ignite (HK) to our Group. However, the request was not acceded to. As at the Latest Practicable Date, our Group has no intention to acquire Ignite (HK) in the near future.

Business of Winlot Group

The Winlot Group was wholly and beneficially owned by Ms. May Cheng, a connected person of our Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The following chart sets out the group structure of the Winlot Group as at 30 December 2013.



As at 30 December 2013, (i) Winlot was an investment holding company holding the shares of Emington and Oera and had no business activities, (ii) Oera was an investment holding company, (iii) Wonder Household was principally engaged in trading of kitchenware products, (iv) all of Emington, ARG Industrial Group Limited (a company incorporated in Hong Kong with limited liability on 11 December 2006) and ARG Global Resources Limited (a company incorporated in Hong Kong with limited liability on 26 April 2007) were principally engaged in trading of kitchenware products, and (v) ARG Manufacturing Inc. (“AMI”), a company incorporated in the U.S. in 2007, was principally engaged in wholesale distribution of kitchenware products to retailers in the U.S.

On 31 December 2013, our Group acquired the entire shareholding of Wonder Household at a consideration of HK\$19.2 million. Please refer to the “Connected Transactions” section of this prospectus for details. On 1 January 2014, ARG Industrial Group Limited disposed of AMI to an Independent Third Party. Emington group ceased operations in late 2013 and started deregistration in June 2014.

Establishment of the Winlot Group

Ms. May Cheng is 59 years old and a Canadian citizen and received her education in the U.S. She has been a U.S. resident since 1972 and now resides in New Jersey, U.S., with her family. Throughout the years while she was in Canada, Ms. May Cheng had been a licensed real estate agent and an owner of a few restaurants in Canada. Around 2001, Ms. May Cheng approached Mr. Wong about establishing her own kitchenware trading business and requested Mr. Wong for a personal loan of HK\$10 million (“Personal Loan 1”) to set up such business.

In or about 2000, King’s Flair Development was approached by a few companies which are/were brandowners/trading companies based either in Europe or the U.S. (“Potential Customers”), but which it had not taken up as it believed them to be the direct competitors of the then customers of King’s Flair Development and therefore taking them up may adversely affect its business relationship with such customers. Ms. May Cheng was interested to take up the Potential Customers.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As it would be in the interest of both King's Flair Development and Ms. May Cheng if she started a new company to take up the Potential Customers and in turn place purchase orders with and become a customer of King's Flair Development, as Ms. May Cheng would be able to start her own business in the kitchenware industry with readily available customers at the start-up stage while King's Flair Development would increase its business volume without the potential risk of losing its then existing customers, in April 2001, Mr. Wong agreed to lend her the money which was used to set up Wonder Household. To effect the terms of the loan agreement of the Personal Loan 1, it was agreed between them that the entire shareholding of Wonder Household and (if applicable), its holding and subsidiary companies shall be registered in the name of Mr. Wong or his nominee until full repayment of the principal and interest, and upon such repayment Mr. Wong shall transfer the shares back to Ms. May Cheng. Pursuant to such agreement the shares of Wonder Household, prior to them becoming held by Oera, were initially held by nominees of Mr. Wong and subsequently when some of these shares were transferred to Oera, the shares of Oera became registered in the name of Mr. Wong, but they were beneficially owned by Ms. May Cheng.

Through the contacts referred by Mr. Wong, Wonder Household established business relationship with not more than five Potential Customers and started purchasing kitchenware products from us which were on-sold to the Potential Customers. By late 2003, all of the Potential Customers (except one whose revenue was less than 1% of the total revenue of Wonder Household for the financial year ended 31 December 2013) referred by Mr. Wong had left Wonder Household. The current customers of Wonder Household were mainly established by Ms. May Cheng's connections as well as by Wonder Household itself in its ordinary course of business through the years. Subsequent to Oera becoming a shareholder of Wonder Household, purchase orders were placed by Oera instead of Wonder Household.

In or about 2007, Ms. May Cheng decided to set up the business of wholesale distribution of kitchenware products to retailers in the U.S. and borrowed additional HK\$1 million ("Personal Loan 2") from Mr. Wong. At that time, we have not considered expanding into such line of business as it would potentially directly compete with our customers and may adversely affect the relationship with our then existing major customers and therefore Mr. Wong did not object to Ms. May Cheng setting up such business, and the new company may also become another customer of our Group. Ms. May Cheng set up Emington and ARG Industrial Group Limited as the holding vehicles of the new business with her family friend, an Independent Third Party. Same as Personal Loan 1 and to effect the terms of the loan agreement, it was agreed that the entire shareholding of Ms. May Cheng in Emington or its holding company shall be registered in the name of Mr. Wong or his nominee until full repayment of Personal Loan 2 and interest, and upon such repayment Mr. Wong shall transfer such shares back to Ms. May Cheng. Pursuant to such agreement the shares in Emington became registered in the name of a nominee of Mr. Wong, but they were beneficially owned by Ms. May Cheng. The target customers of Emington and its subsidiaries were companies engaged in retail business, such as specialty stores, discount stores and department stores in the U.S. The customers of Emington were not introduced by us but were acquired by Emington itself through channels such as trade shows and exhibitions, industry connections of the Independent Third Party and network and referrals from the Winlot Group's other customers.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Sharing of certain administration functions with our Group

Our Group and Winlot Group were considered to be under separate management during the Track Record Period (for Wonder Household, prior to its acquisition by our Group) as the Winlot Group has its own office premises and sales team, having 14 full time employees as at 30 December 2013. Nevertheless, the Winlot Group and our Group shared resources in certain areas, which were:

- (i) a banking facility taken out by our Group with Citibank, N.A. prior to the Track Record Period. The banking facility could be shared by a subsidiary of the Winlot Group and according to our records, the last shared banking facility granted was under a facility letter dated 12 November 2008, and such sharing of banking facility was terminated in October 2009. Such facility had never been utilized by the Winlot Group. Our Directors confirm that save as aforesaid, our Group and the Winlot Group had not shared any banking facility since then. The Winlot Group also had its standalone banking facility with Hang Seng Bank Limited since June 2003, which were guaranteed by King's Flair Development, Mr. Wong and Ms. Rebecca Cheng and such facility was cancelled in 2008;
- (ii) same as our Group, the Winlot Group has also engaged Houzehold Trend to provide it with information technology consulting and supporting services since 2001 for convenience purpose. As disclosed in the "Connected Transactions" section of this prospectus, Houzehold Trend became an Independent Third Party in November 2012. Since then, both our Group and Winlot Group continue to engage Houzehold Trend for information technology consulting and supporting services. Our Directors are of the view that since Houzehold Trend is an Independent Third Party, our Group is not considered as sharing such services provided by Houzehold Trend with the Winlot Group;
- (iii) our Group's medical insurance covered staff of the Winlot Group at the request of the Winlot Group as the relevant coverage would be more beneficial to the Winlot Group if it was grouped under our Group instead of the Winlot Group applying for another one on its own. Our Directors confirm that our Group and the Winlot Group did not share any medical insurance since 1 December 2012; and
- (iv) Our Group also provided support to the Winlot Group, as to other customers, on general customer enquiries on products, as part of the customer services provided by our Group to our customers. Such customer support to the Winlot Group was terminated after the Acquisition on 31 December 2013.

The reasons for the above-mentioned sharing arrangements were mainly due to cost savings to both groups and protecting the interest of Mr. Wong as a lender to Ms. May Cheng. Mr. Wong and an accounting staff of our Group ceased being the bank signatories to various bank accounts of the Winlot Group in October 2012; and other accounting functions, including payroll and calculation of staff entitlement were also terminated by December 2012. The daily operation of the Winlot Group was managed by Mr. Wong Ying Wai, Dennis. Mr. Wong Ying Wai, Dennis joined Wonder Household as an assistant merchandiser in 2001 and was later promoted to marketing director in June 2005. As an employee of Wonder Household he joined our Group

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

upon completion of the Acquisition and was subsequently appointed as our Director on 20 August 2014. He held 1,000 shares in Wonder Household as nominee of Mr. Wong during the period from December 2003 to August 2005. Mr. Wong Ying Wai, Dennis is an Independent Third Party. However, in order to secure his commercial interests as a lender, Mr. Wong was appointed as a director of Oera; he and an accounting staff of our Group were bank signatories to various bank accounts of the Winlot Group; and the accounting matters, including payroll functions and calculation of staff entitlement were processed through our Group. Despite the aforesaid arrangements, Mr. Wong was not involved in the daily operations and management of the Winlot Group.

Our Company confirms that, save as disclosed above, no director or employee of our Group has been engaged in the management of any member of the Winlot Group since their respective dates of incorporation except as a result of and after completion of the Acquisition, and there is no other sharing of resources between the Winlot Group and our Group.

Personal Loan 1 was repaid from time to time between 2006 and 2010. In June 2012, the balance of Personal Loan 1 and Personal Loan 2 and all interest were fully repaid. All dividends declared by the Winlot Group (to which Ms. May Cheng was wholly entitled as the sole beneficial owner of the Winlot Group) had been used by her to repay the loans and interest. Therefore, (i) in June 2012 Mr. Wong and his nominees transferred all shares in Oera and Emington to Winlot at the direction of Ms. May Cheng and resigned as director of Oera; and (ii) Mr. Wong ceased to be signatory of the bank accounts of the Winlot Group from October 2012. Ms. May Cheng was appointed as a director of the Winlot Group companies in May and June 2012, but resigned as a director of Wonder Household upon completion of the Acquisition.

On the other hand, Ms. May Cheng has never been involved in the operations of any member of our Group.

There has not been any sharing of trademarks between our Group and the Winlot Group. However, the trademarks "Oera" and "Silicone Home" have also been registered with the Trade Marks Registry in the name of King's Flair Development as security for Personal Loan 1. The "Oera" trademark has not been used by our Group or the Winlot Group and the registration expired in March 2014. The trademark "Silicone Home" has only been used on products supplied by Wonder Household to its customers, but not by our Group on products supplied to our other customers or otherwise in our business, and as a result of the Acquisition, it became the asset of our Group.

Previous potential competition

The Winlot Group's customers were also brandowners/trading companies based either in Europe or North America as well as retailers in North America. Four of the top five largest customers of the Winlot Group for the three financial years ended 31 December 2013 were located in North America.

However, during the Track Record Period, customers of the Winlot Group (excluding Wonder Household after the Acquisition) and our Group had never overlapped and the customers of the Winlot Group were Independent Third Parties of our Group. During the Track Record Period, our Group was the sole supplier for the Winlot Group, which would place

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

back-to-back purchase orders with our Group when it received orders from its customers, and our products sold to the Winlot Group were not identical to products sold to our other customers in terms of packaging and design, but were under packaging and brandnames designated by customers of the Winlot Group.

In May 2013, which was some time prior to the Acquisition, we have fully disclosed our Group's relationship and transactions with the Winlot Group to our major customers which accounted for approximately 80% of our Group's total revenue for the financial year ended 31 December 2012 (excluding the sales to Winlot Group), all of whom acknowledged that they were aware that we have other customers who are or may be their potential competitors as this is our ordinary course of business, and that they do not have any concern about the potential competition as long as we are not supplying their products to our other customers. It has been more than one year from such disclosure from May 2013 up to 30 June 2014, during which our Group's business has not been adversely affected. Instead, we recorded increases in both revenue and net profits. Our revenue increased from HK\$1,077.4 million for the financial year ended 31 December 2012 to HK\$1,236.3 million for the financial year ended 31 December 2013; and our net profits increased from HK\$68.2 million for the financial year ended 31 December 2012 to HK\$78.3 million for the financial year ended 31 December 2013.

Upon the completion of the Acquisition, on 1 January 2014, we announced the Acquisition in our Company's website and all of our existing customers (including the customers of Wonder Household) and potential customers would be aware of the acquisition of Wonder Household by our Group. Since then and up to 30 June 2014, our Group's business has not been adversely affected. Instead, we recorded increases in both revenue and net profits over the corresponding period in 2013. Our revenue increased from HK\$505.5 million for the six months ended 30 June 2013 to HK\$624.7 million for the six months ended 30 June 2014; and our net profits increased from HK\$27.1 million for the six months ended 30 June 2013 to HK\$41.9 million for the six months ended 30 June 2014.

In view of the above, we believe there has been no actual or potential adverse impact on our Group's business as a result of the customers of our Group and the Winlot Group having become aware of the relationship between our Group and the Winlot Group. Since the Acquisition on 31 December 2013 and up to the Latest Practicable Date, we have not received any complaints or concerns from any of our customers in relation to our relationship with the Winlot Group and the Acquisition.

Reason for exclusion prior to the Acquisition

The Winlot Group was wholly and beneficially owned by Ms. May Cheng, although her shareholding interests were pledged to Mr. Wong (or his nominee) as security for personal loans borrowed by Ms. May Cheng throughout the Track Record Period until June 2012. Therefore, the Winlot Group should not be regarded as a member of our Group. On 31 December 2013, our Group acquired Wonder Household from Oera at a consideration of HK\$19.2 million. Thereafter, Wonder Household became one of our subsidiaries. Please refer to "Connected Transactions" section of this prospectus for details.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Unaudited illustrative financial information of our Group and the Closely Related Companies

Our Directors consider that the financial results of our Group for the Track Record Period have not been distorted as a result of any absorption of counterparty risks by the Closely Related Companies whether in terms of volatile prices, late deliveries or cancelled contracts in any material respects. As mentioned above, Winlot Group only placed orders with our Group when it received purchase orders from its customers, Winlot Group did not keep any inventory except for the purchase orders from retailers in North America which arrived at the local warehouse but not yet delivered with approximately HK\$4.8 million and HK\$5.1 million as at 31 December 2011 and 2012 respectively. Our Directors and the Sole Sponsor considered that the terms of the sale and purchase transactions between our Group and Winlot Group were fair and reasonable and on normal commercial terms. Please refer to “Appendix III — Unaudited illustrative financial information of our Group and the Closely Related Companies” to this prospectus for more detail. The unaudited illustrative financial information for the Closely Related Companies has been prepared by our Directors and has been reviewed by the Reporting Accountants for the purpose of illustrating the key financial items of the financial position and results of our Group as if the Closely Related Companies had been consolidated in our financial statements during the years ended 31 December 2011, 2012 and 2013.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, our Directors confirmed that, immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, there are no other person or entity (other than the following Controlling Shareholders) who will have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate percentage of issued Shares immediately after the Share Offer
First Concord	Beneficial owner	105,000,000	15%
City Concord	Beneficial owner	420,000,000	60%
Mr. Wong (<i>Notes 1 & 2</i>)	Interest of controlled corporation	525,000,000	75%
Ms. Rebecca Cheng (<i>Notes 1 & 3</i>)	Interest of controlled corporation and deemed interest of spouse	525,000,000	75%

Notes:

1. First Concord is held as to 60% by Mr. Wong and as to 40% by Ms. Rebecca Cheng. Therefore, both Mr. Wong and Ms. Rebecca Cheng are deemed to be interested in the 105,000,000 Shares held by First Concord under the SFO.
2. Mr. Wong is the beneficial owner of 100% of the issued share capital of City Concord. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord under the SFO.
3. Ms. Rebecca Cheng is the spouse of Mr. Wong and is deemed to be interested in the Shares held by City Concord.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE CAPITAL

SHARE CAPITAL

Our Company's authorised and issued share capital immediately after completion of the Share Offer and the Capitalisation Issue will be as follows:

	Number of Shares	<i>HK\$</i>
Authorised share capital	10,000,000,000	100,000,000
<i>Shares issued and to be issued, fully paid or credited as fully paid</i>		
Shares in issue at the Latest Practicable Date	10,000	100
Shares to be issued pursuant to the Capitalisation Issue	524,990,000	5,249,900
Shares to be issued pursuant to the Share Offer	175,000,000	1,750,000
Total	700,000,000	7,000,000

The above table assumes no exercise of the Over-allotment Option. Assuming the Over-allotment Option is exercised in full, our Company's share capital immediately after completion of the Share Offer and the Capitalisation Issue will increase by 26,250,000 Shares. The above table also does not take into account (a) any Shares issued upon exercise of options that may be granted under the Share Option Scheme or (b) any Shares which may be issued or repurchased under the general mandates given to our Directors to issue or repurchase Shares.

RANKING

The Offer Shares and the Shares which may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of the prospectus except for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 December 2014. A summary of the principal terms of the Share Option Scheme is set out under the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

SHARE CAPITAL

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

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

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

The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option.

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

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase of its own securities by our Company” in the section headed “Further information about our Company” in Appendix VI to this prospectus.

The general mandates to issue and repurchase Shares above mentioned will expire at the earliest of:

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

For further details of these general mandates, see “Further information about our Company — Resolutions of all the Shareholders passed on 22 December 2014” in Appendix VI to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the sub-section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital” in Appendix V to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the sub-section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in Appendix V to this prospectus.

FINANCIAL INFORMATION

This section should be read in conjunction with the audited financial information of our Group, including the notes thereto, as set out in "Appendix I — Accountants' Report" of this prospectus. This prospectus contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which involve risks and uncertainties. Our financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a provider of kitchenware products with headquarters in Hong Kong. We are principally engaged in designing, developing and supplying kitchenware products, primarily kitchen tools & gadgets, drinkware, bakeware and accessories, food preparation products, and storage and accessories, mainly to international brandowner customers in North America, Europe and Asia.

We have enjoyed growth in revenue and net profit during the Track Record Period. For the financial years ended 31 December 2011, and 2012 and 2013 and the six months ended 30 June 2014, we generated revenue of HK\$968.5 million, HK\$1,077.4 million, HK\$1,236.3 million and HK\$624.7 million, respectively, representing a CAGR of 13.0% over 2011 to 2013. For the same periods, the net profit was HK\$45.4 million, HK\$68.2 million, HK\$78.3 million and HK\$41.9 million, respectively, representing a CAGR of 31.3% over 2011 to 2013. Our Directors believe our ability to have grown the revenues and profits through the uncertain economic environment demonstrated the strength of the business model and the comprehensive value added services provided to secure customers and the resiliency of our target markets.

For the period after the Track Record Period and up to the Latest Practicable Date, the global economy had been continuously affected by the sovereign debt crisis lingered in certain European countries and the unusual sovereign debt buying program in the EU, quantitative easing policy in the U.S. and the anticipation of tapering in the U.S. These had resulted in the economic conditions of our major markets being unstable. However, the impact of the global economic uncertainty was minimal on our performance as some of our customers were experiencing business expansion over the period and had increased their purchases from us. Our overall sales performance over the period remained positive. Our Directors considered that although the global market and the business environment have posed uncertainties to us, with the solid business foundation and sound financial position, we will be able to overcome the difficulties.

As regard to the North America market, our products are sold to international kitchenware brandowner customers such as Lifetime and Ignite USA. As regard to our European market, our products are sold to international kitchenware brandowner customers such as DKB UK. As regard to the Asia market, our products are sold to international kitchenware brandowner customers such as Kai Corporation.

FINANCIAL INFORMATION

We have established business relationship with a number of our top five largest customers for a period ranging from approximately 10 to over 20 years. Our largest customers includes Lifetime, Ignite USA, Winlot Group and Kai. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the aggregate revenues derived from our five largest customers were HK\$814.1 million, HK\$867.5 million, HK\$1,029.6 million and HK\$511.2 million, constituting 84.1%, 80.5%, 83.3% and 81.8%, respectively, of our revenue.

Our products have been sourced entirely from Production Factories with manufacturing facilities in the PRC. The Production Factories mainly have their manufacturing facilities strategically located in Guangdong Province in order to benefit from access to well-established transport and logistics infrastructure. Raw materials we procured on behalf of the Production Factories are mainly plastics and stainless steel sheets. We have established business relationship with our five largest Production Factories for the financial ended 31 December 2013 for a period ranging from approximately 8 to over 20 years as at the Latest Practicable Date. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our cost of purchases from Production Factories amounted to approximately HK\$773.3 million, HK\$848.0 million, HK\$973.6 million and HK\$488.1 million, respectively. For the same period, our single largest outsourced Production Factory accounted for approximately 13.1%, 18.5%, 15.9% and 14.2% of our cost of purchases, respectively, and our five largest Production Factories accounted for approximately 51.3%, 55.1%, 52.1% and 49.7% of our cost of purchases, respectively.

We have an in-house design and development team that assists and collaborates with certain of our customers in their product design and development process and provide input on the production of kitchenware products with different designs. We seek to enhance our product variety through new production technologies and applying different materials in production to enhance the functionality of our products.

As at 30 June 2014, we had 1 flagship store in Beijing and sold our products in over 60 sales points of our retailers and online channels in the PRC.

Basis of presentation

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 24 December 2014. The companies now comprising our Group were under the common control of the Controlling Shareholders prior to the Reorganisation and have continued to be under the common control of the Controlling Shareholders since the Reorganisation. Our Group, comprised of our Company and its subsidiaries, resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of our Group for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 had been prepared on a combined basis as if the Reorganisation had been completed at the beginning of the Track Record Period and our Company had always been the holding company of the companies comprising our Group throughout the Track Record Period, using the principles of merger accounting. See the section headed “History, Reorganisation and Group Structure — Reorganisation and Group Structure” in this prospectus.

FINANCIAL INFORMATION

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 include the results, the changes in equity and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders. The combined statements of financial position of our Group as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses comprising our Group using the existing book values from the Controlling Shareholders' perspective. All significant intra-group transactions and balances within our Group have been eliminated on combination.

FACTORS AFFECTING OUR GROUP'S FINANCIAL RESULTS

Our business and historical financial results have been affected by a number of important factors which may also affect our future financial results. Our financial results are primarily affected by the following factors:

Customer relationships and factors affecting our customers

Our sales are made on the basis of individual purchase orders, and we have not entered into long-term purchase agreements with any of our customers. The volume of product purchased from specific customers may vary from year to year due to a number of factors affecting the consumer demand for our customers' products, including the financial and operational success of our customers and the popularity of their brands. Sales of our customers' products to consumers and, as a result, the volume of product purchased from our customers may also vary due to a number of factors affecting consumer spending patterns, including general economic conditions and perceptions of such conditions by consumers, business conditions, home purchases, the level of consumers' disposable personal income, interest rates, consumer debt levels, availability of credit and levels of taxation in the regions in which the products are sold. Similar factors will also impact the future growth of our kitchenware retail business in the PRC.

We have well established and long-term relationships with certain key customers such as Lifetime, Ignite USA, Winlot Group and Kai Corporation. As at 30 June 2014, four of our five largest customers for the financial year ended 31 December 2013 have been our customers for a period ranging from approximately 10 to over 20 years. As a result of these stable relationships, we believe we would receive recurring orders from the existing customers. The relationships with the key customers also enhance our reputation as one of the providers of kitchenware products and provide us with a competitive advantage in attracting additional kitchenware brandowners as customers. However, our future results of operation may be particularly impacted by changes in relationships with the key customers or by factors that affect the demand for their products by consumers.

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Production Factory relationships and factors affecting the cost of Production Factory's production

We have outsourced our entire production process to Production Factories. Our performance, and in particular the profit margins, depends on our ability to acquire kitchenware products from the Production Factories at low cost. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, cost of purchases represent 91.5%, 92.4%, 92.9% and 93.8%, respectively, of the cost of sales.

We have long-term and well established relationships with many of the Production Factories, which has enabled us to maintain a stable supply of high-quality kitchenware products. We have sustained business relationship with our five largest Production Factories for the year ended 31 December 2013 for a period ranging from approximately 8 to over 20 years. Although we have maintained a stable relationship with the Production Factories and believe that we are able to source kitchenware products on reasonable commercial terms from other qualified suppliers when necessary, our results of operations could be materially affected if we were to encounter any shortages in the procurement of kitchenware products.

In addition, any inflationary cost pressure experienced by the Production Factories would affect the cost of kitchenware products we acquired. Although the manufacturing of kitchenware products is mainly machinery automated, manual labor involvement to operate the machine and monitor the production lines is required. As a result of government-mandated wage increases and increases in competition for employees with other manufacturers in Guangdong Province, the PRC, where most manufacturing facilities of the Production Factories are located, the Production Factories have experienced labor cost increases over the past several years. Our Directors consider that the Production Factories have maintained reasonable cost, in part, through introducing lean production practices to increase production efficiency and minimise waste; however, to the extent that the Production Factories are not able to counterbalance the labor cost inflationary pressure, the Production Factories may pass on some cost to us, which could affect our future results of operation and, in particular, the profit margins.

Cost of raw materials

During the production process, we procure some raw materials on behalf of the Production Factories. Raw materials we procured are mainly plastics and stainless steel sheets. Prices for certain raw materials used in production can be fluctuative in the foreseeable future. We do not enter into long-term purchase agreements with the raw material suppliers and prices are subject to a number of risks and uncertainties that could affect our ability to procure sufficient low cost, high quality raw materials to meet the needs of the production, which could affect our future results of operation and, in particular, the profit margins.

Expansion in the PRC retail business

We have expanded into the kitchenware retail business in the PRC by the establishment of one flagship store and offering our products in retail sales points of our retailers and online sales. Our ability to continue to grow the business will increasingly depend on our ability to successfully broaden the current customer base while expanding the PRC retail business. This

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will depend on, among other things, global economic conditions, government policies, customer and consumer preferences, our ability to continue to maintain close relationships with the customers and retailers, to design and develop and to procure in accordance to the product requirements of our current customers, as well as the availability of management, financial, technical, operational and other resources.

CRITICAL ACCOUNTING POLICIES

Our Directors have identified certain accounting policies and estimates that are significant to the preparation of the combined financial statements of our Group. The significant accounting policies and key sources of estimation uncertainty, which are important for an understanding of the financial condition and results of operation of our Group, are set forth in detail in Note 5 and Note 6 to the financial statements included in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition and depreciation. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our Directors believe the following critical accounting policies involved the most significant estimates and judgments used in the preparation of the financial statements of our Group.

Revenue recognition

We recognise revenue when it is probable that the economic benefits will flow to our Group and the revenue can be measured reliably, on the following bases:

- from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken at the time when the goods are delivered and the customers have accepted the goods;
- income from management and handling services are recognised in the period when the respective services are rendered;
- interest income is recognised on a time-proportion basis using the effective interest rate method; and
- dividend income is recognised when the right to receive dividend payment is established.

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Revenue of our Group represents invoiced value of goods sold, after allowances for returns and discounts, net of value added tax and after eliminating sales within our Group.

The trading terms between our Group and our customers are mainly on credit. The credit policy for our customers varies from customer to customer and payment methods include letters of credit and telegraphic transfers. The payment period of individual customers is considered on a case-by-case basis and is generally within 7 to 90 days. For customers to which we provide credit terms, we have assessed a number of factors to determine whether collection from them is probable, including past transaction history with them and their creditworthiness.

Depreciation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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 our Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment, other than construction in progress, to its residual value over its estimated useful life. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant or equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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DESCRIPTION OF SELECTED FINANCIAL ITEMS

The following table sets forth, for the periods indicated, selected income statement data as a percentage of revenue.

	For the financial year ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	<u>(87.2)%</u>	<u>(85.1)%</u>	<u>(84.8)%</u>	<u>(84.8)%</u>	<u>(83.3)%</u>
Gross profit	12.8%	14.9%	15.2%	15.2%	16.7%
Other income or loss	0.5%	0.5%	0.9%	1.7%	0.8%
Distribution expenses	(1.5)%	(1.7)%	(1.9)%	(2.2)%	(1.8)%
Administrative expenses	(4.9)%	(5.8)%	(6.9)%	(7.8)%	(7.7)%
Finance costs	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>(0.0)%</u>	<u>(0.0)%</u>	<u>(0.0)%</u>
Profit before income tax	6.7%	7.8%	7.8%	6.9%	8.0%
Income tax expense	<u>(2.1)%</u>	<u>(1.4)%</u>	<u>(1.5)%</u>	<u>(1.6)%</u>	<u>(1.3)%</u>
Profit for the year	<u>4.7%</u>	<u>6.3%</u>	<u>6.3%</u>	<u>5.4%</u>	<u>6.7%</u>

Revenue

We generate revenue primarily from sales of kitchenware products to brandowner customers and, since November 2011, from sales of kitchenware products through the retail networks in the PRC. Our business is currently organised into two operating segments: brandowner sales, which comprises sales of kitchenware products to brandowner customers, and retail, which comprises sales of kitchenware products through retail sales points of our retailers in the PRC and online sales. The brandowner sales segment represented more than 98% of our revenue during the Track Record Period.

For the six months ended 30 June 2014, the increase in our revenue compared to the same period in 2013 is HK\$119.2 million. For the financial years ended 31 December 2012 and 2013, the increases in our revenue are HK\$108.8 million and HK\$158.9 million, respectively, compared to the revenue of the previous financial year. The increases in revenue are mainly due to the steady growth of the U.S. economy and some of our major customers were successful in (i) introducing new products to capture market demand, (ii) providing stylish and colourful products to induce sales, and (iii) securing orders from warehouse wholesales, in which we were the supplier of such products.

For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, 88.9%, 87.3%, 90.2% and 87.3%, respectively, of our revenue was derived from sales to customers with headquarters in North America; for the same periods, 6.0%, 8.0%, 5.4% and 6.4%, respectively, of our revenue was derived from sales to customers with headquarters in

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Europe, and for the same periods, 4.2%, 3.7%, 3.5% and 5.4%, respectively, of our revenue was derived from sales to customers with headquarters in Asia. The breakdown of our revenue by region of the customer is relatively stable over the Track Record Period. The following table sets forth, for the periods indicated, a breakdown of our revenue by region of the customer and the revenue generated from them in each region as a percentage of our revenue. The location of customers' headquarters may not necessarily correspond to the region in which the products are ultimately sold by our customers.

	For the financial year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>(HK\$'000, except %)</i>									
North America	860,207	88.9%	940,546	87.3%	1,115,009	90.2%	448,469	88.7%	545,326	87.3%
United States	832,586	86.0%	899,781	83.5%	1,061,957	85.9%	420,984	83.3%	529,111	84.7%
Canada	27,057	2.8%	40,394	3.8%	52,881	4.3%	27,485	5.4%	16,215	2.6%
Other	564	0.1%	371	0.0%	171	0.0%	—	0.0%	—	0.0%
Europe	58,358	6.0%	85,811	8.0%	67,452	5.4%	31,603	6.3%	40,071	6.4%
United Kingdom	34,546	3.6%	48,225	4.5%	39,671	3.2%	18,423	3.7%	23,005	3.7%
Switzerland	12,041	1.2%	18,845	1.7%	13,500	1.1%	6,176	1.2%	6,188	1.0%
Germany	4,173	0.4%	2,473	0.2%	5,414	0.4%	2,429	0.5%	3,277	0.5%
Other	7,598	0.8%	16,268	1.6%	8,867	0.7%	4,575	0.9%	7,601	1.2%
Asia	40,775	4.2%	39,476	3.7%	43,072	3.5%	19,637	3.9%	33,439	5.4%
Japan	34,652	3.6%	25,621	2.4%	25,622	2.1%	12,121	2.4%	16,949	2.8%
Hong Kong	5,734	0.6%	7,099	0.7%	6,935	0.6%	1,355	0.3%	10,057	1.6%
Other	389	0.0%	6,756	0.6%	10,515	0.8%	6,161	1.2%	6,433	1.0%
Other	9,165	0.9%	11,518	1.0%	10,751	0.9%	5,757	1.1%	5,879	0.9%
Total	968,505	100.0%	1,077,351	100.0%	1,236,284	100.0%	505,466	100.0%	624,715	100.0%

For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the aggregate revenue derived from our five largest customers were HK\$814.1 million, HK\$867.5 million, HK\$1,029.6 million and HK\$511.2 million, constituting 84.1%, 80.5%, 83.3% and 81.8%, respectively, of our revenue. The following table sets forth, for the period indicated, the contribution of our revenue by our five largest customers. Please refer to the paragraphs headed "Five largest customers" in the "Business" section of this prospectus for more information on our five largest customers.

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	For the financial year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>(HK\$'000, except %)</i>									
Customer A	187,495	19.4%	176,044	16.3%	178,144	14.4%	67,825	13.4%	n/a	n/a
Customer B	224,305	23.2%	349,597	32.4%	436,489	35.3%	185,319	36.7%	267,096	42.8%
Customer C	202,300	20.9%	164,038	15.2%	140,440	11.4%	63,710	12.6%	63,035	10.1%
Customer D	165,494	17.1%	151,989	14.1%	241,293	19.5%	74,516	14.7%	90,820	14.5%
Customer E	34,486	3.6%	25,857	2.4%	n/a	n/a	n/a	n/a	16,892	2.7%
Customer F	n/a	n/a	n/a	n/a	33,199	2.7%	16,554	3.3%	n/a	n/a
Customer G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	73,404	11.7%
	814,080	84.1%	867,525	80.5%	1,029,565	83.3%	407,924	80.7%	511,247	81.8%

Note: The sales amount is denoted as “n/a” as the customer was not the top five customer during that particular period.

The aggregate revenue derived from Customer B and Customer D for the year ended 31 December 2013 was HK\$677.8 million, constituting over 50% of our Group’s revenue for the period. In particular, sales amount generated from Customer B grew by approximately 56% for the year ended 31 December 2012 as compared to 2011; and continued to record a growth of approximately 25% for the year ended 31 December 2013 as compared to 2012. To the best of their knowledge, our Directors are of the view that such growth was mainly due to (i) introducing new products to capture market demand, and (ii) providing stylish and colourful products to induce sales. During the Track Record Period, Customer D has consistently placed orders with our Group despite the annual fluctuations in terms of sales volume and amount. Sales amount generated from Customer D dropped by approximately 8% for the year ended 31 December 2012 as compared to 2011. However, in 2013 we recorded a 59% surge in sales to Customer D as compared to 2012. To the best of their knowledge, our Directors are of the view that such surge in 2013 was mainly due to Customer D received more orders from a major warehouse wholesaler on the products that we supplied. However, such orders from the same warehouse wholesaler were reduced in 2014.

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Cost of sales

Cost of sales primarily consists of cost of purchases, packaging, transportation and freight and other miscellaneous expenses. The following table sets forth, for the periods indicated, the components of cost of sales and the cost of sales for each component as a percentage of revenue.

	For the financial year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>(HK\$'000, except %)</i>									
Purchase	773,270	79.8%	848,041	78.7%	973,559	78.7%	399,559	79.0%	488,097	78.1%
Packaging	64,873	6.7%	62,528	5.8%	66,974	5.4%	25,933	5.1%	29,616	4.7%
Transportation and freight	6,003	0.6%	4,917	0.4%	7,545	0.6%	3,458	0.7%	1,266	0.2%
Others	529	0.1%	1,821	0.2%	217	0.1%	(108)	0.0%	1,249	0.2%
Total	844,675	87.2%	917,307	85.1%	1,048,295	84.8%	428,842	84.8%	520,228	83.3%

Other income and gains/(losses)

Other income and gains/(losses) primarily consist of management and handling services income, recharge from customers, interest and dividend income, and realised or unrealised gains/(losses) on financial assets. Recharge from customers mainly represents the tooling and mould costs recharged to customers, which were recognised when the amounts are mutually agreed by us and our customers. The following table sets forth, for the periods indicated, the breakdown of other income and gains/(losses).

	For the financial year ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
	<i>(HK\$'000)</i>				
Management and sales handling services income	3,371	426	3,196	2,250	781
Recharge from customers	380	2,253	6,890	6,420	4,415
Bank interest income	174	81	35	22	11
Dividend and other income	2,472	990	843	3	6
Change in fair value on financial assets at fair value through profit or loss	(3,330)	—	—	—	—
Other gains	1,471	1,571	1	—	—
Total	4,538	5,321	10,965	8,695	5,213

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Distribution expenses

Distribution expenses primarily consist of marketing and advertising expenses, marketing and retail salary, retail rent, transportation and travelling expenses, quality inspection expenses and other distribution expenses. The following table sets forth, for the periods indicated, the components of the distribution expenses and the distribution expenses for each component as a percentage of revenue.

	For the financial year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>(HK\$'000, except %)</i>									
Marketing and advertising	9,066	1.0%	9,774	0.9%	10,508	0.9%	4,903	1.0%	4,519	0.7%
Marketing and retail salary	302	0.0%	2,143	0.2%	3,558	0.2%	1,698	0.3%	1,718	0.2%
Retail rent	—	0.0%	1,813	0.2%	2,315	0.2%	1,058	0.2%	997	0.2%
Transportation and travelling expenses	2,562	0.3%	2,159	0.2%	3,591	0.3%	1,767	0.3%	2,256	0.4%
Quality inspection and testing	1,452	0.1%	1,383	0.1%	1,401	0.1%	824	0.2%	427	0.1%
Other expenses	1,376	0.1%	1,146	0.1%	2,030	0.2%	653	0.1%	1,084	0.2%
Total	14,758	1.5%	18,418	1.7%	23,403	1.9%	10,903	2.2%	11,001	1.8%

Administrative expenses

Administrative expenses primarily consist of office and administrative expenses, Directors' remuneration, staff cost and benefits, professional and quality assurance consultancy fees, rent and maintenance, vehicle expenses, impairment, depreciation and amortisation, entertainment and traveling and other administrative expenses. The following table sets forth, for the periods indicated, the components of the administrative expenses and the administrative expenses for each component as a percentage of revenue.

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	For the financial year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	<i>(HK\$'000, except %)</i>									
Office and administrative expenses	3,150	0.3%	3,050	0.3%	2,760	0.2%	1,163	0.2%	1,333	0.2%
Directors' remuneration, staff costs and benefits	24,755	2.6%	28,469	2.6%	49,520	4.1%	22,853	4.6%	23,951	3.7%
Professional and consultancy fees	4,222	0.4%	16,270	1.5%	12,980	1.1%	5,937	1.2%	11,150	1.8%
Rent and maintenance	2,693	0.3%	2,822	0.3%	4,305	0.3%	2,432	0.5%	2,334	0.4%
Vehicle expenses	1,805	0.2%	1,382	0.1%	1,407	0.1%	661	0.1%	634	0.1%
Impairment, depreciation and amortisation	6,770	0.7%	3,032	0.3%	4,319	0.4%	2,119	0.4%	4,309	0.7%
Entertainment and traveling	2,304	0.2%	3,383	0.3%	2,924	0.2%	1,520	0.3%	1,072	0.2%
Other administrative expenses	1,622	0.2%	3,994	0.4%	6,685	0.5%	2,520	0.4%	3,466	0.6%
Total	47,321	4.9%	62,402	5.8%	84,900	6.9%	39,205	7.8%	48,249	7.7%

Finance costs

Finance costs consist of interest charges on financial liabilities, bank overdrafts and other borrowings.

Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

Cayman Islands and BVI tax

Under the current laws of the Cayman Islands and the BVI, we are not subject to any income tax.

Hong Kong tax

Hong Kong profits tax as applicable to us is 16.5% for the financial years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 on the estimated assessable profits arising in Hong Kong during the relevant year or period.

PRC tax

During the Track Record Period, the PRC enterprise income tax was based on a statutory rate of 25% of the estimated assessable profit of the PRC subsidiaries of our Group.

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Net profit

Kitchenware industry is generally considered to be a relatively thin margin industry with sustainable growth as kitchenware products are relatively consumer staple items that do not require technological development and are generally less affected by economic cycle fluctuation; the net profit margin tends to be thin and stable. Our Directors considered that our net profit margin ranging from 4.7% to 6.7% during the Track Record Period is sustainable and consistent with the industry level.

Our profit margin can be negatively impacted by competition within the kitchenware industry. However, by providing our customers with value adding comprehensive services including, but not limited to, (i) product design and development, (ii) production engineering solutions, (iii) stringent quality control and production control, and (iv) stable delivery of high quality products, we should be capable of sustaining and has sustained loyal business relationship with our customers and secured commitment of our customer for future orders.

New products with new design or modification may also affect our profit margin. New products generally differentiate themselves from products existing in the market and create a temporary new consumer demand. Consumers, end-users and customers are then more comfortable to pay a higher price on new products, and thus yielding a higher profit margin for our Group.

In addition, extending the business model to include retail business affects our profit margin. In a retail operation, price mark-ups can be transferred directly to consumers and end-users. With effective marketing and pricing strategies, products can be priced at higher levels which consumers and end-users consider appropriate, resulting in a higher profit margin for our Group. Please refer to the paragraphs headed "Business Plans and Strategies" in the "Business" section of this prospectus for more detail on our strategy to expand retail networks in China.

In the long run, our Directors believe that we can enhance the product mark-up, and thus the net profit margin, by executing the value adding comprehensive services exceptionally, by designing and developing more new kitchenware products and by successfully expanding the PRC retail business.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Comparison for the six months ended 30 June 2014 to the six months ended 30 June 2013

Revenue

Our revenue increased by 23.6% to HK\$624.7 million in the six months ended 30 June 2014 from HK\$505.5 million in the six months ended 30 June 2013. This increase was primarily due to, amongst other reasons, the steady growth of the U.S. economy and some of our major customers were successful securing orders from warehouse wholesaler on products which we supply.

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Cost of sales

Cost of sales increased by 21.3% to HK\$520.2 million in the six months ended 30 June 2014 from HK\$428.8 million in the six months ended 30 June 2013. This increase was primarily due to increase in sales in the six months ended 30 June 2014 compared to the six months ended 30 June 2013. As a percentage of revenue, costs of sales decreased to 83.3% in the six months ended 30 June 2014 from 84.8% in the six months ended 30 June 2013. The decrease is primarily due to a decrease of cost of purchase as a percentage of revenue to 78.1% in the six months ended 30 June 2014 from 79.0% in the six months ended 30 June 2013 as a result of management's success in negotiating favorable cost from scaled purchases.

Gross profit

As a result of the foregoing, our gross profit increased by 36.4% to HK\$104.5 million in the six months ended 30 June 2014 from HK\$76.6 million in the six months ended 30 June 2013, and our gross profit margin increased to 16.7% in the six months ended 30 June 2014 from 15.2% in the six months ended 30 June 2013.

Other income and gains/(losses)

Other income and gains/(losses) decreased to HK\$5.2 million in the six months ended 30 June 2014 from HK\$8.7 million in the six months ended 30 June 2013 primarily due to a decrease in charge to our customers on mould and tooling costs by HK\$2.0 million.

Distribution expenses

The distribution expenses remain relatively stable at HK\$11.0 million in the six months ended 30 June 2014 and HK\$10.9 million in the six months ended 30 June 2013. As a percentage of revenue, distribution expenses slightly decreased to 1.8% in the six months ended 30 June 2014 from 2.2% in the six months ended 30 June 2013.

Administrative expenses

Administrative expenses increased by 23.1% to HK\$48.2 million in the six months ended 30 June 2014 from HK\$39.2 million in the six months ended 30 June 2013. The increase was primarily due to (i) a HK\$2.4 million of amortisation of intangible asset arising from the Acquisition, and (ii) a HK\$5.2 million increase in consultancy fees primarily related to market expansion and professional fees mainly related to cost associated to the Listing. As a percentage of revenue, administrative expenses remain relatively stable at 7.7% in the six months ended 30 June 2014 and 7.8% in the six months ended 30 June 2013.

Finance costs

Finance costs were stable at HK\$0.2 million for the six months ended 30 June 2014 and 2013.

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Profit before tax

Profit before tax increased to HK\$50.3 million in the six months ended 30 June 2014 from HK\$35.0 million in the six months ended 30 June 2013. As a percentage of revenue, profit before tax increased to 8.0% in the six months ended 30 June 2014 from 6.9% in the six months ended 30 June 2013, as a result of the cumulative effect of the foregoing factors.

Income tax expense

Income tax expense increased to HK\$8.4 million in the six months ended 30 June 2014 from HK\$7.9 million in the six months ended 30 June 2013, primarily due to the increase in profit before income tax. The effective income tax rate of the Group decreased to 16.7% in the six months ended 30 June 2014 from 22.6% in the six months ended 30 June 2013 primarily due to a tax refund of HK\$2.2 million.

Profit for the year

Profit for the year increased by 54.6% to HK\$41.9 million in the six months ended 30 June 2014 from HK\$27.1 million in the six months ended 30 June 2013. As a percentage of revenue, profit for the year increased to 6.7% in the six months ended 30 June 2014 from 5.4% in the six months ended 30 June 2013, as a result of the cumulative effect of the foregoing factors.

Comparison for the financial year ended 31 December 2013 to the financial year ended 31 December 2012

Revenue

Our revenue increased by 14.7% to HK\$1,236.3 million in the financial year ended 31 December 2013 from HK\$1,077.4 million in the financial year ended 31 December 2012. This increase was primarily due to, amongst other reasons, the steady growth of the U.S. economy and some of our major customers were successful in (i) introducing new products to capture market demand, (ii) providing stylish and colourful products to induce sales, and (iii) securing orders from warehouse wholesaler, in which we supply the products.

Cost of sales

Cost of sales increased by 14.3% to HK\$1,048.3 million in the financial year ended 31 December 2013 from HK\$917.3 million in the financial year ended 31 December 2012. This increase was primarily due to increase in sales in the financial year ended 31 December 2013 compared to the financial year ended 31 December 2012. As a percentage of revenue, costs of sales remained stable at 84.8% in the financial year ended 31 December 2013 while it was 85.1% in the financial year ended 31 December 2012.

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Gross profit

As a result of the foregoing, our gross profit increased by 17.5% to HK\$188.0 million in the financial year ended 31 December 2013 from HK\$160.0 million in the financial year ended 31 December 2012, and our gross profit margin increased slightly to 15.2% from 14.9%, respectively.

Other income and gains/(losses)

Other income and gains/(losses) increased to HK\$11.0 million in the financial year ended 31 December 2013 from HK\$5.3 million in the financial year ended 31 December 2012. This increase was primarily due to an increase of HK\$4.6 million charge to our customers as we recovered from our customers on mould and tooling costs which we previously expensed prior to the financial year ended 31 December 2013. The bank interest income decreased to HK\$35,000 in the financial year ended 31 December 2013 from HK\$81,000 in the financial year ended 31 December 2012 primarily due to the decrease in bank balances deposited in the interest earning time deposits as the bank interest rate was at minimal level in Hong Kong which gave no incentives for us to fix our bank balance into interest earning time deposits.

Distribution expenses

The distribution expenses increased by 27.1% to HK\$23.4 million in the financial year ended 31 December 2013 from HK\$18.4 million in the financial year ended 31 December 2012. This increase was primarily due to an increase of marketing and retail salary, retail rent, and marketing and advertising expenses in aggregate of HK\$2.7 million primarily related to the establishment of the PRC retail business. As a percentage of revenue, distribution expenses increased slightly to 1.9% in the financial year ended 31 December 2013 from 1.7% in the financial year ended 31 December 2012.

Administrative expenses

Administrative expenses increased by 36.0% to HK\$84.9 million in the financial year ended 31 December 2013 from HK\$62.4 million in the financial year ended 31 December 2012. The increase was primarily due to an increase of HK\$21.1 million in Director's remuneration, staff costs and benefits to HK\$49.5 million for the financial year ended 31 December 2013 from HK\$28.4 million for the financial year ended 31 December 2012. The Director's remuneration, staff costs and benefits includes discretionary bonus. The discretionary bonus increased to HK\$22.5 million for the financial year ended 31 December 2013 from HK\$7.1 million for the financial year ended 31 December 2012. The increase in the discretionary bonus was mainly due to special bonuses for (i) Mr. Wong of HK\$8 million and (ii) all of our employees to recognise their contributions to our Group as the profit before income tax (before the discretionary bonus) for the same year would have exceed HK\$100 million.

As a percentage of revenue, administrative expenses increased to 6.9% in the financial year ended 31 December 2013 from 5.8% in the financial year ended 31 December 2012 primarily as a result of the Directors' remuneration, staff costs and benefits as a percentage of revenue increased to 4.1% in the financial year ended 31 December 2013 from 2.6% in the financial year ended 31 December 2012.

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Gain on bargain purchase

During the financial year ended 31 December 2013, we recorded a gain on bargain purchase of HK\$6.3 million as a result of the Acquisition. We have recognised the gain mainly due to (i) our Group is the sole supplier to Wonder Household, thus enjoyed better bargaining power; and (ii) Wonder Household is a private company and it is difficult to identify a ready buyer. Please refer to Note 40.2 of the Accountants' Report in Appendix I to this prospectus and the paragraph headed "5.(ii) Acquisition of Wonder Household" of the "Connected Transactions" section of this prospectus for more information related to gain on bargain purchase.

Finance costs

Finance costs decreased to HK\$0.5 million in the financial year ended 31 December 2013 from HK\$0.8 million in the financial year ended 31 December 2012.

Profit before tax

Profit before tax increased to HK\$96.5 million in the financial year ended 31 December 2013 from HK\$83.7 million in the financial year ended 31 December 2012. As a percentage of revenue, profit before tax remained relatively stable at 7.8% in the financial year ended 31 December 2013 and 7.8% in the financial year ended 31 December 2012.

Income tax expense

Income tax expense increased to HK\$18.2 million in the financial year ended 31 December 2013 from HK\$15.5 million in the financial year ended 31 December 2012, primarily due to the increase in profit before income tax. The effective income tax rate of the Group increased to 18.8% in the financial year ended 31 December 2013 from 18.5% in the financial year ended 31 December 2012.

Profit for the year

Profit for the year increased by 14.9% to HK\$78.3 million in the financial year ended 31 December 2013 from HK\$68.2 million in the financial year ended 31 December 2012. As a percentage of revenue, profit for the year remained relatively stable at 6.3% in the financial year ended 31 December 2013 and 6.3% in the financial year ended 31 December 2012.

Comparison for the financial year ended 31 December 2012 to the financial year ended 31 December 2011

Revenue

Our revenue increased by 11.2% to HK\$1,077.4 million in the financial year ended 31 December 2012 from HK\$968.5 million in the financial year ended 31 December 2011. This increase was primarily due to our major customers were successful in (i) introducing new products to capture market demand, and (ii) providing stylish and colourful products to induce sales, in which we supply those products.

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Cost of sales

Cost of sales increased by 8.5% to HK\$917.3 million in the financial year ended 31 December 2012 from HK\$844.7 million in the financial year ended 31 December 2011. This increase was primarily due to increase in sales in the financial year ended 31 December 2012 compared to the financial year ended 31 December 2011, which resulted in a HK\$74.8 million increase in cost of purchase. As a percentage of revenue, costs of sales decreased to 85.1% in the financial year ended 31 December 2012 from 87.2% in the financial year ended 31 December 2011 primarily due to (i) a decrease in the cost of packaging as a percentage of revenue to 5.8% in the financial year ended 31 December 2012 from 6.7% in the financial year ended 31 December 2011 as our Directors considered that cost of packaging paper, amongst the packaging raw material, has dropped by approximately 10% in the financial year ended 31 December 2012 compared to the financial year ended 31 December 2011; and (ii) a decrease in the cost of purchase as a percentage of revenue to 78.7% in the financial year ended 31 December 2012 from 79.8% in the financial year ended 31 December 2011. Our Directors consider that this decrease in the cost of purchase as a percentage of revenue was a result of management's effort to shift focus to products that yield a higher gross margin, such as focusing on new kitchenware products that required more complicated product design and development, and customer services on production engineering know-how.

Gross profit

As a result of the foregoing, our gross profit increased by 29.2% to HK\$160.0 million in the financial year ended 31 December 2012 from HK\$123.8 million in the financial year ended 31 December 2011, and our gross profit margin increased to 14.9% from 12.8%, respectively.

Other income and gains/(losses)

Other income and gains/(losses) increased to HK\$5.3 million in the financial year ended 31 December 2012 from HK\$4.5 million in the financial year ended 31 December 2011. This increase was primarily due to a decrease in management and sales handling service income to HK\$426,000 in the financial year ended 31 December 2012 from HK\$3.4 million in the financial year ended 31 December 2011; notwithstanding a gain on disposal of financial assets at fair value through profit or loss of HK\$0.9 million during the financial year ended 31 December 2012. The bank interest income decreased to HK\$81,000 in the financial year ended 31 December 2012 from HK\$174,000 in the financial year ended 31 December 2011 primarily due to the decrease in bank balances deposited in the interest earning time deposits as the bank interest rate was at minimal level in Hong Kong which gave no incentives for us to fix our bank balance into interest earning time deposits.

Distribution expenses

The distribution expenses increased by 24.3% to HK\$18.4 million in the financial year ended 31 December 2012 from HK\$14.8 million in the financial year ended 31 December 2011. This increase was primarily due to an increase of retail salary and retail rent expenses of HK\$3.7 million primarily related to the newly established PRC retail business. As a percentage of revenue, distribution expenses increased slightly to 1.7% in the financial year ended 31 December 2012 from 1.5% in the financial year ended 31 December 2011.

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Administrative expenses

Administrative expenses increased by 31.9% to HK\$62.4 million in the financial year ended 31 December 2012 from HK\$47.3 million in the financial year ended 31 December 2011. This increase was primarily due to a HK\$12.0 million increase in professional and consultancy fees which primarily consist of a HK\$7.6 million increase in professional fee associated with the Listing incurred in the financial year ended 31 December 2012 and a HK\$3.8 million increase in quality assurance consultancy fee as charged by quality control agent as a result of increase in the number of quality assurance personnel and labour cost. As a percentage of revenue, administrative expenses increased to 5.8% in the financial year ended 31 December 2012 from 4.9% in the financial year ended 31 December 2011.

Finance costs

Finance costs remained relatively stable at HK\$0.8 million in the financial year ended 31 December 2012 while it was at HK\$1.0 million in the financial year ended 31 December 2011.

Profit before tax

Profit before tax increased to HK\$83.7 million in the financial year ended 31 December 2012 from HK\$65.3 million in the financial year ended 31 December 2011. As a percentage of revenue, profit before tax increased to 7.8% in the financial year ended 31 December 2012 from 6.7% in the financial year ended 31 December 2011, as a result of the cumulative effect of the foregoing factors.

Income tax expense

Income tax expense decreased to HK\$15.5 million in the financial year ended 31 December 2012 from HK\$19.9 million in the financial year ended 31 December 2011, primarily due to the income tax expenses for the financial year ended 31 December 2011 included adjustments to deferred tax assets of approximately HK\$3.0 million and revaluation reserve of approximately HK\$2.8 million, which originally arose in 2008 from the changes in fair value of available-for-sale financial assets, and these amounts were misstated and carried forward in 2009 and 2010. In 2011, our Directors reviewed the applicable tax rules and accounting standards and considered the above misstated amounts which occurred prior to the Track Record Period were no longer applicable and therefore were adjusted in our financial statement for the financial year ended 31 December 2011, and the adjustments were considered not to be material to affect the truth and fairness of the financial statements of that year. As at the Latest Practicable Date we still own the same available-for-sale financial assets. The aggregate amount of the aforesaid adjustments of approximately HK\$5.8 million has been reflected in note 13 to Appendix I.

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The aforesaid change in fair value of available-for-sale financial assets was properly included in the profit before income tax and the tax return for the financial year ended 31 December 2008. In addition, the tax returns of all the years were agreed and supported by the notice of assessments as issued by the Inland Revenue Department. To the best of their knowledge, our Directors are of the view that our Group would not be exposed to additional assessment or penalty from the Inland Revenue Department.

The effective income tax rate of the Group decreased to 18.5% in the financial year ended 31 December 2012 from 30.4% in the financial year ended 31 December 2011.

Profit for the year

Profit for the year increased by 50.2% to HK\$68.2 million in the financial year ended 31 December 2012 from HK\$45.4 million in the financial year ended 31 December 2011. As a percentage of revenue, profit increased to 6.3% in the financial year ended 31 December 2012 from 4.7% in the financial year ended 31 December 2011, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Prior to the Listing, our operations were funded principally from the proceeds from sales of products and bank borrowings. The principal liquidity and capital requirements relate to the following:

- costs and expenses related to the operation of the business, including the cost of sales, distribution expenses and administrative expenses; and
- capital expenditures for the establishment of retail sales points and flagships in the PRC.

After the Listing Date, we expect to fund the liquidity needs through cash flow from operations, bank borrowings, and the net proceeds of the Share Offer. We may consider additional debt or equity financing, depending on market conditions, the financial performance and other relevant factors. As at the Latest Practicable Date, we did not have any external financing plan. No assurance can be given that we will be able to raise additional capital, should that become necessary, on terms acceptable to us or at all. Please see “Future Plans and Use of Proceeds — Use of Proceeds”.

Our Directors are of the opinion that after taking into account the existing financial resources available to us, as described above, we have sufficient working capital for at least the next 12 months from the date of this prospectus.

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Summarised cash flow

The following table summarises the cash flows of our Group during the years/period indicated:

	For the financial year ended			For the
	31 December			six months
	2011	2012	2013	ended
	HK\$'000	HK\$'000	HK\$'000	30 June
				2014
				HK\$'000
Operating cash flows before working capital changes	72,432	85,166	94,543	54,903
Net cash inflow from operating activities	31,745	142,769	70,599	20,988
Net cash inflow/(outflow) from investing activities	2,325	5,743	(15,677)	(11,187)
Net cash (outflow)/inflow from financing activities	(63,117)	(89,663)	(47,109)	(760)
Net (decrease)/increase in cash and cash equivalents	(29,047)	58,849	7,813	10,561
Cash and cash equivalents at the end of the year/period	<u>54,167</u>	<u>113,021</u>	<u>121,423</u>	<u>132,167</u>

Cash flows from operating activities

Net cash generated from operating activities in the six months ended 30 June 2014 was HK\$21.0 million, while operating cash flows before working capital changes was HK\$54.9 million. The difference of HK\$33.9 million cash outflow was primarily due to an increase of trade and bills receivables of HK\$29.2 million due to a normal business operating activity which a relatively higher volume of shipment delivered in May and June 2014 that recognised as receivables. Operating cash flows before working capital changes in the six months ended 30 June 2014 consist of primarily HK\$50.3 million of profit before income tax.

Net cash generated from operating activities in the financial year ended 31 December 2013 was HK\$70.6 million, while operating cash flows before working capital changes was HK\$94.5 million. The difference of HK\$23.9 million cash outflow was primarily due to a HK\$23.4 million of income tax paid while the increases in trade and bills receivables and payables partially offset each other. Operating cash flows before working capital changes in the financial year ended 31 December 2013 consist of primarily HK\$96.5 million of profit before income tax.

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Net cash generated from operating activities in the financial year ended 31 December 2012 was HK\$142.8 million, while operating cash flows before working capital changes was HK\$85.2 million. The difference of HK\$58.0 million cash inflow was primarily due to (i) a HK\$14.8 million decrease in prepayment, deposits and other receivables as a result of deposit paid to a Production Factory, as a normal business operating activity, as at the end of financial year 2011 had partially become cost of sales upon completion of the corresponding purchase orders during the financial year ended 31 December 2012; (ii) a HK\$19.1 million increase in trade and bills payables as a result of the management's effort to negotiate for favorable credit period; and (iii) a net HK\$38.5 million decrease in financial assets at fair value through profit or loss. These effects were partially offset by a HK\$7.2 million increase in inventory as a result of establishment of PRC retail business. Operating cash flows before working capital changes in the financial year ended 31 December 2012 consisted primarily of HK\$83.7 million of profit before income tax.

Net cash generated from operating activities in the financial year ended 31 December 2011 was HK\$31.7 million, while operating cash flows before working capital changes was HK\$72.4 million. The difference of HK\$40.7 million of cash outflow was primarily due to (i) a HK\$27.4 million increase in prepayments, deposits and other receivables as a result of an outstanding HK\$28.6 million deposit paid to a Production Factory, as a normal business operating activity, as at the end of the period; (ii) a HK\$10.0 million decrease in deposits received, other payables and accruals as a result of a HK\$12.6 million settlement of accrued expense related to U.S. marketing fee; and (iii) a HK\$10.6 million income tax paid. Operating cash flows before working capital changes in the financial year ended 31 December 2011 consisted primarily of HK\$65.3 million in profit before income tax and HK\$4.1 million of adjustment for provision for impairment of other receivables in connection to a litigation case as detailed in the paragraphs headed "Litigation" in the "Business" section of this prospectus.

Cash flows from investing activities

Net cash used in investing activities in the six months ended 30 June 2014 was HK\$11.2 million, out of which a HK\$9.6 million cash outflow is related to payment for the Acquisition.

Net cash used in investing activities in the financial year ended 31 December 2013 was HK\$15.7 million. There were cash outflows of (i) HK\$8.8 million primarily related to the Acquisition and (ii) HK\$4.0 million on leasehold improvement, furniture, fixtures and equipment mainly related to the renovation of the Shanghai office and the setting up of PRC retail outlets.

Net cash generated from investing activities in the financial year ended 31 December 2012 was HK\$5.7 million.

Net cash generated from investing activities in the financial year ended 31 December 2011 was HK\$2.3 million.

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Cash flows from financing activities

Net cash generated from financing activities in the six months ended 30 June 2014 was HK\$0.8 million, which consisted primarily of repayments of borrowing of HK\$3.5 million and receipt of loans from non-controlling interests of HK\$3.2 million.

Net cash used in financing activities in the financial year ended 31 December 2013 was HK\$47.1 million, which consisted primarily of (i) HK\$40.0 million of dividend paid and (ii) HK\$7.0 million repayments of borrowings.

Net cash used in financing activities in the financial year ended 31 December 2012 was HK\$89.7 million, which consisted primarily of (i) net settlement of amounts due to movement under operating cash flow, related parties and a Director in the amount of HK\$84.3 million as a result of our effort to reduce the outstanding amounts with related parties, (ii) net considerations of HK\$6.6 million paid to Mr. Wong arising from Reorganisation, and (iii) repayments of borrowing of HK\$14.3 million. These cash outflow were partially offset by receiving loan of HK\$14.0 million from equity holders of non-controlling interests.

Net cash used in financing activities in the financial year ended 31 December 2011 was HK\$63.1 million, which consisted primarily of dividend paid in the amount of HK\$33.4 million, a net decrease in amounts due to related parties/to a Director of HK\$39.5 million and a repayment of borrowing of HK\$6.9 million, which were partially offset by a proceeds from new borrowings in the amount of HK\$22.1 million.

Bank balances

As at 30 June 2014, we have bank balances and pledged and restricted deposit of HK\$151.5 million. The following table showed the bank balances amount in Hong Kong and the PRC as at 30 June 2014.

	Hong Kong	PRC
Banks	<ul style="list-style-type: none"> — Bank of China (Hong Kong) Limited — Citibank, N.A., Hong Kong Branch — Hang Seng Bank Limited — The Hongkong and Shanghai Banking Corporation Limited — Standard Chartered Bank (Hong Kong) Limited 	<ul style="list-style-type: none"> — Bank of China Limited — China Construction Bank Corporation — Industrial and Commercial Bank of China Limited
Bank balances	HK\$140.3 million	RMB1.2 million
Pledged and restricted deposit	HK\$9.6 million	nil

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DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Net current assets

The following table sets forth, as at the balance sheet dates indicated, the net current assets of our Group.

	As at the year ended 31 December			As at 30 June	As at 31 October
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)
Current assets					
Inventories	2,076	9,317	10,225	9,098	10,212
Trade and bills receivables	121,273	117,035	160,258	189,550	138,482
Prepayments, deposits and other receivables	48,323	33,134	38,127	44,487	38,252
Financial assets	70,755	36,506	32,342	27,990	32,697
Amounts due from associates and related parties	4,211	4,610	6,960	1,510	1,882
Prepaid tax	—	468	2,876	—	767
Pledged bank deposits	8,052	8,053	9,611	9,612	9,613
Cash and bank balances	69,660	128,388	136,650	141,940	165,095
Total	324,350	337,511	397,049	424,187	397,000
Current liabilities					
Trade and bills payables	64,287	83,419	119,525	117,783	104,630
Deposits received, other payables and accruals	9,133	15,273	27,929	23,900	31,666
Dividend payable	—	40,000	60,000	110,000	50,000
Bank borrowings	42,228	27,847	20,738	11,743	5,407
Provision for tax	2,183	4,834	342	8,497	1,329
Amount due to a director	3,479	—	—	—	—
Amounts due to related parties	83,657	—	9,600	—	—
Loans from non-controlling interests	—	14,019	—	2,539	1,920
Total	204,967	185,392	238,134	274,462	194,952
Net current assets	119,383	152,119	158,915	149,725	202,048

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The net current assets increased to HK\$202.0 million as of 31 October 2014 from HK\$149.7 million as of 30 June 2014, primarily due to (i) an increase in cash and bank balances of HK\$23.2 million as a result of profit from business operation; and (ii) a decrease of dividend payable of HK\$60.0 million as such amount was paid in July 2014; notwithstanding a decrease in trade and bills receivables of HK\$51.1 million. The amounts due from associates and related parties of approximately HK\$1.9 million as at 31 October 2014 will be fully settled upon Listing and the dividend payable of HK\$50.0 million as at 31 October 2014 was fully paid out in cash in November 2014.

The net current assets level has been relatively stable at HK\$149.7 million as of 30 June 2014, HK\$158.9 million as of 31 December 2013, and HK\$152.1 million as of 31 December 2012 primarily due to our stable business operation.

The change from net current assets to HK\$152.1 million as of 31 December 2012 from net current assets of HK\$119.4 million as of 31 December 2011 was primarily due to:

- (i) an increase of HK\$58.7 million in cash and bank balance as a result of increase in profit; and
- (ii) a net decrease of HK\$73.1 million in amounts due to related parties and a Director and loans from non-controlling interests as a result of our effort to collect related parties outstanding amount;

notwithstanding:

- (i) a decrease of HK\$15.2 million in prepayment, deposit and other receivables as we incurred less deposit paid to Production Factories at the year end;
- (ii) a decrease of HK\$37.7 million in financial assets as a result of disposal;
- (iii) an increase of HK\$19.1 million in trade and bills payables as a result of the management's effort to negotiate for favorable credit period; and
- (iv) an increase of dividend payable of HK\$40.0 million.

Inventories, receivables and payables

Inventories

We did not keep any inventory for the brandowner sales business but maintained a small quantity of inventory for the retail business. The inventory is stable at HK\$9.1 million as at 30 June 2014, HK\$10.2 million as at 31 December 2013 and HK\$9.3 million as at 31 December 2012. The inventory level was at HK\$2.1 million as at 31 December 2011 as we just commenced the PRC retail business. The value of inventory as at 30 June 2014 remained as our inventory as at 31 October 2014 is approximately HK\$7.6 million.

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Trade and bills receivables

Trade and bills receivables were primarily related to sales to the brandowner customers. The increase in the trade and bills receivables account during the Track Record Period is mainly due to the increase sales over the relevant financial period.

The trade and bills receivables turnover days for the periods indicated over the Track Record Period were between 39.7 days to 54.9 days. As our credit terms with our customers are generally 7 to 90 days, our Directors believe that the receivables turnover days during the Track Record Period is within a reasonable range. In the financial year ended 31 December 2012, the turnover days is relatively lower at 39.7 days as our senior management put additional efforts to the collection of receivables around the year end period of 2012; while the turnover days returned to a normal level at around 47.3 days in the financial year ended 31 December 2013. The turnover days increased to 54.9 days in the six months ended 30 June 2014 due to a relatively higher level of sales incurred in May and June 2014 that increased the receivables balance as at 30 June 2014. We do not see difficulties in collecting our receivables. As at 30 June 2014, the trade and bills receivables outstanding are approximately HK\$189.6 million; as at 31 October 2014, the respective receivables that were still outstanding is approximately HK\$1.9 million which means the receivables were subsequently settled by approximately HK\$187.7 million (or approximately 99% of the outstanding trade and bills receivables as at 30 June 2014) during the four months from July to October 2014. The following table sets forth, for the periods indicated, the trade and bills receivables turnover days.

	For the financial year ended			For the
	31 December			six months
	2011	2012	2013	ended
				30 June
				2014
Trade and bills receivables turnover days	45.7	39.7	47.3	54.9

Note: Calculated as the ending trade and bills receivables balances divided by revenue for the period, multiplied by 365 days for the year ended figures or by 181 days for the six months ended figure.

The trading terms with our customers are mainly on credit with credit term are generally 7 to 90 days after the invoice date on which the sales were made and are primarily through telegraphic transfers and letters of credit. We do not hold any collateral or other credit enhancements over these balances and the trade and bills receivables are non-interest-bearing. We assess regularly on a case-by-case basis whether trade and bills receivables are uncollectible or unlikely to be collected. Receivables that were neither past due nor impaired related to customers for whom there were no recent history of default. Receivables that were past due but not impaired related to customers with good track record. Majority of proceeds would be received within 30 days from the invoice date on which the sales are made. The balance outstanding is over 90 days primarily due to individual cases of delayed repayment, in the absence of disputes or financial difficulties encountered by customers. The following table sets forth an aging analysis of the trade and bills receivables, including outstanding balances for each period as a percentage of total outstanding balances, based on invoice dates as at the dates indicated.

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	As at the financial year ended 31 December						As at 30 June	
	2011		2012		2013		2014	
	<i>(HK\$'000, except %)</i>							
Days outstanding								
Within 30 days	67,097	55.3%	86,333	73.8%	94,125	58.7%	126,819	66.9%
31 to 60 days	33,705	27.8%	23,886	20.4%	45,890	28.7%	57,065	30.1%
61 to 90 days	6,340	5.2%	3,834	3.3%	7,901	4.9%	4,875	2.6%
Over 90 days	14,131	11.7%	2,982	2.5%	12,342	7.7%	791	0.4%
Total	121,273	100.0%	117,035	100.0%	160,258	100.0%	189,550	100.0%

Our Directors are of the view that our internal control measures on the collection of trade and bills receivables are effective and closely monitored by our Financial Controller. As at the Latest Practicable Date, none of the trade and bills receivables were impaired. We believe that, as at the Latest Practicable Date, no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Our Directors confirm that we had not experienced customer default or cancellation of customer order during the Track Record Period and up to the Latest Practicable Date.

Prepayments, deposits and other receivables

The breakdown of prepayments, deposits and other receivables for the period indicated is as follow.

	As at the financial year ended			As at
	31 December			30 June
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade deposits	36,984	20,729	24,557	32,437
Other deposits	980	1,487	1,919	1,804
Prepayments	7,466	10,316	11,427	10,132
Other receivables	2,893	602	224	114
	48,323	33,134	38,127	44,487

Trade deposits primarily relate to deposit paid for the purchase of product from Production Factories. Trade deposit balance increased to HK\$32.4 million as at 30 June 2014 from HK\$24.6 million as at 31 December 2013 primarily due to increase in purchase orders to cope with increase in sales activities. The trade deposits account balance decreased to HK\$20.7 million as at the financial year ended 31 December 2012 from HK\$37.0 million as at the financial year ended 31 December 2011 primarily due to the outstanding deposit paid to a Production Factory as at the end of financial year 2011 had partially become cost of sales upon completion of the corresponding purchase orders during the financial year ended 31 December 2012.

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Prepayments include primarily prepayment for purchase of inventory and prepaid professional fees associated with the listing of the Company. The increase in the prepayment during the Track Record Period is due to the professional fees associated with the Listing and the establishment of the PRC retail business. The prepaid professional fees associated with the Listing for the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were HK\$6.2 million, HK\$5.8 million, HK\$5.1 million and HK\$3.8 million, respectively.

Other receivables primarily include advances provided to Production Factories for the purpose of facilitating the production process including, amongst others, for acquiring equipment for the production to complete our purchase orders. The outstanding balance of these advances provided to Production Factories totaled to HK\$2.0 million, HK\$18,000, nil and nil, respectively, as at the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. During the Track Record Period, the terms of the advances provided to Production Factories ranged from one month to two years. The repayment of the advances is generally settled by offsetting our purchases of products from the Production Factories. The advances are interest free, but the outstanding balance passed the due date will be subject to interest charge. Our Directors have the discretion to further extend the advances provided to Production Factories. Management makes periodic collective assessment as well as individual assessment on the repayment ability and recoverability of the advances provided to Production Factory based on historical settlement records, the financial strength and reputation of the Production Factory and the quality and volume of product we purchase from the Production Factory.

In view of the loss incurred from advances to Silicon Arts, a Production Factory, as disclosed in the subsection headed "Litigation" in the "Business" section of this prospectus, we have not provided advances to Production Factories in 2013 and up to the Latest Practicable Date and have implemented the following internal control procedures for considering whether to grant any advances to Production Factories in the future:

- (i) the maximum amount of an advance to a Production Factory must not be greater than the total amount of our outstanding order with such Production Factory;
- (ii) new advances shall be not granted until all outstanding advances to the Production Factory have been fully repaid;
- (iii) subject to items (i) and (ii) above, all advances to Production Factories must be authorized by the CEO; and
- (iv) subject to items (i) and (ii) above, any advances over HK\$5 million must be, in addition to being authorized by the CEO, approved by an additional executive Director.

In addition, the outstanding advances to each and all Production Factories should be reviewed regularly by the CEO and the Financial Controller.

In view of the above internal control procedures, our Directors believe that the credit risk in relation to advances to be made to Production Factories will be closely monitored and accordingly reduced.

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Trade and bills payables

The trade and bills payables are generated from the purchase of kitchenware from Production Factories. The increase in trade and bills payables account during the Track Record Period is mainly due to the increase in purchases in response to the increase in sales for the relevant financial period. During the Track Record Period, our management devoted effort to negotiate for favorable payment credit period. During the financial year ended 31 December 2012, there is approximately HK\$5.4 million of payable amount which a Production Factory granted us an extended credit period for the purpose of launching the products produced by that Production Factory at an early stage in order to capture market share in the PRC.

The average trade and bills payables turnover days for the periods indicated over the Track Record Period are between 27.8 days to 41.6 days. The trade and bills payables turnover days is increasing over the Track Record Period as a result of factors mentioned above. The following table sets forth, for the periods indicated, the average trade and bills payables turnover days.

	For the financial year ended			For the six
	31 December			months
	2011	2012	2013	ended
				30 June
				2014
Trade and bills payables turnover days	27.8	33.2	41.6	40.9

Note: Calculated as the ending trade and bills payables balances divided by the cost of sales in the period, multiplied by 365 days for the year ended figures or by 181 days for the six months ended figure.

Our trade and bills payables are non-interest-bearing and the credit period is normally 0 to 90 days. As at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, most the outstanding trade and bills payables are within 90 days from the invoice date. The payment arrangements with the Production Factories primarily include cheque and telegraphic transfers after shipment. The payment period of individual Production Factory is agreed on a case-by-case basis. The balance outstanding over 180 days is primarily due to an arrangement which a Production Factory granting us an extended credit period for certain products. The following table sets forth an aging analysis of the trade and bills payables, including outstanding balances for each period as a percentage of total outstanding balances, based on invoice dates as at the dates indicated.

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	As at the financial year ended 31 December						As at 30 June	
	2011		2012		2013		2014	
	<i>(HK\$'000, except %)</i>							
Within 90 days	64,287	100.0%	80,579	96.6%	110,768	92.7%	111,170	94.4%
Within 90 to 180 days	—	0.0%	2,840	3.4%	854	0.7%	1,195	1.0%
Over 180 days	—	0.0%	0	0.0%	7,903	6.6%	5,418	4.6%
Total	64,287	100.0%	83,419	100.0%	119,525	100.0%	117,783	100.0%

Deposits received, other payables and accruals

The breakdown of deposits received, other payables and accruals for the period indicated is as follow.

	As at the financial year ended			As at
	31 December			30 June
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits received	1,663	4,239	979	993
Accruals	6,351	9,838	25,502	20,834
Other payables	1,119	1,196	1,448	2,073
	9,133	15,273	27,929	23,900

Deposits received are primarily related to deposits from new customers. The deposit term for individual customers is considered on a case-by-case basis. Accruals primarily include provision for staff bonus and provision for long term service payments. The decrease of accruals to HK\$20.8 million as at 30 June 2014 from HK\$25.5 million as at 31 December 2013 is primarily due to pay out of bonus under the accruals. The increase of accruals to HK\$25.5 million as at 31 December 2013 from HK\$9.8 million as at 31 December 2012 is primarily due to a HK\$14.7 million increase in the provision for staff bonus as our Directors' consideration to reward and provide incentives to our employees for their contribution to our Group. The increase of accruals to HK\$9.8 million as at 31 December 2012 from HK\$6.4 million as at 31 December 2011 is primarily due to a HK\$2.6 million increase in the provision for staff bonus. Other payables include payables for marketing fee, professional fee and consultancy fee.

Dividend payable

As at 30 June 2014, we recorded a dividend payable of HK\$110 million; of which, HK\$60 million in relation to the amount declared in 2013 had been distributed in July 2014. The remaining HK\$50 million was distributed in November 2014. Such payment was funded from our internal resources. We are not subject to any restrictions on the payment of dividends other than the conditions set out in the paragraph headed "Dividend Policy" in the "Financial Information" section of this prospectus.

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We declared the interim dividends of the financial year ended 31 December 2012 in November 2012 and paid them out in January 2013. We declared the interim dividends of the financial year ended 31 December 2013 in November 2013 and paid them out in July 2014. We declared the interim dividends of the financial year ending 31 December 2014 in June 2014 and paid them out in November 2014. Our Directors would review and assess the current cash flow status of our Company if it is sufficient to meet our working capital requirement before paying out the declared dividend. Prior to Listing, although there has been no defined time frame within which dividends declared were paid out, to pay out the dividends within 10 months after the declaration while our Group's cashflow has been sufficient to pay off the said dividends without affecting our operation needs. Our Directors confirm that upon Listing, our Company will observe the general market practice of listed companies for the pay out of declared dividends.

Financial assets

We had investments in financial assets during the Track Record Period. The investments were made with an intention of applying the surplus cash not immediately required for operations to make investments and seek investment return for the benefit of our Group. The following table sets forth, for the period indicated, our financial assets financial position.

	As at the financial year ended			As at
	31 December			30 June
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Available-for-sale financial assets	33,096	36,506	32,342	27,990
Financial assets at fair value through profit or loss	37,659	—	—	—
Total	70,755	36,506	32,342	27,990

Financial assets we held by are categorised under available-for-sale financial assets and financial assets at fair value through profit or loss. The available-for-sale financial assets we held by during the Track Record Period were mainly equity securities listed on the Stock Exchange. The fluctuation on the account balance was primarily due to the share price performance of the underlying equity securities as a result of each specific company's financial and operational performance and the overall market performance. For the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the available-for-sale financial assets we held distributed dividend aggregately in the amount of HK\$815,000, HK\$811,000, HK\$683,000 and nil, respectively.

The financial assets at fair value through profit or loss we held during the Track Record Period were primarily bond funds. We disposed all financial assets at fair value through profit or loss in March 2012.

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Our Directors considered that investment in financial assets would offer, on average, better return on the surplus cash than return on bank deposits. The investment in financial assets was not part of the principal business activity of our Group. Upon Listing, we will continue to adopt investment policy to control over the surplus cash investment and strengthen our investment risk management. The policy prohibits taking speculative positions, or the borrowing of funds for investment purposes. Each investment will be evaluated by the following criteria, listed in order of importance:

- Security — the relative risks involved with an investment vehicle;
- Liquidity — the ease and flexibility the investment can be bought, sold or converted to cash in large quantities without adversely affecting the assets' price; and
- Return — the after tax equivalent yield of an investment.

All investments will be approved and monitored by Mr. Wong, CEO, and Mr. Po Tien Chu Ronnie, Financial Controller. The CEO and Financial Controller will be notified immediately if the market value of any investment instrument drops below 15% of the amortised value, the market value of the total portfolio's drops below 15% of the total cost value, or any significant rating downgrade for any instrument. The Board will review our investment policy from time to time and adjust the investment policy as and when appropriate.

Capital expenditures

Our capital expenditures amounted to HK\$2.2 million, HK\$1.7 million, HK\$6.0 million and HK\$1.6 million in the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. After Listing, we do not expect to incur significant capital expenditure in the financial year ending 31 December 2014.

Contractual obligations and capital commitments

The following table sets out the contractual obligations and capital commitments of the Group as at the respective reported date.

	As at the financial year ended			As at	As at
	31 December			30 June	31 October
	2011	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Operating lease obligations	1,913	11,775	10,269	4,060	9,707
Capital commitments	—	1,727	134	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The operating lease obligations are related to properties and office equipments under operating leases. The operating lease obligations increased to HK\$9.7 million as at 31 October 2014 from HK\$4.1 million as at 30 June 2014 primarily due to a new lease of premises in Hong

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Kong. The decrease in the operating lease obligations to HK\$4.1 million as at 30 June 2014 from HK\$10.3 million as at 31 December 2013 was due to a reduction of rental office size in the PRC. The increase in the operating lease obligations to HK\$11.8 million as at 31 December 2012 from HK\$1.9 million as at 31 December 2011 was due to the new lease obligations for the newly established retail sales points and office in the PRC. Capital commitments are related to commitments for the acquisition of property, plant and equipment.

Intangible asset

We recorded an intangible asset of HK\$24.0 million and HK\$21.6 million as at 31 December 2013 and 30 June 2014 respectively. The intangible asset represents the customer relationships we acquired in connection with the Acquisition, having considered the respective amortization for the six months ended 30 June 2014. Please refer to Note 20 of the Accountants Report in Appendix I to this prospectus for more information.

INDEBTEDNESS

Bank overdrafts, bank borrowings and other borrowings

The following table sets forth, for the periods indicated, certain information relating to the aggregate borrowing of our Group.

	As at the financial year ended			As at	As at
	31 December			30 June	31 October
	2011	2012	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Bank overdrafts	15,493	15,367	15,227	9,773	4,104
Bank borrowings	26,735	12,480	5,511	1,970	1,303
Loans from non-controlling interests	—	14,019	14,420	17,647	22,184
	<u>42,228</u>	<u>41,866</u>	<u>35,158</u>	<u>29,390</u>	<u>27,591</u>

Bank overdrafts and bank borrowings

We reduced the bank overdrafts and bank borrowings during the Track Record Period as we had experienced high level of cash flow generation from operating activities.

The bank overdrafts, which were repayment on demand, were secured by pledge of certain of our time deposit amounting to HK\$8.1 million, HK\$8.1 million, HK\$8.1 million and HK\$8.1 million as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, certain properties with carrying amount of HK\$24.3 million, HK\$23.5 million, HK\$22.7 million and HK\$22.3 million as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively and

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personal guarantees given by Mr. Wong, Chairman, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder, during the Track Record Period. During the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the interest rate applicable to us on the bank overdrafts ranges from 4% to 5.25%, 4% to 5.25%, 4% to 6% and 4% to 6% per annum, respectively.

The bank borrowings, including the term loans with a repayment on demand clause, are carried at amortised cost. All of our term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether we have complied with the covenants and met the scheduled repayment obligations. In the case which the lenders demand immediate repayment of the term loans, we will pay off the loans with the cash resource immediately available to us or with banking facilities provided by other lenders. As at the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we had an outstanding cash and cash equivalent of HK\$54.2 million, HK\$113.0 million, HK\$121.4 million and HK\$132.2 million, respectively, and was adequate to pay off the outstanding bank borrowings as at the period indicated.

As at the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our term loans were secured by pledged deposits, pledge of properties with the carrying amount of HK\$24.3 million, HK\$23.5 million, HK\$22.7 million and HK\$22.3 million, respectively, and personal guarantees given by Mr. Wong, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder. Term loans with outstanding sum of HK\$4.4 million, HK\$2.3 million, HK\$1.1 million and HK\$0.4 million as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, were guaranteed by the Hong Kong Government under the Special Loan Guarantee Scheme for a maximum limit equal to 70% to 80% of the outstanding loan amounts.

During the financial year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the interest rate applicable to us on the bank borrowings ranges from 1.8% to 5.5%, 1.98% to 5.5%, 1.71% to 3.75% and 2.5% to 3.75% per annum, respectively.

As at 30 June 2014, we had unutilised credit facilities made available to us by 5 commercial banks in the aggregate amount of approximately HK\$84.6 million and approximately US\$5.8 million available to be drawn down. As at 30 June 2014, amongst the credit facilities that were utilised, (i) approximately HK\$0.4 million was subject to interest rate of 3.75% and was secured by the pledge of properties with the carrying amount of HK\$13.0 million and personal guarantees given by Mr. Wong, Chairman, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder, (ii) approximately HK\$1.6 million was subject to interest rate of 2.50% and was secured by the pledge of properties with the carrying amount of HK\$9.3 million, personal guarantees given by Mr. Wong and Ms. Rebecca Cheng and time deposit of HK\$8.1 million, and (iii) approximately HK\$9.8 million was subject to interest rate of 4% to 5.25% per annum and was secured by pledge of certain of our time deposit amounting to HK\$8.1 million and personal guarantees given by Mr. Wong, Chairman, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder.

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As at 31 October 2014, being the latest practicable date for the purpose of indebtedness statement for this prospectus, we had unutilised credit facilities made available to us by 5 commercial banks in the aggregate amount of approximately HK\$90.4 million and approximately US\$5.8 million available to be drawn down. As at 31 October 2014, of the utilised facilities (i) approximately HK\$1.3 million was subject to interest rate of 2.5% and was secured by the pledge of properties with the carrying amount of HK\$9.2 million as at 31 October 2014, personal guarantees given by Mr. Wong and Ms. Rebecca Cheng and time deposit of HK\$8.1 million, and (ii) approximately HK\$4.1 million was subject to interest rate of 4% to 6% per annum and was secured by pledge of properties with the carrying amount of HK\$12.8 million as at 31 October 2014 and personal guarantees given by Mr. Wong, Chairman, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder.

Our Directors confirm that we had not experienced difficulties in obtaining loans, increase in interest rate, and breach of financial covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there are no material covenants relating to our outstanding bank loans.

Loans from non-controlling interests

During the Track Record Period, loans from non-controlling interests is primarily for the operation of the PRC JV. Please refer to Note 33 of the “Appendix I — Accountants’ Report” for more detail. As at 31 October 2014, being the latest practicable date for the purpose of indebtedness statement for this prospectus, we had outstanding loan from non-controlling interests of HK\$22.2 million. The amount is unsecured and interest-free. An amount approximately HK\$1.9 million, HK\$12.3 million, HK\$5 million and HK\$3 million are repayable on 30 June 2015, 31 December 2015, 14 October 2016 and 24 April 2017 respectively.

Guarantee

As at 31 December 2011, 2012 and 2013, 30 June 2014 and 31 October 2014, Mr. Wong, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder, provided personal guarantees to certain banks for granting the general banking facilities to us. As at 31 December 2011, 2012 and 2013, 30 June 2014 and 31 October 2014, approximately HK\$117.0 million, HK\$28.5 million, HK\$23.8 million, and HK\$19.3 million and HK\$13.2 million, respectively, have been utilised by us. Confirmations have been obtained from all relevant banks that the said personal guarantee will be released upon Listing.

Other liabilities

Foreign exchange forward contract

We entered into two non-deliverable foreign exchange forward contracts (“Currency Contracts”) during the Track Record Period with The Hongkong and Shanghai Banking Corporations Limited and Standard Chartered Bank to mitigate the exposure in foreign exchange fluctuation. A substantial number of sales from our customers are denominated in U.S. dollar while a portion of the cost of sales, especially the cost of purchase, is denominated in RMB. Any increase in the value of the RMB relative to the U.S. dollar will cause an increase in the cost of sales as a percentage of revenue. To reduce exposure to the fluctuations in U.S. dollar

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and RMB and to match the cash receipts and purchases by currency, we had entered into Currency Contracts to sell U.S. dollar against RMB. The aggregate realised gains of the Currency Contracts were HK\$1.5 million, HK\$700,000, nil and nil, respectively, for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

As at the Latest Practicable Date, we did not have any currency hedging policy in place and our Directors consider that, upon Listing, we do not plan to involve in any currency hedging activity nor any foreign exchange forward contract. The Board will determine the necessity of currency hedging and formulate relevant policies with proper checks and measures on our risk exposure, where a responsible personnel will also be assigned to implement such policies. In 2012, we terminated all active Currency Contracts. As at 31 December 2012 and up to the Latest Practicable Date, we did not have any outstanding foreign exchange forward contracts. Save as disclosed above, we did not have any other foreign exchange forward contracts during the Track Record Period.

Contingent liabilities

As at the end of each reporting period during the Track Record Period and as at 31 October 2014, we did not have any significant contingent liabilities.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at applicable rates of exchange at the close of business on the respective year/period end dates.

Save as disclosed in this “Indebtedness” sub-section, and apart from intra-group liabilities, we did not have any other borrowings, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, any material off-balance sheet commitments or any guarantee or arrangements or other material contingent liabilities outstanding as at 30 June 2014 and 31 October 2014. We confirm that, other than as disclosed in this prospectus, there has not been any material adverse change in our indebtedness from 31 October 2014 up to the Latest Practicable Date.

PROPERTY INTERESTS

LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor, valued our property interests as at 30 June 2014 at approximately HK\$144.1 million. The text of its letter, summary of values and valuation certificate are set out in Appendix IV to this prospectus. A reconciliation of the net book value of the relevant property interests, including (i) Flat A901 on 9th Floor and Car Parking Space Numbers A4 and A5 of Block A of Villa Verde on 16 and 18 Guildford Road, the Peak, Hong Kong; (ii) The whole of 12th floor and Car Parking Space numbers 89, 90 and 91 on 4th floor of Yardley Commercial Building, No. 3 Connaught Road West, Sheung Wan, Hong Kong; (iii) Workshop A on 4th Floor and its Flat Roof and Car Parking Space number P5 on Ground Floor of Goodwill Industrial Building, No. 36–44 Pak Tin Par Street,

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Tsuen Wan, Hong Kong; and (iv) buildings and land parcels at No. 2 Yongzhen Street, Hongdong Village, Huiping Town, Qidong City, Nantong City, Jiangsu Province, the PRC, as at 30 June 2014 to their net book value as at 30 June 2014 is as follows:

	<i>HK\$'000</i>
Valuation as at 31 October 2014 as set out in the property valuation report in Appendix IV	155,790
Less: net book value of our property interests as at 30 June 2014	22,335
Add: adjustments of depreciation/amortisation and exchange rate gains for the period from 1 July 2014 to 31 October 2014	253
Valuation surplus	133,708

RELATED PARTIES TRANSACTION

The table below sets out the amounts from/to associates and related parties as at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

	As at the financial year ended			As at
	31 December			30 June
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from associates	115	4,610	6,960	1,510
Amounts due from related parties	4,096	—	—	—
Amount due to a Director	3,479	—	—	—
Amounts due to related parties	83,657	—	9,600	—

Amounts due from associates, due from/to related parties and due to a Director were unsecured, interest-free and repayable on demand (except for an outstanding amount of HK\$9.6 million due to a related party as at 31 December 2013 in relation to the payment for the Acquisition which follows a repayment schedule). Detail of which are set out in the Accountants' Report in Appendix I to this prospectus. The outstanding balances of the amount due to related parties as at 31 December 2011 is primarily the current account balance outstanding between us and the related companies which were excluded from forming a part of our Group during Reorganisation, including the parent company of King's Flair Development prior to Reorganisation.

DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of market risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. For additional details regarding our risk management policies, please see note 42 "Financial Risk Management" to the financial information in the Accountants' Report.

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Interest rate risk

Our exposure to interest rate risk primarily relates to the bank borrowings with floating interest rates. As at 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, all of the interest-bearing borrowings bore interest at floating rates and, in the opinion of our management, we did not have significant exposure to interest rate risk. During the Track Record Period, we did not use any derivative financial instruments to manage our interest risk exposure. Currently, we do not have a specific policy to manage the interest rate risk, but closely monitor the exposure to interest rates and may consider hedging interest rate risk should the need arise.

Foreign currency risk

We sell and purchase kitchenware products in currencies other than their respective functional currencies, the Hong Kong dollar. For the financial year ended 31 December 2013, approximately 85% and 14% of our sales were denominated in U.S. dollar and Hong Kong dollar, respectively, while approximately 78% and 20% of the total purchases we made were denominated in Hong Kong dollar and Renminbi, respectively. Although we generally place orders for the kitchenware products relating to a particular purchase order immediately after receiving the sales order, the exchange rates between our functional currencies and the currency in which it places orders with production factories may be substantially different from those at the time when the customers execute payment with respect to those orders. As a result, we are exposed to foreign exchange fluctuations and movements in the exchange rate between our functional currencies and other currencies, in particular the U.S. dollar and Renminbi, on the sales and purchases of kitchenware products. However, the foreign currency risk we exposed on the purchase of raw material is minimal as we immediately passes on the risk to the Production Factories upon purchase.

In addition, foreign currency risk arises from our assets and liabilities denominated in Renminbi other than the functional currency of the subsidiaries in the PRC. Our exposure, as at the end of each period indicated, is as follows:

	As at the 31 December			As at
	2011	2012	2013	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	3,308	1,168	1,204	1,503
Prepayments, deposits and other receivables	—	—	11	582
Cash and bank balances	18,412	7,017	3,966	2,931
Trade and bills payables	(4,478)	(12,010)	(20,441)	(14,099)
Deposits received, other payables and accruals	—	—	—	(18)
	<hr/>	<hr/>	<hr/>	<hr/>
Overall net exposure	17,242	(3,825)	(15,260)	(9,101)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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The following table indicates the approximate effect on the profit for the year/period in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which we have significant exposure at the end of each period as indicated. The appreciation and depreciation of 4% in HK\$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the Track Record Period.

	Increase/(Decrease) on profit for the year/period			
	For the financial year ended			For the six months
	31 December			ended 30
	2011	2012	2013	June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB to HK\$				
Appreciation by 4%	576	(128)	(510)	(152)
Depreciation by 4%	(576)	128	510	152
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The foreign exchange rates may be impacted by a number of measures the PRC government implemented to prevent the economy from overheating or to stimulate the economic activities. Although the exchange rate fluctuations between the U.S. dollar and the Renminbi have been closely managed by the PRC government in recent years, the PRC government may allow the Renminbi to appreciate or depreciate noticeably relative to other currencies, such as the U.S. dollar, which could have a material adverse effect on our profitability.

During the Track Record Period, we had engaged in foreign exchange forward contracts to mitigate the exposure in foreign exchange fluctuation. Detail of which are set out in the paragraphs headed "Foreign exchange forward contract" in this section of this prospectus. Please see "Risk Factors — Risks Relating to Conducting Operations in the PRC — Foreign exchange rate fluctuations" for more information on foreign currency risk.

Credit risk

Our credit risk concentrates on trades and bills receivables. Our trading terms with the customers are primarily on credit. The credit terms are generally 7 to 90 days. The payment period of individual customers is considered on a case-by-case basis. We seek to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors. Our customers are in good settlement records and reputations, and our management believes that the credit risk on amount due is minimal.

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Liquidity risk

We regularly review the major funding positions to ensure that we have adequate resources to meet the financial obligations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor our liquidity requirements, our compliance with lending covenants and our relationship with our bankers to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes. As at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the financial liabilities payable upon demand or in less than a year were HK\$201.1 million, HK\$176.3 million, HK\$236.8 million and HK\$265.0 million, respectively.

CAPITAL MANAGEMENT

Our capital management objectives are to ensure our ability to continue as a going concern and to provide an adequate return to equity holders. We actively and regularly review and manage our capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Directors also balance our overall capital structure through the payment of dividends, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Track Record Period.

We monitor capital using a gearing ratio, which is debt-to-equity ratio. The equity is our total equity while the debt includes bank overdraft, bank borrowings and loans from non-controlling interests. As at 30 June 2014, our strategy was to maintain the debt-to-equity ratio at a healthy capital level in order to support our businesses. The principal strategies we adopted include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that we have a reasonable level of capital to support its business. The following table sets forth the gearing ratio as at the dates indicated.

	As at the financial year ended			As at
	31 December			30 June
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdraft, borrowings and loans from non-controlling interests	42,228	41,866	35,158	29,390
Total equity	153,002	183,766	197,831	185,377
Debt-to-equity ratio	27.6%	22.8%	17.7%	15.9%

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The gearing ratio decreased during the Track Record Period primarily due to increases in total equity during the period as a result of profit for the period and repayments of bank overdraft and borrowings.

MAJOR FINANCIAL RATIOS

	For the financial year ended			For the
	31 December			six months
	2011	2012	2013	ended
				30 June
				2014
Trade and bills receivables turnover days	45.7	39.7	47.3	54.9
Trade and bills payables turnover days	27.8	33.2	41.6	40.9
Return on equity	29.7%	37.1%	39.6%	45.2%
Return on assets	12.5%	18.3%	17.1%	17.4%
				As at
				30 June
	2011	2012	2013	2014
Gearing ratio	27.6%	22.8%	17.7%	15.9%
Alternative gearing ratio	84.6%	22.8%	22.6%	15.9%
Net-debt-to-equity ratio	n/a	n/a	n/a	n/a
Alternative net-debt-to-equity ratio	39.0%	n/a	n/a	n/a
Current ratio	1.58x	1.82x	1.66x	1.55x
Quick ratio	1.57x	1.77x	1.62x	1.51x

Trade and bills receivables turnover days

The trade and bills receivables turnover days is calculated as the ending trade and bills receivables balances divided by revenue for the period, multiplied by 365 days for the year ended figures or by 181 days for the six months ended figure. Our trade and bills receivables turnover days for the periods indicated over the Track Record Period were between 39.7 days to 54.9 days. As our credit terms with our customers are generally 7 to 90 days, our Directors believe that the receivables turnover days during the Track Record Period is within a reasonable range. In the financial year ended 31 December 2012, our turnover days is relatively lower at 39.7 days as our senior management put additional efforts to the collection of receivables around the year end period of 2012; while our turnover days returned to a normal level at around 47.3 days in the financial year ended 31 December 2013. Our turnover days increased to 54.9 days in the six months ended 30 June 2014 due to a relatively higher level of sales incurred in May and June 2014 that increased the receivables balance as at 30 June 2014. We do not see difficulties in collecting our receivables. As at 30 June 2014, the trade and bills receivables outstanding are approximately HK\$189.6 million; as at 31 October 2014, the respective receivables that were still outstanding is approximately HK\$1.9 million which means the

FINANCIAL INFORMATION

receivables were subsequently settled by approximately HK\$187.7 million (or approximately 99% of the outstanding trade and bills receivables as at 30 June 2014) during the four months from July to October 2014.

Trade and bills payables turnover days

The trade and bills payables turnover days is calculated as the ending trade and bills payables balances divided by cost of sales for the period, multiplied by 365 days for the year ended figures or by 181 days for the six months ended figure. Our trade and bills payables turnover days has increased during the Track Record Period primarily due to (i) the management's effort to negotiate for favorable payment credit period; and (ii) a Production Factory granted us an extended credit period for the purpose of launching the products produced by that Production Factory at an early stage in order to capture market share in the PRC.

Return on equity

Return on equity is calculated by dividing profit for the period by total equity as at the end of the corresponding period, and annualise the result for the six months figure. Our return on equity ratio increased during the Track Record Period primarily due to an increase in profit for the period over the Track Record Period.

Return on assets

Return on assets is calculated by dividing profit for the period by total assets at the end of the corresponding period, and annualise the result for the six months figure. Our return on assets ratio was stable through out the financial year ended 31 December 2012 to the six months ended 30 June 2014, while the ratio increased in the financial year ended 31 December 2012 compared to 2011 primarily due to a higher increase in profit for the year.

Gearing ratio

The gearing ratio is calculated by dividing total debt at the end of the period by total equity at the end of the period. Total debt is defined to include bank overdraft, bank borrowings and loans from non-controlling interests. The gearing ratio decreased during the Track Record Period as a result of our management's effort to manage liquidity and risk exposure of our Group by reducing the amount of bank overdraft and bank borrowings.

Alternative gearing ratio

The alternative gearing ratio is calculated by dividing alternative total debt at the end of the period by total equity at the end of the period. Alternative total debt is defined to include bank overdraft, bank borrowings, loans from non-controlling interests and amounts due to a Director and related parties. The alternative gearing ratio decreased significantly to 22.8% as at 31 December 2012 from 84.6% as at 31 December 2011 primarily due to settlement of current account balance outstanding between our Group to a Director and related parties which were excluded from forming a part of our Group during Reorganisation, including the parent company of King's Flair Development prior to Reorganisation.

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Net-debt-to-equity ratio

The net-debt-to-equity ratio is calculated by dividing net debt at the end of the period by total equity at the end of the period. Net debt is defined to include bank overdraft, bank borrowings and loans from non-controlling interests, net of cash and bank balances. The ratio is not applicable to our Group during the Track Record Period as our cash and bank balances as at each reporting period is sufficient to cover our total debt of the period.

Alternative net-debt-to-equity ratio

The alternative net-debt-to-equity ratio is calculated by dividing alternative net debt at the end of the period by total equity at the end of the period. Alternative net debt is defined to include bank overdraft, bank borrowings, loans from non-controlling interests and amounts due to a Director and related parties, net of cash and bank balances. The ratio is not applicable to our Group as at 31 December 2012 and 2013 and 30 June 2014 as our cash and bank balances is sufficient to cover our alternative total debt. The alternative net-debt-to-equity ratio was positive at 39.0% as at 31 December 2011 primarily due to existence of current account balance outstanding between our Group to a Director and related parties which were excluded from forming a part of our Group during Reorganisation, including the parent company of King's Flair Development prior to Reorganisation.

Current ratio

The current ratio is calculated by dividing total current assets at the end of the period by total current liabilities at the end of the period. Our current ratio decreased as at 31 December 2013 and 30 June 2014 primarily due to payment of the consideration for the Acquisition in cash.

Quick ratio

The quick ratio is calculated by dividing total current assets net of inventories at the end of the period by total current liabilities at the end of the period. Our quick ratio decreased as at 31 December 2013 and 30 June 2014 primarily due to payment of the consideration for the Acquisition in cash.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, and to their best knowledge, there were no other matters which would cause us to make a disclosure under Rule 13.13 to Rule 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table of the unaudited pro forma adjusted combined net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group as at 30 June 2014 as if it had taken place on that date.

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The table of unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of the net tangible assets had the Share Offer been completed as at 30 June 2014 or at any subsequent date.

The unaudited pro forma adjusted combined net tangible assets set out below are calculated based on the audited combined net assets attributable to owners of our Company as at 30 June 2014, as shown in the Accountants' Report in Appendix I to this prospectus, and is adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds of the share offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.28 per Offer Share	161,664	200,000	361,664	0.52

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2014 is based on the combined net assets of the Group of HK\$185,377,000 adjusted for non-controlling interests of HK\$2,085,000 and intangible assets of HK\$21,628,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds of the New Issue are based on the Offer Price of HK\$1.28 per Offer Share, after deducting the estimated underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 700,000,000 Shares were in issue assuming that the Share Offer was completed on 30 June 2014, and do not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
4. Based on the property valuation as at 31 October 2014 as set forth in "Property Valuation" in Appendix IV to this prospectus, the net valuation surplus, representing the excess of market value of properties held for own use over their carrying amounts, is approximately HK\$133.7 million. Such valuation surplus has not been included in the Group's combined financial statements as at 30 June 2014 and will not be included in the Group's combined financial statements. The unaudited pro forma financial information presented above does not take into account the above valuation surplus. If the valuation surplus were to be included in the combined financial statements, an additional annual depreciation charge of approximately HK\$5.3 million would be incurred.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014.

FINANCIAL INFORMATION

DIVIDEND POLICY

After the completion of the Share Offer, Shareholders will be entitled to receive dividends declared by the Company. The declaration of, payment and amount of dividends will be subject to the discretion of our Directors in accordance with our Company's constitutional documents and will be dependent upon our financial results, Shareholders' interest, general business conditions, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Company and such other factors as the Board may consider relevant.

Subject to the Articles of Association and the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to Shareholders. Any dividends determined by our Company in general meeting must not exceed the amount recommended by our Directors.

Whenever our Directors or our Company in general meeting has resolved that a dividend be paid or declared, our Directors may further resolve either i) that such dividend be satisfied wholly or in part by the distribution of specific assets, including paid up shares in, or debentures or warrants to subscribe for shares of, our Company or any other company; ii) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the Shareholders entitled thereto will be entitled to elect to receive such dividend in cash in lieu of such allotment, or iii) that the Shareholders entitled to such dividends shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit.

We declared dividends of approximately HK\$3.4 million, HK\$40.0 million, HK\$60.4 million and HK\$50 million, respectively, for the financial year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014. There is no guarantee that dividends will be paid in the future. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past distribution record should not be used as a reference of the amount of dividends payable in the future.

DISTRIBUTABLE RESERVES

As at 30 June 2014, being the date of our latest audited financial statements as set out in "Appendix I — Accountants' Report" of this prospectus, our Company had reserves of nil available for distribution to Shareholders.

NO SIGNIFICANT INTERRUPTIONS

There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last twelve months.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 June 2014, being the date of our latest audited financial statements as set out in "Appendix I — Accountants' Report" of this prospectus, up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We intend to further enhance our presence and market share in the global kitchenware industry and fortify our competitive strengths. To achieve these goals, we will adopt the following strategies:

- broaden existing customer base and expand into new markets;
- enhance design, development and engineering capabilities;
- expand our retail networks and e-commerce in the PRC; and
- selectively pursue acquisition and strategic alliance opportunities.

Please see the paragraphs headed “Business Plans and Strategies” in the “Business” section in this prospectus for a more detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately HK\$200 million (assuming an Offer Price of HK\$1.28 per Share, being the mid-point of the proposed Offer Price range), after deducting underwriting fees and commissions and estimated expenses payable by us in relation to the Share Offer and not taking into account any exercise of the Over-allotment Option. We intend to use the net proceeds from the Share Offer as follows:

- approximately HK\$10.0 million (or approximately 5% of the net proceeds) for broadening customer base, expanding penetration in the existing target markets with existing customers, and penetrating into new and attractive markets (excluding Sanctioned Countries) in East Europe, Africa and South America;
- approximately HK\$44.0 million (or approximately 22% of the net proceeds) for enhancing our product design, development and engineering capabilities, out of which:
 - (i) approximately 20% will be used for enhancing and acquiring the skills, softwares and hardwares of our design, development and engineering team;
 - (ii) approximately 50% will be used to design, re-design, develop and build toolings for approximately 10 categories of products including but not limited to storage, tools and gadgets and food preparation; and
 - (iii) approximately 30% will be used for the application of mechanical patents and design patents of such products covering U.S., China, Europe (excluding Sanctioned Countries) and Japan;
- approximately HK\$30.0 million (or approximately 15% of the net proceeds) for the expansion of our business in the PRC, out of which:
 - (i) approximately 80% will be used for promotions and advertisements, establishment of flagship stores, with one flagship store in Shanghai by end of 2015, and expansion of retail sales networks in the PRC; and

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 20% will be used for expansion of our e-commerce business in the PRC;
- approximately HK90.0 million (or approximately 45% of the net proceeds) for the expansion of our head office in Hong Kong through the purchase of additional office premises in about 12 months after Listing. Total capital expenditure for the purchase of premises and the expansion of our office is estimated to be around HK\$86.8 million which we intend to be financed by the net proceeds from the Share Offer. The remaining of HK\$5 million of the net proceeds is intended for the renovation and related information technology infrastructure costs in relation to the new office. In order to support the growth of our business and to enhance our operational efficiency, we plan to acquire premises for expansion of office space in the same district as our current office in Sheung Wan, Hong Kong. We currently intend to acquire premises of approximately 6,000 square feet in about 12 months after Listing. We believe that purchasing our own premises rather than renting premises will provide us with a greater flexibility for catering our expansion. With a larger office, we can cater for (i) a larger design, development, engineering and marketing teams to cope with the growth of our business; (ii) the installation of machineries and hardware for design, development and engineering to enhance our design, development and engineering capabilities; (iii) the establishment of a proper showroom to facilitate business expansion and growth of existing and new international kitchenware brandowner customers; and (iv) the integration of the business of Wonder Household with our Group for enhancing operational efficiency. As at the Latest Practicable Date, we have not yet identified any office premises for acquisition;
- approximately HK\$6.0 million (or approximately 3% of the net proceeds) for the enhancement of our information technology infrastructure to facilitate our business operation and expansion; and
- approximately HK\$20.0 million (or approximately 10% of the net proceeds) for working capital and general corporate purposes.

Please see the paragraph headed “Business Plans and Strategies” in the “Business” section of this prospectus for a more detail description on the use of proceeds from the Share Offer.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$30 million, assuming an Offer Price of HK\$1.28 per Share, being the mid-point of the proposed Offer Price range.

If the Offer Price is set at HK\$1.48 per Share (being the high end of the proposed Offer Price range), and assuming that the Over-allotment Option is not exercised, the net will increase by HK\$31 million. If the Offer Price is set at HK\$1.08 per Share (being the low end of the proposed Offer Price range), and assuming that the Over-allotment Option is not exercised, the net will decrease by HK\$31 million. Under such circumstances, we will use the net proceeds based on the percentage disclosed above.

To the extent the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with financial institutions in Hong Kong.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Ping An Securities Limited
Quam Securities Company Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated.

Subject to, among other conditions, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Joint Lead Managers, at its sole and absolute discretion, may, for itself and on behalf of the Public Offer Underwriters, upon the giving of notice in writing to the Company and/or the Controlling Shareholders, terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Lead Managers that:
 - (i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus or any other documents issued or used by or on behalf of the Company in connection with the Public Offer and the Placing (including any supplement or amendment thereto) (the “**Offer Documents**”) considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material, were, when they were issued, or have become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents are not, in the sole and absolute opinion of the Joint Lead Managers, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (iii) any of the representations and warranties given by the Company or the Controlling Shareholders or the executive Directors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Joint Lead Managers or the Underwriters) to any of the Underwriting Agreements; or
- (v) any material adverse change or prospective material adverse change in the conditions, business prospects, assets and liabilities, in the financial or trading position or results of operation of any member of the Group; or
- (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) the Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders or the executive Directors pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or
- (ix) any person (other than the Joint Lead Managers and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in the Prospectus or to the issue of the Prospectus; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreak of disease or epidemics (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1) and swine influenza (H1N1) and such related or mutated forms or interruption or delay in transportation)), in or affecting any of the Relevant Jurisdictions; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
 - (vi) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in

UNDERWRITING

commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

- (vii) any material adverse change or development or event involving a prospective material adverse change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (viii) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment laws and regulations in any of the Relevant Jurisdictions or affecting an investment in the Shares; or
- (ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in the Prospectus; or
- (x) any material litigation or claim being threatened or instigated against the Company or any Group Company or the Controlling Shareholders; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group will be materially and adversely affected; or
- (xiii) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (xiv) a contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any of the Listing Rules; or
- (xv) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xvi) non-compliance of the Prospectus or offering document or any other documents used in connection with the subscription of the Offer Shares or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- (xvii) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Lead Managers materially adverse to the marketing for or implementation of the Share Offer; or
- (xviii) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries makes any compromise or arrangement with the Company's or its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries;

and which, in any of the above cases and in the sole opinion of Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs, management, business, financial, trading or other condition or prospects of the Company or the Group or any Group company or on any present or prospective shareholder in his, her or its capacity as such; or
- (2) has or may have or will have or is likely to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement (including underwriting), the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (3) makes or may make or will or is likely to make it inadvisable, inexpedient or impracticable to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, or to market the Share Offer; or
- (4) would have the effect of preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by the Company

Pursuant to the Public Offer Underwriting Agreement, the Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Capitalisation Issue, the Share Offer (including the exercise of the Over-allotment Option) and options which may be granted under any share option scheme of any member of the Group or with the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, the Company will not, at any time within the period commencing from the date of the Public Offer Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Period**”):

- (a) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any Shares or securities or any interest therein) or repurchase Shares or other securities of the Company; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above,

whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

UNDERWRITING

Undertakings by the Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has undertaken jointly and severally to each of the Sole Sponsor, Joint Bookrunners and Joint Lead Managers, the Company and the Public Offer Underwriters that it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless pursuant to the Stock Borrowing Arrangement that may be entered with the stabilising manager or its agent or otherwise in compliance with the requirements of the Listing Rules:

- (i) during the First Period, (a) offer, pledge, charge (other than any pledge or charge of the Shares in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into or effect, any transaction described in (a) or (b) or (c) above, whether any of the foregoing transactions is to be settled by delivery of such capital or securities, in cash or otherwise;
- (ii) without the prior written consent of the Stock Exchange, during the period of six months immediately following the expiry of the First Period (the "Second Period"), enter into any of the transactions specified in (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (iii) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions specified in (i)(a), (b) or (c) above or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

UNDERWRITING

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has further undertaken to each of the Company, the Sole Sponsor, Joint Bookrunners and Joint Lead Managers and the Public Offer Underwriters that, during the first twelve months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any securities or interests in the securities of the Company, immediately inform the Company and the Joint Lead Managers in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Joint Lead Managers in writing of such indications.

Indemnity

The Company and the Controlling Shareholders have agreed to indemnify the Public Offer Underwriters against certain losses which it may suffer, including losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company of the Public Offer Underwriting Agreement.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, agree to subscribe for the Placing Shares being offered pursuant to the Placing or procure subscribers to subscribe for such Placing Shares.

The Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Lead Managers on behalf of the Placing Underwriters on or before the date which is 30 days from the date of the last day of lodging application under the Public Offer, to require the Company to issue up to and not more than 26,250,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the Placing.

UNDERWRITING

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

(A) Undertakings by the Company

Under Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that the Company will not issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already issued) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Share Offer (including the exercise of the Over-allotment Option) for the circumstances provided under Rule 10.08(1) to 10.08(4) of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Company and the Stock Exchange that it will not, and shall procure that any other registered holder (if any) will not, unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (i) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the Second Period, dispose of, nor enter into any agreement to dispose or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and the Company that within the period commencing from the date by reference to which disclosure of its shareholding in the Company is made in this prospectus up to and including the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares beneficially owned by it will be disposed of, immediately inform the Company in writing of such indications.

UNDERWRITING

The Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by any of the Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITERS' INTERESTS IN THE COMPANY

Save as disclosed in this prospectus and save for their interests and obligations under the Share Offer and the Underwriting Agreements, none of the Underwriters is interested beneficially or otherwise in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of the Group nor any interest in the Share Offer.

Commission and Expenses

The Underwriters will receive a commission of 5.8% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. The Sole Sponsor will receive a sponsorship and documentation fee and bonus in relation to the Share Offer. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of approximately HK\$1.28 (being the mid-point of Offer Price range between HK\$1.08 per Offer Share and HK\$1.48 per Offer Share), are estimated to amount to approximately HK\$37.4 million in total (assuming that the Over-allotment Option is not being exercised).

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Thursday, 8 January 2015 and, in any event, not later than Wednesday, 14 January 2015.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.48 per Offer Share and is expected to be not less than HK\$1.08 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging application under the Public Offer. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, in the event that the Offer Price is so reduced, such applications can subsequently be withdrawn.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.kingsflair.com.hk notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our website at www.kingsflair.com.hk of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interest in the Placing and the results of application under the Public Offer and basis of allocation of the Public Offer Shares is expected to be published in the South China Morning Post (in English) and Ming Pao Daily News and the Hong Kong Economic Journal (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and our website at www.kingsflair.com.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

Based on the Offer Price of HK\$1.48 per Offer Share, being the Maximum Offer Price of the proposed Offer Price range, plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, one board lot of 4,000 Shares will amount to a total of HK\$5,979.66 payable on application.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Final Offer Price

The Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) being entered into on the Price Determination Date.

3. Underwriting Agreements

The obligation of the Underwriters under the respective Underwriting Agreements becoming unconditional and not being terminated, on or before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreements and grounds for termination are set out in the section headed "Underwriting" in this prospectus.

If these conditions are not fulfilled or waived on or before the times and dates specified in the Underwriting Agreements or such later date as the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) jointly may in their absolute discretion determine provided that it shall not be later than 30 days after the date of this prospectus, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. Notice of lapse of the Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our website at www.kingsflair.com.hk on the next day following such lapse. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banks or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 175,000,000 Shares will initially be made available under the Share Offer, of which 157,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 17,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PLACING

Our Company is initially offering, at the Offer Price, 157,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 90% of the total number of Shares being initially offered under the Share Offer, for subscription by way of Placing. The Placing is fully underwritten by the Placing Underwriters. Pursuant to the Placing, it is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and the Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interests in the Placing are expected to be published in the South China Morning Post (in English) and Ming Pao Daily News and Hong Kong Economic Journal (in Chinese) on Thursday, 15 January 2015. The Placing is subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

Based on the Offer Price of HK\$1.28 per Offer Share, the net proceeds of the Share Offer, after deducting related expenses, are estimated to be approximately HK\$204 million. The Public Offer is open to the public as well as to institutional, professional and other investors interested in subscribing for the Public Offer Shares in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriters to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Investors may either apply for the Shares under the Public Offer or indicate interests for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing but

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

not both. The Offer Shares are not available for subscription by our Directors, CEO, existing beneficial owners of the Shares or their respective close associates.

THE PUBLIC OFFER

The Company is initially offering, at the Offer Price, 17,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 8,752,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) or less. The Public Offer Shares available in pool B will consist of 8,748,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 8,748,000 Public Offer Shares will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The level of applications under the Public Offer and basis of allotment of the Public

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Shares are expected to be published in the South China Morning Post (in English) and Ming Pao Daily News and Hong Kong Economic Journal (in Chinese) on Thursday, 15 January 2015.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for under the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 35,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 52,500,000 Shares will be available for subscription under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 52,500,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 70,000,000 Shares will be available for subscription under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer; and
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 70,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 87,500,000 Shares will be available for subscription under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer.

If the Public Offer is not fully subscribed, the Sole Sponsor and the Joint Lead Managers jointly have the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, the Sole Sponsor and the Joint Lead Managers jointly, in their sole and absolute discretion, may voluntarily re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as they deem appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Thursday, 15 January 2015.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant to the Joint Lead Managers (for themselves and on behalf of the Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Joint Lead Managers (for themselves and on behalf of the Underwriters) to allot and issue up to and not more than 26,250,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the Placing. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with City Concord or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 26,250,000 Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expires, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Share Offer, the Joint Lead Managers, as the stabilising manager, or its affiliates or any person acting for it, for themselves and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 26,250,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with City Concord or through a combination of these means or otherwise. However, there is no obligation on the Joint Lead Managers, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Joint Lead Managers, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may take all or any of the following actions (the “**primary stabilising action**”) with respect to any Shares during the stabilisation period, which should end on Friday, 6 February 2015, being the 30th day after the last day for lodging application under the Public Offer:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares:
 - (i) allocate a greater number of Shares than the number that is initially offered under the Share Offer; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Joint Lead Managers (for themselves and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Joint Lead Managers will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Joint Lead Managers;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and is expected to end on Friday, 6 February 2015, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Joint Lead Managers may over-allocate up to and not more than an aggregate of 26,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Joint Lead Managers may borrow up to 26,250,000 Shares from City Concord, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Share to be borrowed from City Concord will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to City Concord or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to City Concord in relation to such stock borrowing arrangement.

DEALING

Assuming that the Share Offer becomes unconditional, it is expected that dealings in the Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Friday, 16 January 2015.

The Shares will be traded in board lots of 4,000 Shares each.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR PUBLIC OFFER SHARES

To make an application for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying is an individual, and:

- are 18 years of age or above;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S of the U.S. Securities Act);
- are outside the U.S.; and
- are a legal or natural person of the PRC who is qualified domestic institutional investor.

If you apply online through the HK eIPO White Form Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact phone number.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

Save as permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of Shares;
- the chief executive or a director of the Company or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person (as defined in the Listing Rules) of the Company or any of its subsidiaries or a person who will become a connected person of the Company or any of its subsidiaries immediately upon completion of the Share Offer;
- a legal or natural person of the PRC (except qualified domestic institutional investors);
- a U.S. person (as defined in Regulation S of the U.S. Securities Act);
- a person who does not have a Hong Kong address; or
- have been allocated or have applied for or have indicated an interest in the Placing Shares under the Placing or otherwise participate in the Placing.

The number of joint applicants must not exceed four.

3. APPLY FOR PUBLIC OFFER SHARES

Which application channel to use

- (a) Use a **WHITE** Application Form or apply through www.hkeipo.hk if you want the Public Offer Shares to be issued in your own name.
- (b) Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Prospectuses and the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Wednesday, 7 January 2015 from any of the following offices of the Sole Sponsor and the Public Offer Underwriters:

Baron Global Financial Services Limited

18th Floor, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

Ping An Securities Limited

15/F, 122 QRC
122 Queen's Road Central
Hong Kong

Quam Securities Company Limited

18th and 19th Floors,
Aon China Building,
29 Queen's Road Central
Hong Kong

South China Securities Limited

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

or any one of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited:

	Branch name	Branch address
Hong Kong Island:	Bank of China Tower Branch Wan Chai (Wu Chung House) Branch	3/F, 1 Garden Road 213 Queen's Road East, Wan Chai
Kowloon:	Wong Tai Sin Branch Kwai Chung Plaza Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
New Territories:	Tai Po Branch Tuen Mun San Hui Branch	68-70 Po Heung Street, Tai Po Market G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

Hang Seng Bank Limited:

	Branch Name	Branch address
Hong Kong Island:	Head Office North Point Branch	83 Des Voeux Road Central 335 King's Road
Kowloon:	Tsimshatsui Branch Yaumati Branch	18 Carnarvon Road 363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 to 12:00 noon on Wednesday, 7 January 2015 from:

Depository Counter
Hong Kong Securities Clearing Company Limited
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

or your stockbroker who may have the **YELLOW** Application Forms and this prospectus available.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — King's Flair International Public Offer", should be deposited in any of the special collection boxes provided at any of the listed branches of the receiving banks listed above under the paragraph headed "Where to collect the Prospectuses and the Application Forms" on the following dates and at the following times:

Wednesday, 31 December 2014	—	9:00 a.m. to 5:00 p.m.
Friday, 2 January 2015	—	9:00 a.m. to 5:00 p.m.
Saturday, 3 January 2015	—	9:00 a.m. to 1:00 p.m.
Monday, 5 January 2015	—	9:00 a.m. to 5:00 p.m.
Tuesday, 6 January 2015	—	9:00 a.m. to 5:00 p.m.
Wednesday, 7 January 2015	—	9:00 a.m. to 12:00 noon

Application lists

The application lists of the Public Offer will open from 11:45 a.m. to 12:00 noon on Wednesday, 7 January 2015 the last application day or such later time as provided in the paragraph headed "Effect of bad weather on the opening and closing of the application lists of the Share Offer" below. No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Public Offer Shares will be made until after the closing of the application lists.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Sponsor and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply for the Public Offer Share" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms

HOW TO APPLY FOR PUBLIC OFFER SHARES

and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 31 December 2014 until 11:30 a.m. on Wednesday, 7 January 2015 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Wednesday, 7 January 2015 or such later time under the paragraph headed “Effect of bad weather on the opening and closing of the application lists of the Share Offer” of this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

1/F One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;

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- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor and the Joint Lead Managers and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company

HOW TO APPLY FOR PUBLIC OFFER SHARES

agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by

HOW TO APPLY FOR PUBLIC OFFER SHARES

debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 31 December 2014	:	9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 2 January 2015	:	8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 3 January 2015	:	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 5 January 2015	:	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 6 January 2015	:	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 7 January 2015	:	8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Wednesday, 7 January 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 7 January 2015, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening and closing of the application lists of the Share Offer" of this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents and advisers take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 7 January 2015.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS YOU MAY MAKE

There is only one situation where you may make more than one application for the Public Offer Shares:

If you are a nominee, in which case you may lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominee(s)" you must include for each beneficial owner or, in the case of joint beneficial owners, for each of such beneficial owners:

- an account number; or
- some other identification code.

If you do not include this information, the application will be treated as being made for your benefit.

Multiple applications are not allowed

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made with that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form as that other person's agent;

Multiple applications or suspected multiple applications will be rejected and all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form for more than 8,748,000 Public Offer Shares; or
- apply for, take up, indicate an interest (whether individually or jointly with others) for any Placing Shares or otherwise participate in the Placing; or
- both apply on one **WHITE** Application Form and one **YELLOW** Application Form; or

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- receive any Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit or for the benefit of any of your joint applicant(s). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting powers of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH TO PAY FOR THE PUBLIC OFFER SHARES

The Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set forth in the Application Forms relating to the Public Offer. Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 7 January 2015. Details of the procedures for refund are contained in the paragraph headed "Collection/posting of Share certificates/refund cheques and deposit of Share certificates into CCASS" below.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the trading fee will be paid to the Stock Exchange and the transaction levy will be paid to the SFC.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS OF THE SHARE OFFER

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a “BLACK” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 7 January 2015. Instead the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

If the Application Lists do not open and close on Wednesday, 7 January 2015, the dates mentioned in the section headed “Expected timetable” in this prospectus and the related Application Forms and other dates mentioned in this prospectus (including, without limitation, the latest time for the exercise of termination rights under the Underwriting Agreement) may be affected. An announcement will be made in such event on the Stock Exchange’s website at www.hkexnews.hk and the website of the Company at www.kingsflair.com.hk.

Our Company, the Sole Sponsor, the Joint Lead Managers, the Public Offer Underwriters, their respective affiliates and directors, officers, employees, agents, advisers and any other parties involved in the Public Offer are entitled to rely on any warranty, representation or declaration made by you in your application. In respect of any joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

Details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes contained in the Application Forms, and you should read them carefully. You should note in particular the following situations in which the Public Offer Shares will not be allotted to you or your application is liable to be rejected:

If your application is revoked

By completing and lodging an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that you cannot revoke your application on or before the expiration of the fifth day (excluding for this purpose a Saturday, Sunday and a public holiday in Hong Kong) after the opening of the application lists. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person until after the expiration of the fifth day after closing of the application lists except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application may only be revoked after the expiration of the fifth day (excluding for this purpose a Saturday, Sunday and a public holiday in Hong Kong) after the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (Miscellaneous Provisions) (as applied by section 342E of the Companies Ordinance (Miscellaneous Provisions)) issues a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who has/have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw his/her/their applications. If applicant(s) have not been so notified, or if applicant(s) has/have been notified but has/have not withdrawn his/her/their applications in accordance with the procedure so notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and all applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

At the full discretion of the Company, the Sole Sponsor, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) or their respective agents, your application is rejected

The Company, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), the **HK eIPO White Form** Service Provider or their respective agents and nominees as agents of the Company, have the full discretion to reject or accept any application, in whole or in part, without assigning any reason therefore.

If your application is rejected

Your application will be rejected if:

- it is a multiple or a suspected multiple application;
- your Application Form is not completed correctly or fully completed in accordance with the instructions as stated in the Application Form;
- your **electronic application instructions** through the **HK eIPO White Form** Service Provider are not completed in accordance with the instructions, terms and conditions of the designated website;
- your payment is not made in the correct form or amount;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your application is for more than 8,748,000 Public Offer Shares;
- you or the person(s) for whose benefit you are applying have applied for or taken up or indicated an interest for the Placing Shares; or
- our Company, the Sole Sponsor, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) or their respective agents or nominees believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed.

If your application is not accepted

Your application will not be accepted if:

- any of the Underwriting Agreements does not become unconditional in accordance with its terms and conditions; or
- any of the Underwriting Agreements is terminated in accordance with its terms and conditions.

If the allotment of the Public Offer Shares is void

Any allotment of the Public Offer Shares in respect of your application will be void if the Listing Committee does not grant the listing of and permission to deal in the Shares on the Main Board either:

- within three weeks from the closing date of the application lists of the Share Offer; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists of the Share Offer.

12. PUBLICATION OF RESULTS

The announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares and the number of Offer Shares re-allocated between the Public Offer and the Placing, if any, will be published in South China Morning Post (in English), Ming Pao Daily News and Hong Kong Economic Journal (in Chinese), the Company's website at www.kingsflair.com.hk and the Stock Exchange's website at www.hkexnews.hk on or before Thursday, 15 January 2015.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations of the Public Offer Shares, including applications made under **WHITE** or **YELLOW** Application Forms, which will include the Hong Kong identity card numbers/passport numbers/Hong Kong business registration certificate numbers of successful applicants and the number of the Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at www.kingsflair.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than Thursday, 15 January 2015;
- results of allocations will also be available from the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 15 January 2015 to 12:00 midnight on Wednesday, 21 January 2015. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- by telephone enquiry by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 15 January 2015 to Tuesday, 20 January 2015 (excluding Saturdays, Sundays and public holidays in Hong Kong); and
- in the special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the receiving banks branches from Thursday, 15 January 2015 to Monday, 19 January 2015 at the addresses set forth under the paragraph under "Where to collect the prospectuses and the Application Forms" in this section.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum

HOW TO APPLY FOR PUBLIC OFFER SHARES

Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 15 January 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 January 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 15 January 2015, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 15 January 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 15 January 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

(iv) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 January 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 January 2015 or such other date as notified by the Company in the newspapers as at the date of despatch/collection of share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address on the relevant application instruction on Thursday, 15 January 2015, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) *If you apply via electronic application instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 15 January 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on Thursday, 15 January 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 January 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 15 January 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 15 January 2015.

14. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

The following is the text of a report, prepared for the sole purpose of incorporation in this prospectus, received from the Company's independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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31 December 2014

The Directors
King's Flair International (Holdings) Limited

Baron Global Financial Services Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods") for each of the Relevant Periods and the combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the statements of financial position of the Company as at 31 December 2012, 2013 and 30 June 2014, together with explanatory notes thereon, for inclusion in the prospectus of the Company dated 31 December 2014 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 25 June 2012 as an exempted company with limited liability under Companies laws, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") as described in note 2 of section II of this report, the Company has since 24 December 2014 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

The Group is principally engaged in the trading of kitchenware products. Particulars of the subsidiaries comprising the Group and the respective names of their statutory auditors are set out in note 1 of section II of this report.

All companies now comprising the Group have adopted 31 December as their financial year end date except Homespan (HK) Limited ("Homespan (HK)") which adopted 31 March as its financial year end date from its date of incorporation up to 31 March 2011. Thereafter, Homespan (HK) changed and adopted 31 December as its financial year end date.

BASIS OF PREPARATION

For the purpose of the Financial Information of this report, combined financial statements (the "Underlying Financial Statements") have been prepared by the directors of the Company based on the audited financial statements and, where appropriate, unaudited management accounts of all companies now comprising the Group, on the basis of presentation set out in note 2 under Section II below, in accordance with the accounting policies set out in note 5 under Section II below which are in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information sets out in this report for the Relevant Periods has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon and in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the Stock Exchange.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the contents of the Prospectus, including preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 under section II in this report, accounting policies set out in note 5 under section II in this report, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable Rules Governing the Listing of Securities on the Stock Exchange and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information, on the basis of presentation set out in note 2 of section II and in accordance with accounting policies set out in note 5 of section II below, gives a true and fair view of the combined results and cash flows of the Group for each of the Relevant Periods and of the combined state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the Company as at 31 December 2012, 2013 and 30 June 2014.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the six months ended 30 June 2013, together with the notes thereto (the "Comparative Financial Information"), in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 2 of section II, accounting policies set out in note 5 of section II below and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable Rules Governing the Listing of Securities on the Stock Exchange.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December			Six month ended 30 June	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
Revenue	8	968,505	1,077,351	1,236,284	505,466	624,715
Cost of sales		<u>(844,675)</u>	<u>(917,307)</u>	<u>(1,048,295)</u>	<u>(428,842)</u>	<u>(520,228)</u>
Gross profit		123,830	160,044	187,989	76,624	104,487
Other income and gains, net	9	4,538	5,321	10,965	8,695	5,213
Distribution expenses		<u>(14,758)</u>	<u>(18,418)</u>	<u>(23,403)</u>	<u>(10,903)</u>	<u>(11,001)</u>
Administrative expenses		<u>(47,321)</u>	<u>(62,402)</u>	<u>(84,900)</u>	<u>(39,205)</u>	<u>(48,249)</u>
Operating profit		66,289	84,545	90,651	35,211	50,450
Gain on bargain purchase	40.2	—	—	6,300	—	—
Finance costs	11	<u>(991)</u>	<u>(782)</u>	<u>(468)</u>	<u>(215)</u>	<u>(172)</u>
Share of results of associates	19	<u>10</u>	<u>(38)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before income tax	10	65,308	83,725	96,483	34,996	50,278
Income tax expenses	13	<u>(19,860)</u>	<u>(15,517)</u>	<u>(18,150)</u>	<u>(7,909)</u>	<u>(8,409)</u>
Profit for the year/period		<u>45,448</u>	<u>68,208</u>	<u>78,333</u>	<u>27,087</u>	<u>41,869</u>
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Change in fair value of available-for-sale financial assets, net of tax		<u>(4,968)</u>	<u>3,410</u>	<u>(4,164)</u>	<u>(5,549)</u>	<u>(4,352)</u>
Exchange difference arising on translation of foreign operations		<u>(62)</u>	<u>3</u>	<u>288</u>	<u>134</u>	<u>29</u>
Other comprehensive income for the year/period, net of tax		<u>(5,030)</u>	<u>3,413</u>	<u>(3,876)</u>	<u>(5,415)</u>	<u>(4,323)</u>
Total comprehensive income for the year/period		<u>40,418</u>	<u>71,621</u>	<u>74,457</u>	<u>21,672</u>	<u>37,546</u>

	Year ended 31 December			Six month ended 30 June	
	2011	2012	2013	2013	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit for the year/period attributable to:					
Owners of the Company	45,033	70,356	82,887	27,711	43,216
Non-controlling interests	415	(2,148)	(4,554)	(624)	(1,347)
	<u>45,448</u>	<u>68,208</u>	<u>78,333</u>	<u>27,087</u>	<u>41,869</u>
Total comprehensive income attributable to:					
Owners of the Company	40,003	73,769	78,880	22,246	38,851
Non-controlling interests	415	(2,148)	(4,423)	(574)	(1,305)
	<u>40,418</u>	<u>71,621</u>	<u>74,457</u>	<u>21,672</u>	<u>37,546</u>

Combined Statements of Financial Position

	Notes	At 31 December			At
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	30 June 2014 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	16	34,920	33,610	35,132	34,604
Prepaid land lease payments	17	2,158	2,099	2,110	2,020
Other asset	18	172	172	172	172
Interests in associates	19	746	—	—	—
Intangible asset	20	—	—	24,031	21,628
Deferred tax assets	34	7	6	6	5
		<u>38,003</u>	<u>35,887</u>	<u>61,451</u>	<u>58,429</u>
Current assets					
Inventories	22	2,076	9,317	10,225	9,098
Trade and bills receivables	23	121,273	117,035	160,258	189,550
Prepayments, deposits and other receivables	24	48,323	33,134	38,127	44,487
Available-for-sale financial assets	25	33,096	36,506	32,342	27,990
Financial assets at fair value through profit or loss	21	37,659	—	—	—
Amounts due from associates	19	115	4,610	6,960	1,510
Amounts due from related parties	26	4,096	—	—	—
Prepaid tax		—	468	2,876	—
Pledged bank deposits	27	8,052	8,053	9,611	9,612
Cash and bank balances	28	69,660	128,388	136,650	141,940
		<u>324,350</u>	<u>337,511</u>	<u>397,049</u>	<u>424,187</u>
Current liabilities					
Trade and bills payables	29	64,287	83,419	119,525	117,783
Deposits received, other payables and accruals	30	9,133	15,273	27,929	23,900
Dividend payable	15	—	40,000	60,000	110,000
Bank borrowings	31	42,228	27,847	20,738	11,743
Amount due to a director	32	3,479	—	—	—
Amounts due to related parties	32	83,657	—	9,600	—
Loans from non-controlling interests	33	—	14,019	—	2,539
Provision for tax		2,183	4,834	342	8,497
		<u>204,967</u>	<u>185,392</u>	<u>238,134</u>	<u>274,462</u>
Net current assets		<u>119,383</u>	<u>152,119</u>	<u>158,915</u>	<u>149,725</u>
Total assets less current liabilities		<u>157,386</u>	<u>188,006</u>	<u>220,366</u>	<u>208,154</u>

		At 31 December			At
		2011	2012	2013	30 June
	Notes	HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
Non-current liabilities					
Loans from non-controlling interests	33	—	—	14,420	15,108
Deferred tax liabilities	34	4,384	4,240	8,115	7,669
		<u>4,384</u>	<u>4,240</u>	<u>22,535</u>	<u>22,777</u>
Net assets		<u>153,002</u>	<u>183,766</u>	<u>197,831</u>	<u>185,377</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	35	—	—	—	—
Reserves	36	144,476	175,561	194,441	183,292
		<u>144,476</u>	<u>175,561</u>	<u>194,441</u>	<u>183,292</u>
Non-controlling interests		8,526	8,205	3,390	2,085
		<u>8,526</u>	<u>8,205</u>	<u>3,390</u>	<u>2,085</u>
Total equity		<u>153,002</u>	<u>183,766</u>	<u>197,831</u>	<u>185,377</u>

Statements of Financial Position

		At 31 December		At
		2012	2013	30 June
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES				
Current assets		—	—	—
Current liabilities		—	—	—
		<u>—</u>	<u>—</u>	<u>—</u>
Net current assets/Net assets		<u>—</u>	<u>—</u>	<u>—</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	35	—	—	—
Reserves		—	—	—
		<u>—</u>	<u>—</u>	<u>—</u>
Total equity		<u>—</u>	<u>—</u>	<u>—</u>

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Merger reserve*	Revaluation reserve*	Exchange reserve*	Other reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(note 35)	(note 36)				(note 36)			
At 1 January 2011	—	1,320	13,860	1,352	—	121,324	137,856	5,079	142,935
Dividend to shareholders of subsidiaries (note 15)	—	—	—	—	—	(33,383)	(33,383)	—	(33,383)
Acquisition of a subsidiary (note 40.1)	—	—	—	—	—	—	—	3,032	3,032
Transactions with owners	—	—	—	—	—	(33,383)	(33,383)	3,032	(30,351)
Profit for the year	—	—	—	—	—	45,033	45,033	415	45,448
Other comprehensive income									
— Change in fair value of available-for-sale financial assets	—	—	(4,968)	—	—	—	(4,968)	—	(4,968)
— Exchange difference arising on translation of foreign operations	—	—	—	(62)	—	—	(62)	—	(62)
Total comprehensive income for the year	—	—	(4,968)	(62)	—	45,033	40,003	415	40,418
At 31 December 2011 and 1 January 2012	—	1,320	8,892	1,290	—	132,974	144,476	8,526	153,002
Dividend to a shareholder of a subsidiary (note 15)	—	—	—	—	—	(40,000)	(40,000)	—	(40,000)
Excess of considerations arising from reorganisation	—	(6,601)	—	—	—	—	(6,601)	—	(6,601)
Disposal of subsidiaries arising from reorganisation	—	1,050	—	—	—	—	1,050	—	1,050
Capital contribution from a shareholder	—	—	—	—	2,867	—	2,867	—	2,867
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	1,827	1,827
Transactions with owners	—	(5,551)	—	—	2,867	(40,000)	(42,684)	1,827	(40,857)
Profit/(loss) for the year	—	—	—	—	—	70,356	70,356	(2,148)	68,208
Other comprehensive income									
— Change in fair value of available-for-sale financial assets	—	—	3,410	—	—	—	3,410	—	3,410
— Exchange difference arising on translation of foreign operations	—	—	—	3	—	—	3	—	3
Total comprehensive income for the year	—	—	3,410	3	—	70,356	73,769	(2,148)	71,621
At 31 December 2012	—	(4,231)	12,302	1,293	2,867	163,330	175,561	8,205	183,766

	Equity attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Merger reserve*	Revaluation reserve*	Exchange reserve*	Other reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(note 35)	(note 36)							
At 1 January 2013	—	(4,231)	12,302	1,293	2,867	163,330	175,561	8,205	183,766
Dividend to shareholders and non-controlling interests of subsidiaries (note 15)	—	—	—	—	—	(60,000)	(60,000)	(392)	(60,392)
Transactions with owners	—	—	—	—	—	(60,000)	(60,000)	(392)	(60,392)
Profit/(loss) for the year	—	—	—	—	—	82,887	82,887	(4,554)	78,333
Other comprehensive income									
— Change in fair value of available-for-sale financial assets	—	—	(4,164)	—	—	—	(4,164)	—	(4,164)
— Exchange difference arising on translation of foreign operations	—	—	—	157	—	—	157	131	288
Total comprehensive income for the year	—	—	(4,164)	157	—	82,887	78,880	(4,423)	74,457
At 31 December 2013	—	(4,231)	8,138	1,450	2,867	186,217	194,441	3,390	197,831
At 1 January 2013	—	(4,231)	12,302	1,293	2,867	163,330	175,561	8,205	183,766
Dividend to non-controlling interests of subsidiaries (unaudited)	—	—	—	—	—	—	—	(392)	(392)
Transactions with owners	—	—	—	—	—	—	—	(392)	(392)
Profit/(loss) for the period (unaudited)	—	—	—	—	—	27,711	27,711	(624)	27,087
Other comprehensive income									
— Change in fair value of available-for-sale financial assets (unaudited)	—	—	(5,549)	—	—	—	(5,549)	—	(5,549)
— Exchange difference arising on translation of foreign operations (unaudited)	—	—	—	84	—	—	84	50	134
Total comprehensive income for the period (unaudited)	—	—	(5,549)	84	—	27,711	22,246	(574)	21,672
At 30 June 2013 (unaudited)	—	(4,231)	6,753	1,377	2,867	191,041	197,807	7,239	205,046

	Equity attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Merger reserve*	Revaluation reserve*	Exchange reserve*	Other reserve*	Retained profits*			
	HK\$'000 (note 35)	HK\$'000 (note 36)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	—	(4,231)	8,138	1,450	2,867	186,217	194,441	3,390	197,831
Dividend to a shareholder of a subsidiary (note 15)	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Transactions with owners	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Profit/(loss) for the period	—	—	—	—	—	43,216	43,216	(1,347)	41,869
Other comprehensive income									
— Change in fair value of available-for-sale financial assets	—	—	(4,352)	—	—	—	(4,352)	—	(4,352)
— Exchange difference arising on translation of foreign operations	—	—	—	(13)	—	—	(13)	42	29
Total comprehensive income for the period	—	—	(4,352)	(13)	—	43,216	38,851	(1,305)	37,546
At 30 June 2014	—	(4,231)	3,786	1,437	2,867	179,433	183,292	2,085	185,377

* The aggregate balances of these reserve amounts of HK\$144,476,000, HK\$175,561,000, HK\$194,441,000 and HK\$183,292,000 are included as reserves as at 31 December 2011, 2012 and 2013 and as at 30 June 2014 respectively in the combined statements of financial position.

Combined Statements of Cash Flows

	Year ended 31 December			Six month ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Cash flows from operating activities					
Profit before income tax	65,308	83,725	96,483	34,996	50,278
Adjustments for:					
Amortisation of prepaid land					
lease payments	56	57	59	29	28
Amortisation of intangible asset	—	—	—	—	2,403
Depreciation of property, plant and equipment	2,690	3,027	3,790	1,875	2,033
Change in fair value on financial assets at fair value through profit or loss	3,330	—	—	—	—
Interest income from financial assets at fair value through profit or loss	(1,556)	—	—	—	—
Dividend income from financial assets	(815)	(811)	(683)	—	—
Gain on bargain purchase (<i>note 40.2</i>)	—	—	(6,300)	—	—
Gain from derivative financial instruments	(1,471)	(700)	—	—	—
Gain on disposal of financial assets at fair value through profit or loss	—	(871)	—	—	—
Gain on disposal of property, plant and equipment	—	—	(1)	—	—
Loss on written off of property, plant and equipment	—	—	762	215	—
Provision for impairment of other receivables	4,083	—	—	—	—
Interest income	(174)	(81)	(35)	(22)	(11)
Interest expenses	991	782	468	215	172
Share of results of associates	(10)	38	—	—	—
Operating profits before working capital changes	72,432	85,166	94,543	37,308	54,903
(Increase)/decrease in inventories	(1,059)	(7,241)	(908)	410	1,127
(Increase)/decrease in trade and bills receivables	7,604	4,238	(17,129)	(50,330)	(29,292)
(Increase)/ decrease in prepayments, deposits and other receivables	(27,398)	14,776	(5,532)	(11,249)	(7,606)
(Increase)/decrease in amounts due from associates	478	(4,495)	(2,350)	(1,462)	5,450

	Year ended 31 December			Six month ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Decrease in financial assets at fair value through profit or loss	—	38,530	—	—	—
Increase/(decrease) in trade and bills payables	287	19,132	13,023	32,338	(1,742)
Increase/(decrease) in deposits received, other payables and accruals	(10,009)	6,140	12,311	5,095	(4,029)
Cash generated from operations	42,335	156,246	93,958	12,110	18,811
Income taxes (paid)/refunded	(10,590)	(13,477)	(23,359)	—	2,177
<i>Net cash generated from operating activities</i>	<u>31,745</u>	<u>142,769</u>	<u>70,599</u>	<u>12,110</u>	<u>20,988</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,217)	(1,717)	(6,044)	(4,129)	(1,597)
Gain from derivative financial instruments	1,471	700	—	—	—
Proceeds from disposal of subsidiaries arising from reorganisation	—	1,065	—	—	—
Proceeds from disposal of property, plant and equipment	—	—	1	—	—
Interest received from financial assets at fair value through profit or loss	1,556	—	—	—	—
Dividend received from investments in financial assets	815	811	683	—	—
Dividend received from associates	2,723	708	—	—	—
Interest received	174	81	35	22	11
(Increase)/decrease in amounts due from related parties	(3,096)	4,096	—	—	—
Increase in pledged bank deposits	—	(1)	(1,558)	(1,557)	(1)
Net cash inflow/(outflow) arising on acquisition of subsidiaries (<i>note 40</i>)	<u>899</u>	<u>—</u>	<u>(8,794)</u>	<u>—</u>	<u>(9,600)</u>
<i>Net cash generated from/(used in) investing activities</i>	<u>2,325</u>	<u>5,743</u>	<u>(15,677)</u>	<u>(5,664)</u>	<u>(11,187)</u>

	Year ended 31 December			Six month ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Cash flows from financing activities					
Proceeds from new borrowings	22,142	—	—	—	—
Repayments of borrowings	(6,913)	(14,255)	(6,969)	(3,466)	(3,541)
Dividend paid to shareholders	(33,383)	—	(40,000)	(40,000)	—
Dividend paid to non-controlling interests	—	—	(392)	(392)	—
Interest paid	(991)	(782)	(468)	(215)	(172)
(Increase)/decrease in prepayments relating to listing expenses	(6,175)	398	720	(407)	1,246
Increase/(decrease) in amount due to a director	3,479	(3,479)	—	—	—
Decrease in amounts due to related parties	(42,954)	(80,790)	—	—	—
Loans from non-controlling interests	—	14,019	—	—	3,227
Net considerations paid to Mr. Wong arising from reorganisation	—	(6,601)	—	—	—
Capital contributions from non-controlling interests	1,678	1,827	—	—	—
<i>Net cash (used in)/generated from financing activities</i>	<u>(63,117)</u>	<u>(89,663)</u>	<u>(47,109)</u>	<u>(44,480)</u>	<u>760</u>
Net (decrease)/increase in cash and cash equivalents	(29,047)	58,849	7,813	(38,034)	10,561
Cash and cash equivalents at beginning of year/period	83,390	54,167	113,021	113,021	121,423
Effect on foreign exchange rate changes	<u>(176)</u>	<u>5</u>	<u>589</u>	<u>336</u>	<u>183</u>
Cash and cash equivalents at end of year/period	<u>54,167</u>	<u>113,021</u>	<u>121,423</u>	<u>75,323</u>	<u>132,167</u>
Analysis of cash and cash equivalents					
Cash and bank balances (note 28)	58,942	128,388	136,650	90,985	141,940
Short-term bank deposits (note 28)	10,718	—	—	—	—
Bank overdrafts (note 31.2)	<u>(15,493)</u>	<u>(15,367)</u>	<u>(15,227)</u>	<u>(15,662)</u>	<u>(9,773)</u>
Cash and cash equivalents at end of year/period	<u>54,167</u>	<u>113,021</u>	<u>121,423</u>	<u>75,323</u>	<u>132,167</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 June 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands.

The principal activity of the Company is investment holding while the Group is principally engaged in the trading of kitchenware products.

As at the date of this report, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Company name	Date and place of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held by the Company		Principal activity and place of operation	Notes
			Directly	Indirectly		
Lions Power Development Limited ("Lions Power")	Incorporated in the British Virgin Islands ("BVI") on 3 May 2012, limited liability company	U.S. dollars ("US\$") 1	100%	—	Investment holding	(a)
Wealth Wise Investments Limited ("Wealth Wise")	Incorporated in the BVI on 3 May 2012, limited liability company	US\$1	100%	—	Investment holding	(a)
King's Flair Development Limited 科勁發展有限公司 ("King's Flair Development")	Incorporated in Hong Kong ("HK") on 16 December 1988, limited liability company	Hong Kong dollars ("HK\$") 1,000,000	—	100%	Trading of kitchenware products, Hong Kong	(b)
Aegis Global Resources (HK) Limited ("Aegis Global")	Incorporated in HK on 24 January 2003, limited liability company	HK\$10,000	—	100%	Trading of kitchenware products, Hong Kong	(b)
Homespan (HK)	Incorporated in HK on 10 May 2002, limited liability company	HK\$10,000	—	51%	Trading of kitchenware products, Hong Kong	(c)
Manweal Development Limited 萬維發展有限公司 ("Manweal")	Incorporated in HK on 20 July 1993, limited liability company	HK\$5,500,000	—	68%	Trading of kitchenware products, Hong Kong	(d)
Ketao Pottery Products (Qidong) Co. Limited* 科陶陶瓷製品(啟東)有限公司 ("Ketao")	Incorporated in People's Republic of China (the "PRC") on 19 June 1996, wholly-owned foreign enterprise	US\$830,000	—	100%	Inactive	(e)
Ningbo Homesbrands International Trading Company Limited* 寧波家之良品國際貿易有限公司 ("PRC JV")	Incorporated in the PRC on 4 May 2010, sino-foreign equity joint ventures	Renminbi ("RMB") 10,000,000	—	51%	Retail and distribution of kitchenware products, the PRC	(f)

Company name	Date and place of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held by the Company		Principal activity and place of operation	Notes
			Directly	Indirectly		
King's Flair Marketing Limited ("KF Marketing")	Incorporated in BVI on 23 May 2012, limited liability company	US\$1	—	100%	Provision of marketing services, Hong Kong	(a)
Youxiang (Shanghai) Commercial & Trade Company Limited* 悠享(上海)商貿有限公司 ("Youxiang")	Incorporated in the PRC on 25 October 2012, wholly owned foreign enterprise	RMB1,000,000	—	51%	Retail, wholesale and distribution of kitchenware products, the PRC	(g)
Wonder Household Limited ("Wonder Household")	Incorporated in HK on 4 May 2001, limited liability company	HK\$10,000	—	100%	Trading of kitchenware products, Hong Kong	(h)
Gloxis Development Limited ("Gloxis")	Incorporated in HK on 6 November 2013, limited liability company	HK\$100,000	—	100%	Trading of kitchenware products, Hong Kong	(i)

* The English name of the subsidiaries established in the PRC represents management's best effort at translating the Chinese name of such subsidiaries for identification purpose only as no English name has been registered.

Notes:

- (a) Lions Power and Wealth Wise were established with a registered capital of US\$1 in the BVI on 3 May 2012; KF Marketing was established with a registered capital of US\$1 in the BVI on 23 May 2012.

No audited financial statements have been prepared for Lions Power, Wealth Wise and KF Marketing since these companies are not subject to any statutory audit requirements under their jurisdiction of incorporation.

- (b) King's Flair Development was established with a registered capital of HK\$1,000,000 in Hong Kong on 16 December 1988; Aegis Global was established with a registered capital of HK\$10,000 in Hong Kong on 24 January 2003.

The statutory financial statements of King's Flair Development and Aegis Global for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with HKFRSs, issued by the HKICPA. These financial statements for the years ended 31 December 2011, 2012 and 2013 were audited by BDO Limited ("BDO"), certified public accountants registered in Hong Kong. No audited financial statements of King's Flair Development and Aegis Global have been prepared subsequent to 31 December 2013.

- (c) Homespan (HK) was established with a registered capital of HK\$10,000 in Hong Kong on 10 May 2002.

The statutory financial statements of Homespan (HK) for year ended 31 March 2011 were prepared in accordance with HKFRSs for Private Entities, issued by the HKICPA. Its financial statements for the year ended 31 March 2011 was audited by K.B. TAM & CO. CPA (Practising) ("K.B. TAM."), certified public accountants registered in Hong Kong. In the opinion of the directors, in order to be consistent with the financial year end of the Company, Homespan HK changed and adopted 31 December as its financial year end date since 1 April 2011. The statutory financial statements of Homespan (HK) for the period from 1 April 2011 to 31 December 2011; and for the years ended 31 December 2012 and 2013 were audited by BDO which were prepared in accordance with HKFRSs issued by the HKICPA. No audited financial statements of Homespan HK have been prepared subsequent to 31 December 2013.

- (d) Manweal was established with a registered capital of HK\$300,000 in Hong Kong on 20 July 1993. On 20 February 2012, 3,440,000 and 1,760,000 ordinary shares in Manweal were issued and allotted to respective shareholders and the Group indirectly owned 68% equity interest of Manweal.

The statutory financial statements of Manweal for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with HKFRSs, issued by the HKICPA. These financial statements for the years ended 31 December 2011, 2012 and 2013 were audited by BDO. No audited financial statements of Manweal have been prepared subsequent to 31 December 2013.

- (e) Ketao was established with a registered capital of US\$100,000 and investment cost of US\$140,000 in the PRC on 19 June 1996 for an operating period of 50 years from 19 June 1996 to 18 June 2046. On 27 May 1996, Ketao was granted with certificate of approval for the establishment as a wholly owned foreign enterprise in the PRC which is wholly owned by the Company's subsidiary, King's Flair Development. On 18 April 2001, the registered capital and total investment were increased to US\$760,000 and US\$1,080,000 respectively. On 29 December 2004, the registered capital was further increased by US\$70,000 to US\$830,000. As at 31 December 2011, 2012 and 2013, its registered capital of US\$830,000 has been fully paid-up by King's Flair Development.

The statutory financial statements of Ketao for the years ended 31 December 2011, 2012 and 2013 were audited by 南通天晟會計師事務所, certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

- (f) PRC JV was established with a registered capital of RMB1,580,000 in the PRC on 4 May 2010 for an operating period of 10 years from 22 March 2011 to 21 March 2021. On 22 March 2011, PRC JV was granted a certificate of approval for the establishment as a sino-foreign equity joint ventures in the PRC and the register capital was increased to RMB5,000,000.

On 10 October 2011, Manweal, a Company's subsidiary, completed the acquisition of 51% equity interests of PRC JV from an independent third party ("PRC JV NCI") at a cash consideration of approximately HK\$3,106,000 (note 40.1). With immediate effect, Manweal has control on the financial and operating policies of PRC JV and therefore, in the opinion of the Company's directors, PRC JV is regarded as a subsidiary of the Group in the Reorganisation, the remaining 49% equity interests was held by PRC JV NCI.

On 20 March 2012, the registered capital of PRC JV was increased to RMB10,000,000, RMB4,950,000 had been contributed by Manweal and the equity interests in PRC JV held by Manweal was increased from 51% to 75% accordingly; the remaining 25% equity interests was held by PRC JV NCI.

The statutory financial statements of PRC JV for the years ended 31 December 2011, 2012 and 2013 were audited by 寧波威遠會計師事務所有限公司, certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC. No audited financial statements of PRC JV have been prepared subsequent to 31 December 2013.

- (g) Youxiang was established with a registered capital of RMB1,000,000 in the PRC on 25 October 2012 for an operating period of 10 years from 25 October 2012 to 24 October 2022. On 16 October 2012, Youxiang was granted with certificate of approval for the establishment as a wholly owned foreign enterprise in the PRC which is wholly owned by the Company's PRC JV. As at 31 December 2012 and 2013, its registered capital of RMB1,000,000 has been fully paid-up by PRC JV. The statutory financial statements of Youxiang for the years ended 31 December 2012 and 2013 were audited by 寧波威遠會計師事務所有限公司, certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC. No audited financial statements of YouXiang have been prepared subsequent to 31 December 2013.
- (h) Wonder Household was established with a registered capital of HK\$10,000 in Hong Kong on 4 May 2001. On 31 December 2013, King's Flair Development completed the acquisition of 100% equity interests of Wonder Household from Oera Development Limited ("Oera"), a related company to the Group, at a cash consideration of HK\$19,200,000 (note 40.2).

The statutory financial statements of Wonder Household for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with the Small and Medium-sized Entity financial Reporting Standard ("SME-FRS"), SME-FRS and HKFRSs respectively, issued by the HKICPA. These financial statements for

the years ended 31 December 2011 and 2012 were audited by K.B. TAM and for the year ended 31 December 2013 was audited by BDO. No audited financial statements of Wonder Household have been prepared subsequent to 31 December 2013.

- (i) Gloxis was incorporated in Hong Kong on 6 November 2013 with a share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares, of which 100,000 ordinary shares were subscribed by King's Flair Development. No audited financial statements of Gloxis have been prepared since its date of incorporation.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Prior to the Reorganisation, all the entities which took part in the Reorganisation were owned by Mr. Wong, Siu Wah ("Mr. Wong"). The acquisition of subsidiaries as detailed in note 1(f) and 1(h) not under common control have been accounted for from the date of acquisition using the purchase method of accounting. The formation of the Group is attributable to the following major events which are part of the Reorganisation:

(i) Increase in share capital of and allotment of shares in Manweal

By a written resolution of the sole shareholder of Manweal dated 20 February 2012, the authorised share capital of Manweal was increased from HK\$300,000 to HK\$10,000,000 by the creation of 9,700,000 shares of HK\$1 each ranking pari passu with all the existing shares.

On 20 February 2012, 3,440,000 and 1,760,000 ordinary shares in Manweal were issued and allotted to King's Flair (Group) Development Limited ("KF Group") and PRC JV NCI respectively at par value. As a result, Manweal was held as to 68% by KF Group and 32% by PRC JV NCI.

(ii) Disposal of Houzehold Trend Limited ("Houzehold Trend") and Dark Star International Limited ("Dark Star")

On 11 April 2012, King's Flair Development disposed all its shareholding, being 8,000 shares and 88.89% of the shareholding in Houzehold Trend to Eagle Action Limited ("Eagle Action") at a consideration of HK\$1,058,000, being the net asset value of the shares.

On 11 April 2012, Aegis Global disposed 7,000 shares in Dark Star to Eagle Action, at a consideration of HK\$7,000, being the par value of the shares since Dark Star is in net liability position as at the disposal date.

(iii) Acquisition of subsidiaries, namely, Aegis Global and Homespan HK

On 12 April 2012, King's Flair Development acquired an aggregate of 10,000 ordinary shares of HK\$1.00 each in Aegis Global, being the entire issued share capital thereof, as to 6,000 ordinary share from Oera and 4,000 ordinary shares from Green Concord Limited at a consideration of HK\$3,663,000 and HK\$2,442,000 respectively, being the net asset value of Aegis Global.

On 26 April 2012, King's Flair Development acquired an aggregate of 5,100 ordinary shares of HK\$1.00 each in Homespan HK, being 51% of the issued share capital thereof, as to 5,099 ordinary shares from Eagle Action and 1 ordinary shares from Oera at a consideration of HK\$3,929,943 and HK\$771 respectively, being the net asset value of Homespan HK.

(iv) Incorporation of Lions Power and Wealth Wise

Lions Power was incorporated in the BVI on 3 May 2012. The authorised share capital of Lions Power upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1 each, of which 1 share has been fully paid and allotted to KF Group.

Wealth Wise was incorporated in the BVI on 3 May 2012. The authorised share capital of Wealth Wise upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1 each, of which 1 share has been fully paid and allotted to KF Group.

(v) Capital injection in PRC JV

On 20 March 2012, PRC JV resolved to increase its registered capital from RMB5,000,000 to RMB10,000,000, out of which RMB4,950,000 shall be contributed by Manweal and RMB50,000 by PRC JV NCI. Such increased registered capital were contributed by Manweal and PRC JV NCI respectively on 28 June 2012. Accordingly, as from 28 June 2012, the equity interest of PRC JV has been held as to 75% by Manweal and 25% by PRC JV NCI.

(vi) Share transfer of Manweal

On 20 November 2012, KF Group transferred 3,740,000 ordinary shares, being all its shareholdings in Manweal to Wealth Wise at a consideration of HK\$3,740,000.

(vii) Incorporation of Gloxis

Gloxis was incorporated in HK on 6 November 2013 with an authorised capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1 each which 100,000 shares has been allotted and issued to King's Flair Development as fully paid.

(viii) Share transfer of King's Flair Development

On 17 December 2014, KF Group, a related company, transferred 999,999 ordinary shares in King's Flair Development, being 99.9999% of the shareholding thereof, to Lions Power at a consideration of HK\$248,765,955. Mr. Wong transferred 1 ordinary share in King's Flair Development, being 0.0001% of the shareholding thereof, to Lions Power at a consideration of HK\$249.

(ix) Incorporation of KF Marketing

On 23 May 2012, KF Marketing was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each, of which 1 share which has been allotted and issued to King's Flair Development as fully paid.

(x) Incorporation of King's Flair International (Holdings) Limited

The Company was incorporated in the Cayman Islands on 25 June 2012 as an exempted company with limited liability and will act as the ultimate holding company of the Group upon the listing of the Company. The authorised share capital of the Company upon incorporation was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each ("Listco Shares"). It was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance.

On incorporation of the Company, one-nil paid share has allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to First Concord Limited ("First Concord"). On the same date, 199 Listco Shares and 800 Listco Shares were allotted and issued nil-paid to First Concord and City Concord Limited ("City Concord") respectively.

(xi) Acquisition of Lions Power and Wealth Wise

On 23 December 2014, shareholder's loan (a) in the aggregate sum of HK\$248,766,204 advanced by KF Group to Lions Power to finance its payment of the consideration for the acquisition of the 1,000,000 ordinary shares in King's Flair Development was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Lions Power; and (b) in the sum of HK\$3,740,000 advanced by KF Group to Wealth Wise to finance its acquisition of the 3,740,000 ordinary shares in Manweal was capitalised by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Wealth Wise.

On 24 December 2014, the Company acquired the entire issued share capital of Lions Power and Wealth Wise from KF Group. The consideration was satisfied by the allotment and issue of 9,000 Listco Shares, credited as fully paid, as to 1,800 Listco Shares in favour of First Concord and as to the remaining 7,200 Listco Shares in favour of City Concord and crediting as fully paid at par the 1,000 nil paid Shares in issue at the time.

(xii) Increase of authorised share capital of the Company

On 22 December 2014, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares.

After the completion of the abovementioned Reorganisation of the Group, the Group is regarded as a continuing entity since all the entities which took part in the Reorganisation were deemed to be controlled by the same ultimate controlling party, Mr. Wong before and immediately after the Reorganisation. Consequently, immediately after the Group's Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. The Reorganisation has been accounted for as a restructuring under common control in a manner similar to pooling of interests. Accordingly, the Financial Information has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods.

Under the merger accounting, the net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or any gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party or parties interest.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group balances and transactions within the Group are eliminated on combination.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition, whichever is shorter. The combined statements of financial position of the Group as of 31 December 2011, 2012 and 2013 and 30 June 2014 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and in accordance with the accounting policies in note 5 which comply with HKFRSs, which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures requirement of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

All HKFRSs effective for the accounting periods commencing from 1 January 2014, have been adopted consistently by the Group in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention except for those financial assets stated at fair value, which are measured at fair value as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 6.

(c) Functional and presentation currency

The Financial Information is presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

At the date of authorisation of the Financial Information, certain new or amended HKFRSs have been published but are not yet effective, and have not early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
HKFRS 9 (2014)	Financial Instruments ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³

Notes:

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ Effective for annual periods beginning on or after 1 January 2017
- ⁵ Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's Financial Information.

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

5.1 Business combination and basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the acquisition of the subsidiaries under common control has been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve.

The Financial Information includes the results and financial positions of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which the case the loss is recognised in profit or loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the combined statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consolidation of a business combination is recognised immediately in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained

interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the combined statement of financial position, investments in associates are carried at cost less impairment losses, if any.

5.4 Intangible asset

An intangible asset acquired separately is recognised initially at cost. Intangible asset with indefinite useful life is carried at cost less any accumulated impairment losses.

Intangible asset identified on business combination are capitalised at fair value at the date of acquisition and are stated at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships is amortised on a straight-line basis from the date of acquisition over their estimated useful lives of 5 years. The amortisation is charged to profit or loss. Both the estimated useful lives and method of amortisation are reviewed and adjusted if appropriate, annually.

5.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, at the following rates per annum:

Leasehold land and buildings	4% or over the lease term, whichever is shorter
Leasehold improvement	20% or over the terms of the leases of properties, whichever is shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles and yacht	10–20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

5.6 Prepaid land leases payments

Upfront payments made to acquire land for own use under operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

5.7 Impairment of non-financial assets

The Group's prepaid land lease payments, property, plant and equipment, other asset, intangible asset and interests in associates are subject to impairment testing.

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax asset, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

5.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of

time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

5.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5.10 Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers

(trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

5.11 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to a director and related parties, dividend payable, loans from non-controlling interests and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 5.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and bills payables, other payables and accruals, amounts due to a director and related parties, dividend payable and loans from non-controlling interests

These are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

5.12 Foreign currency

Transactions entered into by the Group in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

5.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5.15 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers has accepted the goods;
- (b) service income is recognised in the period when the respective services are rendered;
- (c) interest income is recognised on a time-proportion basis using the effective interest method; and
- (d) dividend income is recognised when the right to receive dividend payment is established.

5.16 Accounting for income tax

Income tax comprises current tax and deferred tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.17 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plans

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in central pension schemes operated by the respective local municipal governments, whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund their retirement benefits. Contributions under the scheme are charged to profit or loss as they become payable in accordance with the rules and regulations in the PRC.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

5.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

5.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.20 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;

- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5.21 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

5.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) Net realisable value of inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimations at each reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement and industry practice and current market conditions. Management reassesses the impairment of receivables at each reporting date.

(iv) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(v) Estimated fair value of intangible asset

The Group assesses the fair value of the intangible asset recognised upon acquisition of a subsidiary (note 40.2) with reference to a valuation performed by an independent professional valuer based on discounted cash flow analysis. The fair value of the intangible asset varies with different variables of certain assumptions applied in the valuation. Any changes in these variables so adopted may materially affect the estimation of the fair value of the intangible asset.

(vi) Estimated useful life of intangible asset

The Group's management determines the estimated useful live for its intangible asset. The estimated useful live reflects the Group's management's estimates of the periods that the Group intends to derive future economic benefits from the use of the intangible asset.

(vii) Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(viii) Fair value measurement

A number of assets and liabilities included in the Group's combined financial statements require measurement at, or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair values:

- Available-for-sale financial assets
- Financial assets at fair value through profit or loss

For more detailed information in relation to the fair value measurement of the items above, please refer to note 42.1 (f) to the Financial Information.

7. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the trading of kitchenware products. The Group's assets and capital expenditure are principally attributable to this business component.

(ii) Geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers is divided into the following geographical areas:

	<i>Notes</i>	Revenue from external customers Year ended 31 December			Six month ended 30 June	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
United States		832,586	899,781	1,061,957	420,984	529,111
Europe	(a)	58,358	85,811	67,452	31,603	40,071
Asia	(b)	40,775	39,476	43,072	19,637	33,439
Canada		27,057	40,394	52,881	27,485	16,215
Other locations	(c)	9,729	11,889	10,922	5,757	5,879
		<u>968,505</u>	<u>1,077,351</u>	<u>1,236,284</u>	<u>505,466</u>	<u>624,715</u>

Notes:

- (a) Principally included United Kingdom, Switzerland, France and Germany
- (b) Principally included Hong Kong and Japan
- (c) Principally included Australia, Mexico, Turkey and Egypt

The geographical location of customers is based on the location of customers. For intangible assets, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2011, 2012 and 2013 and 30 June 2014, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) Information about major customers

For the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014, revenues from four, four, four, four and four customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these major customers as shown below accounted for HK\$779,594,000, HK\$841,668,000, HK\$996,366,000, HK\$391,370,000 and HK\$494,355,000 of the Group's revenue for the Relevant Periods respectively.

	Year ended 31 December			Six month ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Company A (<i>note</i>)	187,495	176,044	178,144	67,825	—
Company B	224,305	349,597	436,489	185,319	267,096
Company C	202,300	164,038	140,440	63,710	63,035
Company D	165,494	151,989	241,293	74,516	90,820
Company E	—	—	—	—	73,404
	<u>779,594</u>	<u>841,668</u>	<u>996,366</u>	<u>391,370</u>	<u>494,355</u>

As at 31 December 2011, 2012 and 2013 and 30 June 2014, 75%, 72%, 59% and 82% of the Group's trade receivables were due from the abovementioned major customers respectively.

Note: Company A represents Winlot Holdings Limited ("Winlot"), a company incorporated in the BVI on 23 April 2012, has become the holding company of Oera and Emington International Limited ("Emington") since June 2012. Winlot, Oera and Emington (collectively "Winlot Group") were beneficially owned by Ms. Cheng Kui Mei, May, a sister of Cheng Rebecca Hew Hong ("Ms. Cheng") and therefore sister-in-law of Mr. Wong throughout the Relevant Periods. The sale of goods to the subsidiaries of Oera and Emington during the Relevant Periods constituted related party transactions.

For the segment analysis in respect of major customers, the sales of goods to Winlot Group were disclosed on aggregated basis.

8. REVENUE

The Group is principally engaged in trading of kitchenware products. Revenue, which is also the Group's turnover, represents invoiced value of goods sold, after allowances for returns and discounts (net of value added tax). Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six month ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Sales of goods	<u>968,505</u>	<u>1,077,351</u>	<u>1,236,284</u>	<u>505,466</u>	<u>624,715</u>

9. OTHER INCOME AND GAINS, NET

	Year ended 31 December			Six month ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
Other income					
Bank interest income	174	81	35	22	11
Dividend income from financial assets	815	811	683	—	—
Interest income from financial assets at fair value through profit or loss	1,556	—	—	—	—
Management and handling services	3,371	426	3,196	2,250	781
Recharge from customers*	380	2,253	6,890	6,420	4,415
Others	101	179	160	3	6
	<u>6,397</u>	<u>3,750</u>	<u>10,964</u>	<u>8,695</u>	<u>5,213</u>
Other gains, net					
Gain on disposal of property, plant and equipments	—	—	1	—	—
Gain from derivative financial instruments	1,471	700	—	—	—
Gain on disposal of financial assets at fair value through profit or loss	—	871	—	—	—
Change in fair value on financial assets at fair value through profit or loss	(3,330)	—	—	—	—
	<u>(1,859)</u>	<u>1,571</u>	<u>1</u>	<u>—</u>	<u>—</u>
Other income and gains, net	<u>4,538</u>	<u>5,321</u>	<u>10,965</u>	<u>8,695</u>	<u>5,213</u>

* Recharges from customers mainly represented the tooling and mould costs recharged to customers, which were recognised when the amounts are mutually agreed by the Group and the customers.

10. PROFIT BEFORE INCOME TAX

	Year ended 31 December			Six month ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
Profit before income tax is arrived at after (crediting)/charging:				(unaudited)	
Auditors' remuneration*	204	379	375	188	450
Cost of inventories sold recognised as expense	844,675	917,307	1,048,295	428,842	520,228
Depreciation of property, plant and equipment**	2,690	3,027	3,790	1,875	2,033
Amortisation of intangible asset	—	—	—	—	2,403
Amortisation of prepaid land lease payments	56	57	59	29	28
Operating lease rentals in respect of land and buildings	1,783	3,475	5,428	2,789	2,669
Loss on written off of property, plant and equipment	—	—	762	215	—
Provision for impairment of other receivables (note 24(c))	4,083	—	—	—	—
Listing expenses	—	7,624	1,137	—	2,173
Employee benefit expenses (including directors' remuneration) (note 12.1)					
Wages, salaries and other benefits	19,227	21,706	29,251	15,544	16,718
Discretionary bonuses	5,229	7,066	22,509	8,514	8,203
Contributions to defined contribution schemes	619	839	1,303	494	747
	25,075	29,611	53,063	24,552	25,668
Exchange (gain)/loss	(77)	2,877	3,622	571	2,069

* Auditors' remuneration was related to the fees for statutory audit services paid/payable to the auditors of respective group companies.

** Depreciation charges are recognised in the combined statements of comprehensive income as administrative expenses for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014.

11. FINANCE COSTS

	Year ended 31 December			Six month ended 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
Interest charges on financial liabilities at amortised cost:				(unaudited)	
Bank loans wholly repayable within five years	476	453	210	125	50
Other borrowings wholly repayable within five years	515	329	258	90	122
	991	782	468	215	172

The analysis above shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed schedule repayment dates set out in the loan agreements. The interest on bank loans which contains a repayment on demand clause amounted to HK\$476,000, HK\$453,000 and HK\$210,000 for the years ended 31 December 2011, 2012 and 2013 and HK\$125,000 (unaudited) and HK\$50,000 for the six months ended 30 June 2013 and 2014 respectively.

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 which requires compliance with section 161 of the Hong Kong Companies Ordinance, Cap. 32 for the Relevant Periods, are as follows:

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
Year ended 31 December 2011					
<i>Executive directors[#]</i>					
Mr. Wong	—	3,000	750	12	3,762
Ms. Cheng (note)	—	612	153	12	777
Wong Fook Chi	—	237	60	12	309
	—	3,849	963	36	4,848
Year ended 31 December 2012					
<i>Executive directors[#]</i>					
Mr. Wong	—	4,530	—	14	4,544
Ms. Cheng	—	612	—	14	626
Wong Fook Chi	—	253	25	13	291
	—	5,395	25	41	5,461
Year ended 31 December 2013					
<i>Executive directors[#]</i>					
Mr. Wong	—	5,040	8,000	15	13,055
Ms. Cheng	—	612	—	15	627
Wong Fook Chi	—	302	—	14	316
	—	5,954	8,000	44	13,998

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
Six months ended 30 June 2013					
(Unaudited)					
<i>Executive directors[#]</i>					
Mr. Wong	—	2,520	4,000	8	6,528
Ms. Cheng	—	306	—	8	314
Wong Fook Chi	—	143	—	7	150
	<u>—</u>	<u>2,969</u>	<u>4,000</u>	<u>23</u>	<u>6,992</u>
Six months ended 30 June 2014					
<i>Executive directors[#]</i>					
Mr. Wong	—	2,520	—	8	2,528
Ms. Cheng	—	306	—	8	314
Wong Fook Chi	—	315	—	7	322
	<u>—</u>	<u>3,141</u>	<u>—</u>	<u>23</u>	<u>3,164</u>

Note: Ms. Cheng resigned as an executive director of the Company with effect from 28 August 2014.

[#] Save as disclosed in the above table, the Group also provided a quarter to the executive directors. The estimate market rental of the Group's property which was used by the executive directors for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014 were approximately HK\$1,560,000, HK\$1,560,000 and HK\$1,560,000 and HK\$834,000 and HK\$834,000 respectively. The carrying amount of the Group's leasehold property which is used by the executive directors as a quarter as at 31 December 2011, 2012 and 2013 and 30 June 2014 were HK\$13,534,000, HK\$13,051,000, HK\$12,568,000 and HK\$12,326,000 respectively.

The independent non-executive directors were appointed with effect from 22 December 2014 and have not received any emoluments during the Relevant Periods.

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods included two directors, whose emoluments were reflected in the analysis presented in note 12.1 above. The emoluments payable to the remaining three individuals for the Relevant Periods are as follows:

	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	
	HK\$'000	HK\$'000	HK\$'000	2013	2014
				(unaudited)	
Salaries and allowance	946	1,178	1,217	440	655
Discretionary bonuses	677	693	1,300	322	80
Contributions to defined contribution scheme	36	28	16	15	23
	<u>1,659</u>	<u>1,899</u>	<u>2,533</u>	<u>777</u>	<u>758</u>

The remuneration paid to each of the above non-director individuals for the Relevant Periods fell within the following band:

	Number of individuals				
	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	
				(unaudited)	
Emolument band Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

12.3 Senior management emolument band

The remuneration paid to each of the senior management (other than the directors as disclosed in note 12.1 above) for the Relevant Periods fell within the following band:

	Number of individuals				
	Year ended 31 December			Six months ended	
	2011	2012	2013	30 June	
				(unaudited)	
Emolument band Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>

13. INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Current tax — Hong Kong					
— Current year/period	10,467	15,907	16,281	5,938	8,854
— (Over)/under provision in respect of prior years	(82)	(247)	1,959	1,991	—
Deferred tax (<i>note 34</i>)	10,385	15,660	18,240	7,929	8,854
— Charged/(credited) for the year/period	9,475	(143)	(90)	(20)	(445)
Income tax expenses	<u>19,860</u>	<u>15,517</u>	<u>18,150</u>	<u>7,909</u>	<u>8,409</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for the Relevant Periods.

Enterprise income tax ("EIT") for the Relevant Periods was calculated at 25% of the estimated assessable profits arising from the PRC. No PRC EIT tax has been provided for Group's PRC subsidiaries as they did not derive any assessable profits during the Relevant Periods.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

A reconciliation of the income tax expenses and accounting profits at applicable tax rates for each of the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before income tax	<u>65,308</u>	<u>83,725</u>	<u>96,483</u>	<u>34,996</u>	<u>50,278</u>
Tax at applicable tax rate of 16.5%	10,775	13,815	15,920	5,774	8,296
Tax effect in different tax rates of subsidiaries operating in other jurisdictions	(62)	(849)	(931)	(447)	(336)
Tax effect on non-taxable income	(171)	(1,299)	(1,523)	(70)	(4)
Tax effect of non-deductible expenses	1,298	1,929	928	380	168
Tax effect of temporary difference recognised	3,700	—	—	—	—
Tax effect of tax losses not recognised	244	1,601	2,429	1,197	1,007
Derecognition of deferred tax assets	5,773	—	—	—	—
Tax effect of fair value (loss)/gain on available-for-sale financial assets which are subject to Hong Kong profits tax	(1,272)	563	(687)	(916)	(718)
Tax effect of share of results of an associate	(2)	6	—	—	—
(Over)/under provision in respect of prior years	(82)	(247)	1,959	1,991	—
Others	(341)	(2)	55	—	(4)
Income tax expenses	<u>19,860</u>	<u>15,517</u>	<u>18,150</u>	<u>7,909</u>	<u>8,409</u>

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the group reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 2 above.

15. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to Reorganisation, interim and final dividends, which has been paid or declared, are detailed as follows:

During the year ended 31 December 2010, King's Flair Development proposed a final dividend of HK\$30 per ordinary share to its equity holders, totally HK\$30,000,000. During the year ended 31 December 2011, the Group has paid the aforesaid final dividend of HK\$30,000,000 to the equity holders of King's Flair Development.

During the year ended 31 December 2011, Homespan (HK) and Manweal declared and paid interim dividends of HK\$148.30 and HK\$6.33 per ordinary share to their equity holders, totalling HK\$1,483,028 and HK\$1,900,000, respectively.

During the year ended 31 December 2012, King's Flair Development declared an interim dividend of HK\$40 per ordinary share to its equity holders, totalling HK\$40,000,000. Such dividend was not paid as of 31 December 2012, and included in dividend payable in the combined statements of financial position. During the year ended 31 December 2013, the Group has paid the dividend of HK\$40,000,000 to the equity holders of King's Flair Development.

During the six months ended 30 June 2013, Homespan (HK) declared and paid an interim dividend of HK\$80 per ordinary share to its equity holders, totalling HK\$800,000.

During the year ended 31 December 2013, King's Flair Development declared an interim dividend of HK\$60 per ordinary share to its equity holders, totalling HK\$60,000,000. Such dividend was not paid as of 31 December 2013 and 30 June 2014, and included in dividend payable in the combined statements of financial position.

During the year ended 31 December 2013, Homespan (HK) declared and paid an interim dividend of HK\$80 per ordinary share to its equity holders, totalling HK\$800,000 and the interim dividend entitled by the non-controlling interest was HK\$392,000.

During the six months ended 30 June 2014, King's Flair Development declared an interim dividend of HK\$50 per ordinary share to its equity holders, totalling HK\$50,000,000. Such dividend was not paid as of 30 June 2014, and included in dividend payable in the combined statements of financial position.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and yacht HK\$'000	Total HK\$'000
At 1 January 2011						
Cost	33,888	—	299	2,870	11,957	49,014
Accumulated depreciation	(8,809)	—	(299)	(2,065)	(2,909)	(14,082)
Net carrying amount	<u>25,079</u>	<u>—</u>	<u>—</u>	<u>805</u>	<u>9,048</u>	<u>34,932</u>
Year ended 31 December 2011						
Opening net carrying amount	25,079	—	—	805	9,048	34,932
Acquisition of subsidiary (note 40.1)	—	—	—	455	—	455
Additions	—	—	—	348	1,869	2,217
Depreciation	(784)	—	—	(406)	(1,500)	(2,690)
Exchange differences	—	—	—	6	—	6
Closing net carrying amount	<u>24,295</u>	<u>—</u>	<u>—</u>	<u>1,208</u>	<u>9,417</u>	<u>34,920</u>
At 31 December 2011 and 1 January 2012						
Cost	33,888	—	299	3,673	13,826	51,686
Accumulated depreciation	(9,593)	—	(299)	(2,465)	(4,409)	(16,766)
Net carrying amount	<u>24,295</u>	<u>—</u>	<u>—</u>	<u>1,208</u>	<u>9,417</u>	<u>34,920</u>
Year ended 31 December 2012						
Opening net carrying amount	24,295	—	—	1,208	9,417	34,920
Additions	—	—	12	1,705	—	1,717
Depreciation	(784)	—	(2)	(877)	(1,364)	(3,027)
Closing net carrying amount	<u>23,511</u>	<u>—</u>	<u>10</u>	<u>2,036</u>	<u>8,053</u>	<u>33,610</u>
At 31 December 2012 and 1 January 2013						
Cost	33,888	—	311	5,378	13,826	53,403
Accumulated depreciation	(10,377)	—	(301)	(3,342)	(5,773)	(19,793)
Net carrying amount	<u>23,511</u>	<u>—</u>	<u>10</u>	<u>2,036</u>	<u>8,053</u>	<u>33,610</u>
Year ended 31 December 2013						
Opening net carrying amount	23,511	—	10	2,036	8,053	33,610
Additions	—	3,292	—	1,509	1,243	6,044
Written off	—	(762)	—	—	—	(762)
Depreciation	(784)	(663)	(3)	(826)	(1,514)	(3,790)
Exchange differences	—	—	—	30	—	30
Closing net carrying amount	<u>22,727</u>	<u>1,867</u>	<u>7</u>	<u>2,749</u>	<u>7,782</u>	<u>35,132</u>

	Leasehold land and buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and yacht HK\$'000	Total HK\$'000
At 31 December 2013 and 1 January 2014						
Cost	33,888	2,430	11	4,860	15,069	56,258
Accumulated depreciation	(11,161)	(563)	(4)	(2,111)	(7,287)	(21,126)
Net carrying amount	<u>22,727</u>	<u>1,867</u>	<u>7</u>	<u>2,749</u>	<u>7,782</u>	<u>35,132</u>
Six months ended 30 June 2014						
Opening net carrying amount	22,727	1,867	7	2,749	7,782	35,132
Additions	—	—	—	1,597	—	1,597
Depreciation	(392)	(261)	(1)	(573)	(806)	(2,033)
Exchange differences	—	(54)	—	(33)	(5)	(92)
Closing net carrying amount	<u>22,335</u>	<u>1,552</u>	<u>6</u>	<u>3,740</u>	<u>6,971</u>	<u>34,604</u>
At 30 June 2014						
Cost	33,888	2,360	11	6,228	14,663	57,150
Accumulated depreciation	(11,553)	(808)	(5)	(2,488)	(7,692)	(22,546)
Net carrying amount	<u>22,335</u>	<u>1,552</u>	<u>6</u>	<u>3,740</u>	<u>6,971</u>	<u>34,604</u>

At 31 December 2011, 2012 and 2013 and 30 June 2014, certain of the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$23,516,000, HK\$22,768,000, HK\$22,020,000 and HK\$21,645,000 respectively are held under a long term lease; and the remaining leasehold land and buildings with an aggregate carrying amount of approximately HK\$779,000, HK\$743,000, HK\$707,000 and HK\$690,000 respectively are held under a short term lease. All of Group's leasehold land and buildings are situated in Hong Kong.

At 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$24,295,000, HK\$23,511,000, HK\$22,727,000 and HK\$22,335,000 were pledged to secure general banking facilities granted to the Group (note 31).

17. PREPAID LAND LEASE PAYMENTS

	At 31 December			At
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	30 June 2014 HK\$'000
At beginning of the year/period				
Cost	2,647	2,784	2,780	2,873
Accumulated amortisation	(541)	(626)	(681)	(763)
Net carrying amount	<u>2,106</u>	<u>2,158</u>	<u>2,099</u>	<u>2,110</u>
For the year ended/period ended				
Opening net carrying amount	2,106	2,158	2,099	2,110
Amortisation	(56)	(57)	(59)	(28)
Exchange differences	108	(2)	70	(62)
Closing net carrying amount	<u>2,158</u>	<u>2,099</u>	<u>2,110</u>	<u>2,020</u>
At end of the year/period				
Cost	2,784	2,780	2,873	2,789
Accumulated amortisation	(626)	(681)	(763)	(769)
Net carrying amount	<u>2,158</u>	<u>2,099</u>	<u>2,110</u>	<u>2,020</u>

The Group's prepaid land lease payments are for lands situated in the PRC under medium term leases.

18. OTHER ASSET

	At 31 December			At
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	30 June 2014 HK\$'000
Club membership, at cost	<u>172</u>	<u>172</u>	<u>172</u>	<u>172</u>

19. INTERESTS IN ASSOCIATES

	At 31 December			At
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	30 June 2014 HK\$'000
Share of net assets	<u>746</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due from associates	<u>115</u>	<u>4,610</u>	<u>6,960</u>	<u>1,510</u>

Amounts due from associates are unsecured, interest-free and repayable on demand.

Details of the associates as at 31 December 2011, 2012 and 2013 and 30 June 2014 are as follow:

Company name	Place of incorporation	Percentage of ownership interests	Principal activity
World Alliance Enterprises Limited ("World Alliance") (note (a))	HK	50%*	Trading of kitchenware products
Grand Venture Holdings Limited ("Grand Venture") (note (b))	HK	34%*	Selling and distribution of kitchenware products

Notes:

- (a) World Alliance was incorporated in Hong Kong with limited liability on 21 October 1998, the Company indirectly owns 50% equity interests. World Alliance has applied for deregistration in February 2013 and was dissolved in July 2013.
- (b) Grand Venture was incorporated in Hong Kong on 5 July 2011 and become the Company's associate since 16 February 2012. Pursuant to the shareholder agreement dated 28 September 2012, Grand Venture Enterprises Limited, the venturer of Grand Venture, an independent third party, and Manweal each commits to provide an interest-free loan in amount of US\$500,000 to Grand Venture and to be repaid on demand.

The following table illustrates the summarised financial information of the Group's associates extracted from their unaudited management accounts:

	At 31 December			At
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	30 June 2014 HK\$'000
Total assets	1,586	9,212	7,763	1,536
Total liabilities	(94)	(9,224)	(10,850)	(5,400)
Net assets/(liabilities)	<u>1,492</u>	<u>(12)</u>	<u>(3,087)</u>	<u>(3,864)</u>
Group's share of net assets	<u>746</u>	<u>—</u>	<u>—</u>	<u>—</u>
For the year / period ended				
Total revenue for the year/period	1,492	683	63	—
Profit/(loss) for the year/period	20	(76)	(3,075)	(777)
Group's share of profit/(loss) for the year/period	<u>10</u>	<u>(38)</u>	<u>—</u>	<u>—</u>

The Group has not incurred any contingent liabilities or other commitments relating to its investment in associates.

20. INTANGIBLE ASSET

	Customer relationships <i>HK\$'000</i>
At 31 December 2011 and 2012	
Cost	—
Accumulated amortisation	—
Net carrying amount	<u>—</u>
Year ended 31 December 2013	
Opening net carrying amount	—
Acquisition of Wonder Household (note 40.2)	24,031
Closing net carrying amount	<u>24,031</u>
At 31 December 2013 and 1 January 2014	
Cost	24,031
Accumulated amortisation	—
Net carrying amount	<u>24,031</u>
Period ended 30 June 2014	
Opening net carrying amount	24,031
Amortisation	(2,403)
Closing net carrying amount	<u>21,628</u>
At 30 June 2014	
Cost	24,031
Accumulated amortisation	(2,403)
Net carrying amount	<u>21,628</u>

Intangible asset represented the customer relationships acquired by the Group in connection with the acquisition of Wonder Household completed on 31 December 2013. The amortisation charge for the year/period is included in administrative expenses in the combined statements of comprehensive income. The Group assessed the fair value of the customer relationships at the date of acquisition of Wonder Household with reference to a valuation performed by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent professional valuer. LCH is a professional surveyors firm in Hong Kong with appropriate qualification and experience to value similar type of intangible asset. LCH's project leader in charge of this valuation exercise has been involved in similar services and is a member of the Hong Kong Institute of Surveyors ("HKIS"). She is also a valuer on the "List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the HKIS.

The valuation of the customer relationships was conducted using the multi-period excess earnings method, which is an application of the discounted cash flow model. Based on the projected future earnings streams attributable to the customer relationships, economic charges for the use of assets used in generating the income projection of the customer relationships were deducted. The fair value of the customer relationships was then arrived at by discounting the projected future earnings streams to present value. Key assumptions include the discount rate of 17.0% being applied to the discounted cash flow model, which is determined using the "Capital Asset Pricing Model". LCH confirmed that the assessed customer relationships fair value was considered as reasonable based on the methodology, assumptions and parameters adopted, and that this valuation methodology is appropriate for valuing similar type of intangible asset.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Bond funds, at fair value	37,659	—	—	—

The fair value of the Group's investment in bond funds has been determined by reference to their quoted market prices at the reporting dates.

22. INVENTORIES

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Merchandises, at cost	2,076	9,317	10,225	9,098

23. TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade receivables	121,166	117,035	160,258	189,221
Bills receivables	107	—	—	329
	<u>121,273</u>	<u>117,035</u>	<u>160,258</u>	<u>189,550</u>

As at 31 December 2011, 2012 and 2013 and 30 June 2014, included in trade and bills receivables with approximately HK\$33,555,000, HK\$21,089,000, HK\$4,676,000 and Nil respectively were trade balances due from related companies with details as follows:

Name of related parties	Notes	Amount outstanding		Maximum amount outstanding during the year HK\$'000
		At 1 January HK\$'000	At 31 December HK\$'000	
2011				
Homespan (UK) Limited*	39.2	2,085	3,894	3,894
Winlot Group [#]	39.2	40,245	29,661	40,245
		<u>42,330</u>	<u>33,555</u>	
2012				
Homespan (UK) Limited*	39.2	3,894	—	3,894
Winlot Group [#]	39.2	29,661	21,089	29,661
		<u>33,555</u>	<u>21,089</u>	
2013				
Winlot Group [#]	39.2	21,089	4,676	21,089

Name of related party	Note	Amount outstanding		Maximum amount outstanding during the period HK\$'000
		At 1 January 2014 HK\$'000	At 30 June 2014 HK\$'000	
Winlot Group [#]	39.2	<u>4,676</u>	<u>—</u>	4,676

* Homespan (UK) Limited ceased to be an associate of the Group from 14 December 2012 upon the disposal of the equity interest in the associate to an independent third party.

[#] Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law of Mr. Wong, was a shareholder and a director of the related company.

The Group's trading terms with customers are mainly on credit. The credit terms are generally 7 to 90 days. All trade and bills receivables are interest-free.

At each reporting date, the Group's trade and bills receivables were individually determined to be impaired. As at 31 December 2011, 2012 and 2013 and 30 June 2014, there was no impairment of trade and bills receivables.

The directors of the Company considered the fair values of trade and bills receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade and bills receivables as at each reporting date, based on the invoices dates, is as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
0-30 days	67,097	86,333	94,125	126,819
31-60 days	33,705	23,886	45,890	57,065
61-90 days	6,340	3,834	7,901	4,875
Over 90 days	14,131	2,982	12,342	791
	<u>121,273</u>	<u>117,035</u>	<u>160,258</u>	<u>189,550</u>

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Neither past due nor impaired	63,261	80,078	93,983	124,616
Less than 60 days past due	43,197	34,206	53,708	64,297
Past due more than 60 days but less than 1 year	14,784	2,518	11,471	581
Past due more than 1 year but less than 2 years	31	233	1,096	56
	<u>121,273</u>	<u>117,035</u>	<u>160,258</u>	<u>189,550</u>

Trade and bills receivables that were neither past due nor impaired related to customers for whom there were no recent history of default.

At each reporting date, trade and bill receivables that were past due but not impaired related to customers with good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade deposits paid to suppliers (<i>note (a)</i>)	36,984	20,729	24,557	32,437
Other deposits	980	1,487	1,919	1,804
Prepayments (<i>note (b)</i>)	7,466	10,316	11,427	10,132
Other receivables (<i>note (c)</i>)	2,893	602	224	114
	<u>48,323</u>	<u>33,134</u>	<u>38,127</u>	<u>44,487</u>

Notes:

- (a) The Group's trade deposits represented the purchase deposits paid to various independent third parties for supply of trading goods.
- (b) As at 31 December 2012, included in prepayments was approximately HK\$279,000 due from a related party, Ignite Hong Kong Limited (note 39.2), which were unsecured, interest free and repayable on demand. Mr. Wong and Ms. Cheng are the shareholders or directors of this related company.

	At 31 December 2013 HK\$'000	Maximum balance outstanding during the year 2013 HK\$'000	At 31 December 2012 HK\$'000
Ignite Hong Kong Limited	—	279	279

(c)

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Other receivables	6,976	4,685	224	114
Less: Provision for impairment loss	(4,083)	(4,083)	—	—
Other receivables, net	<u>2,893</u>	<u>602</u>	<u>224</u>	<u>114</u>

All other receivables that are neither individually nor collectively considered to be impaired are due from counterparties for whom there was no recent history of default. The balance was unsecured, interest free and repayable on demand. Management considered that other receivables that were neither past due nor impaired as at each reporting date under review are of good credit quality.

Movements in the provision for impairment loss on other receivables are as follows:

	Year ended 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
At 1 January	—	4,083	4,083	—
Impairment loss on other receivables	4,083	—	—	—
Less: Written off as uncollectible	—	—	(4,083)	—
At 31 December	<u>4,083</u>	<u>4,083</u>	<u>—</u>	<u>—</u>

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity securities, at fair value:				
— in Hong Kong	33,096	36,506	32,342	27,990

During the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014, the change in fair value in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK\$4,968,000 in deficit, HK\$3,410,000 in surplus, HK\$4,164,000 in deficit, HK\$5,549,000 (unaudited) in deficit and HK\$4,352,000 in deficit respectively.

The fair value of the Group's investment in listed securities has been determined by reference to their quoted market prices at the reporting dates.

26. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are disclosed as follows pursuant to section 78(1) of Schedule 11 to the Hong Kong Companies Ordinances, Cap. 622 which requires compliance with section 161B of the Hong Kong Companies Ordinance, Cap. 32:

Name of related parties	Relationship (Notes)	Amount outstanding		Maximum amount outstanding during the year HK\$'000
		At 1 January	At 31 December	
		HK\$'000	HK\$'000	
2011				
Dark Star	(a)	50	3,493	3,493
Fund Wise Company Limited	(a)	950	589	950
Debound Limited	(a)	—	14	14
		<u>1,000</u>	<u>4,096</u>	
2012				
Dark Star	(a)	3,493	—	3,493
Fund Wise Company Limited	(a)	589	—	589
Debound Limited	(a)	14	—	14
		<u>4,096</u>	<u>—</u>	

Notes:

- (a) Mr. Wong and/or Ms. Cheng and/or Ms. Wong Fook Chi are shareholders or directors of these related companies.
- (b) The balances due were unsecured, interest-free and repayable on demand.

27. PLEDGED BANK DEPOSITS

	At 31 December		At 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Pledged bank deposits, denominated in — HK\$	8,052	8,053	9,611	9,612

Pledged bank deposits have been pledged to certain banks as securities for general banking facilities granted to the Group (note 31.2).

Pledged bank deposits are deposited with creditworthy banks. The directors of the Company considered that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

28. CASH AND BANK BALANCES

	At 31 December		At 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash and bank balances	58,942	128,388	136,650	141,940
Short-term bank deposits	10,718	—	—	—
Total cash and bank balances	69,660	128,388	136,650	141,940

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group has cash and bank balances denominated in RMB amounted to approximately HK\$21,111,000, HK\$13,830,000, HK\$5,126,000 and HK\$4,334,000 respectively, which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that is authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

The effective interest rates of the Group's short-term bank deposits as at 31 December 2011 were 0.1% to 1% per annum and have original maturity periods of 7 to 30 days.

The bank balances are deposited with creditworthy banks. The directors of the Company considered that the fair value of the cash and bank balances is not materially different from their carrying amount because of the short maturity period on their inception.

29. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest bearing and normally have a credit period of 0 to 90 days.

	At 31 December		At 30 June	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade payables	44,118	82,808	116,525	110,584
Bills payables (<i>note</i>)	20,169	611	3,000	7,199
	64,287	83,419	119,525	117,783

Note: At 31 December 2011, 2012 and 2013 and 30 June 2014, bills payables were secured by the pledge of leasehold land and buildings (note 16) with the carrying amount of HK\$24,295,000, HK\$23,511,000, HK\$22,727,000 and HK\$22,335,000 respectively, and the personal guarantees given by Mr. Wong and Ms. Cheng (note 39.1(h)).

An ageing analysis of the Group's trade payables as at each reporting date, based on the invoices dates is as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
0-90 days	64,287	80,579	110,768	111,170
91-180 days	—	2,840	854	1,195
181-365 days	—	—	1,262	638
Over 365 days	—	—	6,641	4,780
	<u>64,287</u>	<u>83,419</u>	<u>119,525</u>	<u>117,783</u>

The directors considered the carrying amounts of trade and bills payables to approximate their fair values.

30. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Deposits received	1,663	4,239	979	993
Accruals	6,351	9,838	25,502	20,834
Other payables (<i>note</i>)	<u>1,119</u>	<u>1,196</u>	<u>1,448</u>	<u>2,073</u>
	<u>9,133</u>	<u>15,273</u>	<u>27,929</u>	<u>23,900</u>

Note: As at 31 December 2011, 2012 and 2013 and 30 June 2014, included in other payables with approximately HK\$75,000, Nil, HK\$866,000 and HK\$888,000 respectively were balances due to a related party which was unsecured, interest-free and repayable on demand. Mr. Wong and Ms. Cheng are shareholders or directors of this related company.

Name of related company	Notes	At 31 December			At 30 June
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Ignite Hong Kong Limited	39.2	<u>75</u>	<u>—</u>	<u>886</u>	<u>888</u>

The directors considered the carrying amounts of deposits received, other payables and accruals to approximate their fair values as at the reporting dates.

31. BANK BORROWINGS

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Term loans (<i>note 31.1</i>)	26,735	12,480	5,511	1,970
Bank overdrafts (<i>note 31.2</i>)	15,493	15,367	15,227	9,773
	<u>42,228</u>	<u>27,847</u>	<u>20,738</u>	<u>11,743</u>

31.1 Term loans

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Portion of term loans from banks due for repayment				
— within one year	14,254	6,968	4,324	1,134
— after one year which contain repayment on demand clause	<u>12,481</u>	<u>5,512</u>	<u>1,187</u>	<u>836</u>
	<u>26,735</u>	<u>12,480</u>	<u>5,511</u>	<u>1,970</u>

The Group's interest-bearing bank borrowings, including the term loans with a repayment on demand clause, are carried at amortised cost. As at 31 December 2011, 2012 and 2013 and 30 June 2014, none of the portions of term loans due for repayment after one year which is classified as current liability is expected to be settled within one year.

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Portion of term loans from banks due for repayment				
— within one year	14,254	6,968	4,324	1,134
— after one year (<i>note</i>)				
— after 1 year but within 5 years	<u>12,481</u>	<u>5,512</u>	<u>1,187</u>	<u>836</u>
	<u>26,735</u>	<u>12,480</u>	<u>5,511</u>	<u>1,970</u>

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

All of the Group's term loan agreements contain clauses which gave the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 42.1(e). As at 31 December 2011, 2012 and 2013 and 30 June 2014, none of the covenants relating to drawn down facilities had been breached.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's term loans were secured by the pledge of leasehold land and buildings (note 16) with the aggregate carrying amount of HK\$24,295,000, HK\$23,511,000, HK\$22,727,000 and HK\$22,335,000 respectively, and personal guarantees given by Mr. Wong and Ms. Cheng (note 39.1 (h)).

Term loans with outstanding sum of HK\$4,432,000, HK\$2,332,000, HK\$1,080,000 and HK\$436,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively were guaranteed by the Hong Kong Special Administrative Region Government under the Special Loan Guarantee Scheme for a maximum limit equal to 70% to 80% of the outstanding loan amounts.

The ranges of effective interest rates per annum of the Group's bank borrowings are as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
Floating-rate borrowings	1.80% to 5.50%	1.98% to 5.50%	1.71% to 3.75%	2.50% to 3.75%

The directors of the Company estimate the fair value of the bank loans by discounting their future cash flows at the market rate and the directors consider that the carrying amounts of the Group's borrowings approximate to their fair values at the end of the Relevant Periods.

31.2 Bank overdrafts

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's bank overdrafts are secured by the Group's certain pledged bank deposits amounting to HK\$8,052,000, HK\$8,053,000, HK\$8,054,000 and HK\$8,054,000 respectively (note 27), and personal guarantees given by the Company's directors, Mr. Wong, and Ms. Cheng (note 39.1(h)).

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Group's bank overdrafts bore interest ranged from 4% to 5.25%, 4% to 5.25%, 4% to 6% and 4% to 6% per annum respectively.

32. AMOUNTS DUE TO A DIRECTOR /RELATED PARTIES

As at 31 December 2011, the amounts due to a director and related parties are unsecured, interest-free and repayable on demand.

As at 31 December 2013, the amounts due to related parties represented the partial outstanding consideration relating to the acquisition of Wonder Household (note 40.2) of HK\$4,800,000 and HK\$4,800,000 which is repayable within three months and six months respectively from 31 December 2013. These balances have been fully settled during the six months ended 30 June 2014.

33. LOANS FROM NON-CONTROLLING INTERESTS

As at 31 December 2012, the loans from non-controlling interests are unsecured, interest-free and repayable on demand.

As at 31 December 2013, loans from non-controlling interests of HK\$1,920,000 and RMB9,800,000 (equivalent to HK\$12,500,000) are unsecured, interest-free and repayable on 30 June 2015 and 31 December 2015 respectively.

As at 30 June 2014, loans from non-controlling interests of approximately RMB500,000 (equivalent to HK\$619,000), HK\$1,920,000, RMB9,800,000 (equivalent to HK\$12,136,000) and RMB2,400,000 (equivalent to HK\$2,972,000) are unsecured, interest-free and repayable on 30 September 2014, 30 June 2015, 31 December 2015 and 24 April 2017 respectively.

34. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the Relevant Periods:

	Accelerated tax depreciation HK\$'000	Provision HK\$'000	Tax loss HK\$'000	Available- for- sale financial assets HK\$'000	Fair value adjustment on intangible asset upon business combination HK\$'000	Total HK\$'000
At 1 January 2011	(737)	62	5,773	(2,740)	—	2,358
Charged to profit or loss	(3,640)	(62)	(5,773)	—	—	(9,475)
Reversal of deferred tax previously recognised in revaluation reserve	—	—	—	2,740	—	2,740
At 31 December 2011 and 1 January 2012	(4,377)	—	—	—	—	(4,377)
Credited to profit or loss	143	—	—	—	—	143
At 31 December 2012 and 1 January 2013	(4,234)	—	—	—	—	(4,234)
Acquisition of a subsidiary (note 40.2)	—	—	—	—	(3,965)	(3,965)
Credited to profit or loss	90	—	—	—	—	90
At 31 December 2013 and 1 January 2014	(4,144)	—	—	—	(3,965)	(8,109)
Credited to profit or loss	48	—	—	—	397	445
At 30 June 2014	(4,096)	—	—	—	(3,568)	(7,664)

During the year ended 31 December 2011, the Group had revisited the relevant tax rules and considered that the deductible temporary differences arising from the fair value loss of the available-for-sale financial assets no longer existed and hence, such deferred tax assets of HK\$5.8 million was released to profit or loss.

The amounts recognised in the combined statements of financial position are as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	7	6	6	5
Deferred tax liabilities	(4,384)	(4,240)	(8,115)	(7,669)

The estimated unused tax losses carried forward not recognised in the combined financial statements due to unpredictability of future profit streams are as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Estimated unused tax losses	—	7,097	17,957	22,041

The PRC estimated tax losses can only be carried forward for a maximum period of five years and the Hong Kong estimated tax losses can be carried forward indefinitely. The expiry of estimated unused tax losses for which no deferred tax assets have been recognised is as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Estimated tax losses will expire in various dates up to 2019	—	5,060	14,415	18,340
Estimated tax losses can be carried forward indefinitely	—	2,037	3,542	3,701
	—	7,097	17,957	22,041

35. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 25 June 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each, 1,000 ordinary shares were issued at nil paid upon incorporation.

36. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2011, 2012 and 2013 and 30 June 2014 are presented in the combined statements of changes in equity.

Merger reserve

The merger reserve of the Group arose as a result of the Reorganisation which was completed on 24 December 2014 and represented the difference between the consideration under the Reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

37. OPERATING LEASE COMMITMENTS

At each reporting date, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings and plant and machinery are as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Land and buildings				
Within one year	919	4,607	3,907	2,118
In the second to fifth years	477	6,502	6,145	1,827
	<u>1,396</u>	<u>11,109</u>	<u>10,052</u>	<u>3,945</u>
Plant and machinery				
Within one year	163	448	186	115
In the second to fifth years	354	218	31	—
	<u>517</u>	<u>666</u>	<u>217</u>	<u>115</u>
Total				
Within one year	1,082	5,055	4,093	2,233
In the second to fifth years	831	6,720	6,176	1,827
	<u>1,913</u>	<u>11,775</u>	<u>10,269</u>	<u>4,060</u>

The leases run for an initial period of three months to five years.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, none of these lease arrangements include contingent rentals.

For the Relevant Periods, no additional rental expense was charged by the lessor.

38. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Commitments for the acquisition of property, plant and equipment:				
— authorised but not contracted for	—	1,727	134	—
	<u>—</u>	<u>1,727</u>	<u>134</u>	<u>—</u>

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following significant transactions with related parties during the Relevant Periods:

39.1 Significant transactions with related parties

Nature of transaction	Name of company	Notes	Year ended 31 December			Six months ended 30 June	
			2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
						(unaudited)	
Purchase of goods	Standard Metal & Plastic Manufacturing Co., Limited	(a)	64,605	—	—	—	—
	中山易廚家庭用品有限公司	(b)	1,070	15,793	—	—	—
Sale of goods	World Alliance	(c)	1,308	597	—	—	—
	Winlot Group	(c)	187,495	176,044	178,144	67,825	—
	Homespan (UK) Limited	(e)	2,777	6,019	—	—	—
Management fee received	World Alliance	(c)	150	125	—	—	—
Information technology support services fee paid	Houzehold Trend Limited	(d)	540	495	—	—	—
Sales handling fee received	Homespan (UK) Limited	(e)	3,221	301	—	—	—
Consultancy fee paid	Homespan (UK) Limited	(e)	4,746	3,890	—	—	—
Licensing fee paid	Ignite Hong Kong Limited	(f)	1,707	2,201	2,729	1,492	1,385
Dividend income received	World Alliance	(c)	2,723	709	—	—	—
Management fee income	Grand Venture	(c)	—	—	3,069	2,181	774
Motor vehicle expenses	Fund Wise Company Limited	(g)	360	—	—	—	—
Acquisition of Wonder Household	Winlot Group	40.2	—	—	19,200	—	—

Notes:

- (a) A related company, of which Mr. Wong and Ms. Cheng are the shareholders or directors, has been dissolved on 11 October 2013.
- (b) A related company, of which Mr. Wong and Mr. Wong's brother, Mr. Wong Wan Kwong are the shareholders and/or directors until 5 April 2012.
- (c) Related companies/an associate, Mr. Wong, Ms. Cheng and Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law to Mr. Wong are the shareholders or directors of these related companies/an associate.

- (d) A related company of which Mr. Wong is the shareholder and director until 22 November 2012 and 18 October 2012 respectively.
- (e) A related company which ceased to be an associate of the Group from 14 December 2012 upon the disposal of the equity interest in the associate to an independent third party.
- (f) A related company, of which Mr. Wong and Ms. Cheng are the shareholders or directors.
- (g) A related company of which Mr. Wong is the shareholder and the director.
- (h) During the Relevant Periods, Mr. Wong and Ms. Cheng provided personal guarantees to certain banks for granting the general banking facilities to the Group. As at 31 December 2011, 2012 and 2013 and 30 June 2014, total amount of banking facilities of approximately HK\$116,964,000, HK\$28,458,000, HK\$23,738,000, and HK\$18,942,000, respectively, have been utilised by the Group.
- (i) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

39.2 Outstanding balances with related parties

Details of the Group's balances with the related parties as disclosed in notes 19, 23, 24, 26 and 30 to the Financial Information were arising from the related party transactions as summarised in note 39.1; details of the Group's balances with the related parties as disclosed in notes 32 and 33 to the Financial Information were current account in nature.

39.3 Compensation of key management personnel

The directors are of the opinion that the key management personnel were all directors of the Company, details of whose emoluments are set out in note 12.1.

40. ACQUISITION OF SUBSIDIARIES

40.1 Acquisition of PRC JV

As disclosed in note 1 to the Financial Information, on 10 October 2011 (the "Acquisition Date 1"), Manweal, a Company's subsidiary, completed the acquisition of 51% equity interest of PRC JV from PRC JV NCI at a cash consideration of approximately HK\$3,106,000 (approximately of RMB2,550,000) by way of capital injection. On the same date, all registered capital has been fully paid up by the Group. PRC JV is principally engaged in trading of kitchenware products in the PRC. The acquisition of PRC JV represents an opportunity for the Group broaden its sources of income by diversifying its customer base.

Since the Acquisition Date 1, the Group through its subsidiary, obtained control over the operating and financial policies of PRC JV which became a subsidiary of the Company and its financial results have been consolidated into the Financial Information using acquisition method of accounting from the Acquisition Date 1.

The fair values of the identifiable assets and liabilities arising from the acquisition of PRC JV at the Acquisition Date 1 are as follows:

	<i>HK\$'000</i>
Property, plant and equipment (<i>note 16</i>)	455
Inventories	852
Trade receivables	87
Other receivables, deposits and prepayments	777
Cash and bank balances	4,005
Trade and other payables	(38)
	<hr/>
Fair value of net identifiable assets acquired	6,138
	<hr/> <hr/>
Fair value of consideration in cash	3,106
<i>Plus: Non-controlling interests (note (i))</i>	3,032
<i>Less: Fair value of net identifiable assets acquired</i>	(6,138)
	<hr/>
	<hr/> <hr/>
Fair value of consideration satisfied by:	
Cash (equivalent to RMB2,551,000)	3,106
	<hr/> <hr/>
Net cash inflow arising on acquisition	
Cash and bank balances acquired	4,005
<i>Less: Cash consideration</i>	(3,106)
	<hr/>
Net cash inflow arising on acquisition for the year ended 31 December 2011	899
	<hr/> <hr/>

Notes:

- (i) Non-controlling interests are measured at the non-controlling interests' proportionate share of 49% on the fair value of net identifiable assets acquired at Acquisition Date 1.
- (ii) Management of the Group assessed that no significant synergies expected to be achieved from acquisition of PRC JV and there was no material difference between the fair value and the net carrying amount of the net identifiable assets of PRC JV acquired as at the Acquisition Date 1.

Since the acquisition, PRC JV contributed revenue and loss to the Group of approximately HK\$1,530,000 and HK\$581,000 respectively for the year ended 31 December 2011.

Had the business combination been taken place on 1 January 2011, revenue and profit for the year of the Group would have been HK\$974,476,000 and HK\$45,621,000 respectively for the year ended 31 December 2011.

The above proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be projection of future results.

In March 2012, the registered capital of PRC JV was increased from RMB5,000,000 to RMB10,000,000, of which an amount of RMB4,950,000 shall be contributed by the Group whilst the remaining amount of RMB50,000 shall be contributed by PRC JV NCI. As a result of change in equity interest, as at 31 December 2012, the equity interest in PRC JV by Manweal was increased from 51% to 75% accordingly.

40.2 Acquisition of Wonder Household

On 31 December 2013 (the "Acquisition Date 2"), King's Flair Development acquired an aggregate of 10,000 ordinary shares of HK\$1 each in Wonder Household being the entire issued share capital thereof, from a related company, Oera, which is wholly-owned by Ms. Cheng Kui Mei, May, a sister of Ms. Cheng and therefore sister-in-law to Mr. Wong at a cash consideration of approximately HK\$19,200,000. Wonder Household is principally engaged in trading of kitchenware products. The acquisition of Wonder Household represents an opportunity to broaden the Group's customer base. This acquisition constitutes a related party transaction.

Having satisfied the terms and condition of the sale and purchase agreement, King's Flair Development obtained control over the operating and financial policies of Wonder Household which became a subsidiary of the Company and its financial results have been consolidated into the Financial Information from the Acquisition Date 2.

The fair values of the identifiable assets and liabilities arising from the acquisition of Wonder Household at the Acquisition Date 2 are as follows:

	<i>HK\$'000</i>
Intangible asset (<i>note 20</i>)	24,031
Trade receivables	26,094
Other receivables, deposits and prepayments	181
Cash and bank balances	806
Prepaid tax	1,781
Trade payables	(23,083)
Deposits received, other payables and accruals	(345)
Deferred tax liabilities (<i>note 34</i>)	(3,965)
	<hr/>
Fair value of net identifiable assets acquired	25,500
Less: Fair value of consideration in cash	(19,200)
	<hr/>
Gain on bargain purchase	6,300
	<hr/> <hr/>
Purchase consideration satisfied by:	
Cash	19,200 [#]
	<hr/> <hr/>
Analysis of cash flows on acquisition of a subsidiary	
Cash and bank balances acquired	806
Cash consideration	(19,200)
Unsettled cash consideration as at 31 December 2013	9,600
	<hr/>
Net cash outflow arising on acquisition for the year ended 31 December 2013	(8,794)
	<hr/> <hr/>

[#] Including unsettled cash consideration of HK\$9,600,000 as at 31 December 2013 (*note 32*). These amount has been fully settled during the six months ended 30 June 2014.

Gain on bargain purchase of HK\$6,300,000 is mainly attributable to long-term business relationship with the Group such that benefits are derived at the time of determining the purchase consideration of the acquisition.

Acquisition related costs amounted to HK\$120,000 have been recognised as administrative expense for the year ended 31 December 2013.

Had the business combination been taken place on 1 January 2013, revenue and profit for the year of the Group would have been HK\$1,248,802,000 and HK\$82,882,000 respectively for the year ended 31 December 2013.

The above proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be projection of future results.

41. CONTINGENT LIABILITIES

At the end of each reporting period, neither the Group nor the Company have any significant contingent liabilities.

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks, (specifically to foreign currency risk, interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in note 42.2.

(a) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates and invests in Hong Kong with most of the transactions denominated and settled in HK\$, US\$ and RMB respectively. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB, which is the functional currency of the subsidiaries in the PRC to which these transactions relate. As US\$ is pegged to HK\$, the Group does not expect any significant movement in the HK\$/US\$ exchange rate. No sensitivity analysis in respect of the Group's sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as at the reporting dates.

Foreign currency risk arises from the Group's financial assets and liabilities, which were denominated in RMB other than the functional currency at the end of each reporting period are as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade and bills receivables	3,308	1,168	1,204	1,503
Prepayments, deposits and other receivables	—	—	11	582
Cash and bank balances	18,412	7,017	3,966	2,931
Trade and bills payables	(4,478)	(12,010)	(20,441)	(14,099)
Deposits received, other payables and accruals	—	—	—	(18)
Overall net exposure	17,242	(3,825)	(15,260)	(9,101)

The following table indicates the approximate effect on the profit for the year/period in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period. The appreciation and depreciation of 4% in HK\$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the Relevant Periods.

	Increase/(Decrease) on profit for the year/period			
	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB to HK\$				
Appreciation by 4%	576	(128)	(510)	(152)
Depreciation by 4%	(576)	128	510	152
	<u>576</u>	<u>(128)</u>	<u>(510)</u>	<u>(152)</u>

During the years ended 31 December 2011 and 2012, in order to manage the foreign exchange risk arising from the Group's financial assets and liabilities denominated in foreign currencies, the Group enters into foreign currency forward contracts to reduce foreign exchange risk.

The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's cash and cash equivalents are held in major reputable financial institutions in Hong Kong and the PRC, which management believes are of high credit quality.

The Group has policies in place to ensure that service rendered and sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 7 to 90 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group has concentration of credit risk with respect to trade receivables. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's trade receivables due from 4, 4, 4 and 4 customers, of approximately HK\$90,932,000, HK\$83,974,000 and HK\$95,213,000 and HK\$155,308,000 represented 75%, 72%, 59% and 82% of trade receivables respectively. As at 31 December 2011, 2012 and 2013 and 30 June 2014, included in trade receivables with approximately HK\$33,555,000, HK\$21,089,000 and HK\$4,676,000 and nil respectively were trade balances due from related companies.

These customers and related parties are in good settlement records and reputation. The management believes that the credit risk on the amount due is minimal.

The Group has assessed the recoverability of all overdue receivables. The directors of the Group consider that no provision is necessary to cover the credit risk by reference to the counterparty's default history.

The measures to manage credit risk have been followed by the Group since prior years and are considered to be effective.

(c) *Interest rate risk*

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

Other than cash and bank balances (note 28), bills payables (note 29) and bank borrowings (note 31), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2011, 2012 and 2013 and 30 June 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year/period (through the impact on the Group's bank borrowings and bills payables which are subject to floating interest rate) by approximately HK\$261,000, HK\$119,000, HK\$99,000 and HK\$40,000 respectively. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(d) *Price risk*

The Group is exposed to equity price risk through its investments in equity securities which are classified as financial assets measured at fair value through profit or loss and available-for-sale financial assets. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and followed by the Group since prior years and are considered to be effective. The Group are not exposed to commodity price risk.

Sensitivity analysis

The following table demonstrates the sensitivity as if equity prices had increased/(decreased) by 10% change in the fair values of the equity investments, with all other variables held constant, before any impact of tax for each reporting date. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the revaluation reserve and no account is given for factors such as impairment which might impact the combined statements of comprehensive income.

	Carrying Amount HK\$'000	Effect on percentage change: Increase/(decrease) by 10% in equity price	
		Increase/ (decrease) in profit for the year/ period HK\$'000	Increase/ (decrease) in revaluation reserve HK\$'000
At 31 December 2011			
Financial assets at fair value through profit or loss			
— Bond funds	37,659	3,766/(3,766)	N/A
Available-for-sale financial assets			
— Listed equity securities in HK	33,096	N/A	3,310/(3,310)
At 31 December 2012			
Available-for-sale financial assets			
— Listed equity securities in HK	36,506	N/A	3,651/(3,651)
At 31 December 2013			
Available-for-sale financial assets			
— Listed equity securities in HK	32,342	N/A	3,234/(3,234)
At 30 June 2014			
Available-for-sale financial assets			
— Listed equity securities in HK	27,990	N/A	2,799/(2,799)

(e) *Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes.

The Group's liquidity position is monitored on a daily basis by the management.

The following table summarises the remaining contractual maturities at the reporting dates of the Group's financial liabilities, which are based on contractual undiscounted payments.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay. That is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>
At 31 December 2011				
Trade and bills payables	64,287	64,287	64,287	—
Other payables and accruals	7,470	7,470	7,470	—
Amount due to a director	3,479	3,479	3,479	—
Amounts due to related parties	83,657	83,657	83,657	—
Bank borrowings*	42,228	42,228	42,228	—
	<u>201,121</u>	<u>201,121</u>	<u>201,121</u>	<u>—</u>
At 31 December 2012				
Trade and bills payables	83,419	83,419	83,419	—
Other payables and accruals	11,034	11,034	11,034	—
Dividend payable	40,000	40,000	40,000	—
Bank borrowings*	27,847	27,847	27,847	—
Loans from non-controlling interests	14,019	14,019	14,019	—
	<u>176,319</u>	<u>176,319</u>	<u>176,319</u>	<u>—</u>
At 31 December 2013				
Trade and bills payables	119,525	119,525	119,525	—
Other payables and accruals	26,950	26,950	26,950	—
Dividend payable	60,000	60,000	60,000	—
Amount due to a related party	9,600	9,600	9,600	—
Bank borrowings*	20,738	20,738	20,738	—
Loans from non-controlling interests	14,420	14,420	—	14,420
	<u>251,233</u>	<u>251,233</u>	<u>236,813</u>	<u>14,420</u>
At 30 June 2014				
Trade and bills payables	117,783	117,783	117,783	—
Other payables and accruals	22,907	22,907	22,907	—
Dividend payable	110,000	110,000	110,000	—
Bank borrowings*	11,743	11,743	11,743	—
Loans from non-controlling interests	17,647	17,647	2,539	15,108
	<u>280,080</u>	<u>280,080</u>	<u>264,972</u>	<u>15,108</u>

* Balance included term loans which are subject to repayment on demand clauses.

The measures to manage liquidity risk have been followed by the Group since prior years and are considered to be effective.

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2011	26,735	27,428	14,639	12,789
At 31 December 2012	12,480	12,794	7,185	5,609
At 31 December 2013	5,511	5,608	4,395	1,213
At 30 June 2014	1,970	2,016	1,167	849

(f) *Fair value risk*

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

The following table presents assets measured at fair value in the combined statements of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value as at 31 December 2011, 2012 and 2013 and 30 June 2014 in the combined statements of financial position are grouped into the fair value hierarchy as follows:

Recurring fair value measurement	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
31 December 2011				
Financial asset measured at fair value through profit or loss				
— Bond funds	—	37,659	—	37,659
Available-for-sale financial assets				
— Listed equity securities, at fair values	<u>33,096</u>	<u>—</u>	<u>—</u>	<u>33,096</u>
Total fair values	<u><u>33,096</u></u>	<u><u>37,659</u></u>	<u><u>—</u></u>	<u><u>70,775</u></u>
31 December 2012				
Available-for-sale financial assets				
— Listed equity securities, at fair values	<u>36,506</u>	<u>—</u>	<u>—</u>	<u>36,506</u>
31 December 2013				
Available-for-sale financial assets				
— Listed equity securities, at fair values	<u>32,342</u>	<u>—</u>	<u>—</u>	<u>32,342</u>
30 June 2014				
Available-for-sale financial assets				
— Listed equity securities, at fair values	<u>27,990</u>	<u>—</u>	<u>—</u>	<u>27,990</u>

The bond funds are denominated in US\$ and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

The listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 in the Relevant Periods.

42.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at each reporting dates are also analysed into the following categories. See notes 5.10 and 5.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Financial assets				
Available-for-sale financial assets	33,096	36,506	32,342	27,990
Financial asset at fair value through profit or loss	37,659	—	—	—
Loans and receivables				
— Trade and bills receivables	121,273	117,035	160,258	189,550
— Other deposits and other receivables	3,873	2,089	2,143	1,918
— Amounts due from associates	115	4,610	6,960	1,510
— Amount due from related parties	4,096	—	—	—
Pledged bank deposits	8,052	8,053	9,611	9,612
Cash and bank balances	69,660	128,388	136,650	141,940
	<u>277,824</u>	<u>296,681</u>	<u>347,964</u>	<u>372,520</u>
Financial liabilities				
Financial liabilities measured at amortised cost				
— Trade and bills payables	64,287	83,419	119,525	117,783
— Other payables and accruals	7,470	11,034	26,950	22,907
— Dividend payable	—	40,000	60,000	110,000
— Amount due to a director	3,479	—	—	—
— Amounts due to related parties	83,657	—	9,600	—
— Bank borrowings	42,228	27,847	20,738	11,743
— Loans from non-controlling interests	—	14,019	14,420	17,647
	<u>201,121</u>	<u>176,319</u>	<u>251,233</u>	<u>280,080</u>

43. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of each reporting period were as follows:

	At 31 December			At 30 June
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Total equity	<u>153,002</u>	<u>183,766</u>	<u>197,831</u>	<u>185,377</u>
Overall financing				
Borrowings	42,228	27,847	20,738	11,743
Loans from non-controlling interests	<u>—</u>	<u>14,019</u>	<u>14,420</u>	<u>17,647</u>
	<u>42,228</u>	<u>41,866</u>	<u>35,158</u>	<u>29,390</u>
Equity-to-overall financing ratio	<u>3.6:1</u>	<u>4.4:1</u>	<u>5.6:1</u>	<u>6.3:1</u>

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Relevant Periods.

44. EVENT AFTER THE REPORTING PERIOD

The companies in the Group underwent a reorganisation in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the reorganisation are set out in the sub-paragraph headed "Reorganisation and group structure" in the section headed "History, Reorganisation and Group Structure" to the Prospectus.

Except as disclosed elsewhere in this report, there are no other significant events undertaken by the Company or by the Group after 30 June 2014.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2014.

Yours faithfully

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
 Practising Certificate Number P04092
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the net tangible assets of the Group after the completion of the Share Offer.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Relevant Periods or any further date.

The information set forth in this appendix does not form part of the Accountants' Report issued by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Share Offer on the combined net tangible assets of the Group as at 30 June 2014 as if the Share Offer had taken place on 30 June 2014.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustration purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2014 or any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2014 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds of the share offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.28 per Offer Share	161,664	200,000	361,664	0.52

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2014 is based on the combined net assets of the Group of HK\$185,377,000 adjusted for non-controlling interests of HK\$2,085,000 and intangible assets of HK\$21,628,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds of the New Issue are based on the Offer Price of HK\$1.28 per Offer Share, after deducting the estimated underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 700,000,000 Shares were in issue assuming that the Share Offer was completed on 30 June 2014, and do not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
4. Based on the property valuation as at 31 October 2014 as set forth in "Property Valuation" in Appendix IV to this prospectus, the net valuation surplus, representing the excess of market value of properties held for own use over their carrying amounts, is approximately HK\$133.7 million. Such valuation surplus has not been included in the Group's combined financial statements as at 30 June 2014 and will not be included in the Group's combined financial statements. The unaudited pro forma financial information presented above does not take into account the above valuation surplus. If the valuation surplus were to be included in the combined financial statements, an additional annual depreciation charge of approximately HK\$5.3 million would be incurred.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of incorporation in this prospectus, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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31 December 2014

The Board of Directors
King's Flair International (Holdings) Limited

Baron Global Financial Services Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2014 and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-2 of Appendix II to the prospectus dated 31 December 2014 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company (the "Public Offering"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in page II-2 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Public Offering as if it had taken place at 30 June 2014. As part of this process, information about the Group's financial position as at 30 June 2014 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

DIRECTORS RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with Paragraph 29 of Chapter 4 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unaudited financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Public Offering would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unaudited financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND THE CLOSELY RELATED COMPANIES

The following unaudited illustrative financial information (the “Unaudited Illustrative Financial Information”) has been prepared by our Directors and has been reviewed by the Reporting Accountants for the purpose of illustrating the key financial items of the financial positions and results of our Group as if the Closely Related Companies had been consolidated in our financial statements during the years ended 31 December 2011, 2012 and 2013. The unaudited illustrative condensed consolidated statements of financial position as at 31 December 2011, 2012 and 2013 were prepared as if the Closely Related Companies had been consolidated in our consolidated statements of financial position as at 31 December 2011, 2012 and 2013 respectively, and the unaudited illustrative condensed consolidated statements of comprehensive income for the years ended 31 December 2011, 2012 and 2013 were prepared as if the Closely Related Companies had been consolidated in our consolidated statements of comprehensive income during the years ended 31 December 2011, 2012 and 2013, respectively.

Mr. Wong, an Executive Director and a Controlling Shareholder, and Ms. Rebecca Cheng, a Controlling Shareholder, have beneficial interests in Standard Metal, Easy Kitchen and Ignite (HK) and Mr. Wong has close relationship with the Winlot Group. The Unaudited Illustrative Financial Information has been prepared by our Directors for the purpose of illustrating the financial positions and results of our Group as if the Winlot Group, Standard Metal and Easy Kitchen had been consolidated as subsidiaries of our Group and Ignite (HK) had been consolidated as an associate of our Group during the years ended 31 December 2011, 2012 and 2013.

The unaudited illustrative condensed consolidated statement of financial position as at 31 December 2011 are prepared based on the audited consolidated statement of financial position of our Group as at 31 December 2011 extracted from the accountants’ report of our Group set out in Appendix I of this Prospectus, and the respective audited statements of financial position of the Closely Related Companies as at 31 December 2011, after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable. The unaudited illustrative condensed consolidated statement of financial position as at 31 December 2012 is prepared based on the audited consolidated statement of financial position of our Group as at 31 December 2012 extracted from the accountants’ report of our Group set out in Appendix I of this Prospectus, and the respective audited statements of financial position of the Winlot Group and Ignite (HK) as at 31 December 2012 and the audited statement of financial position of Standard Metal as at 15 November 2012 (being the date starting the procedure for deregistration), after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable. The unaudited illustrative condensed consolidated statement of financial position as at 31 December 2013 is prepared based on the audited consolidated statement of financial position of our Group as at 31 December 2013 extracted from the accountants’ report of our Group set out in Appendix I of this Prospectus, and the respective audited statements of financial position of the Winlot Group and Ignite (HK) as at 31 December 2013, after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable.

APPENDIX III	UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND CLOSELY RELATED COMPANIES
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The unaudited illustrative condensed consolidated statements of comprehensive income for the year ended 31 December 2011 are prepared based on the audited consolidated statements of comprehensive income of our Group for the year ended 31 December 2011 extracted from the accountants' report of our Group set out in Appendix I of this Prospectus, and the respective audited statement of comprehensive income of the Closely Related Companies for the year ended 31 December 2011, after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable. The unaudited illustrative condensed consolidated statement of comprehensive income for the year ended 31 December 2012 is prepared based on the audited consolidated statement of comprehensive income of our Group for the year ended 31 December 2012 extracted from the accountants' report of our Group set out in Appendix I of this Prospectus, and the respective audited statements of comprehensive income of the Winlot Group and Ignite (HK) for the year ended 31 December 2012, the audited financial statements of Standard Metal for the period from 1 January 2012 to 15 November 2012 (being the date starting the procedure for deregistration) and the audited financial statements of Easy Kitchen for the period from 1 January 2012 to 30 April 2012 (being the latest practicable date for preparation of audited financial statements of Easy Kitchen upon disposal by Mr. Wong's brother, Mr. Wong Wan Kwong), after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable. The unaudited illustrative condensed consolidated statement of comprehensive income for the year ended 31 December 2013 are prepared based on the audited consolidated statement of comprehensive income of our Group for the year ended 31 December 2013 extracted from the accountants' report of our Group set out in Appendix I of this Prospectus, and the respective audited statements of comprehensive income of the Winlot Group and Ignite (HK) for the year ended 31 December 2013, after making adjustments for illustrative purpose that are (i) directly attributable to the transactions and balances between our Group and the Closely Related Companies; and (ii) factually supportable.

The audited financial statements of the Winlot Group for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and not audited by the Reporting Accountants. The audited financial statements of Standard Metal for the year ended 31 December 2011 and for the period from 1 January 2012 to 15 November 2012 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and not audited by the Reporting Accountants. The audited financial statements of Easy Kitchen for the year ended 31 December 2011 and for the period from 1 January 2012 to 30 April 2012 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and not audited by the Reporting Accountants. The audited financial statements of Ignite (HK) for the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants and not audited by the Reporting Accountants.

The Unaudited Illustrative Financial Information is hypothetical in nature and prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Illustrative Financial Information does not purport to describe the actual financial positions or results of our Group that would have been attained had the Closely Related Companies been consolidated into our Group during the years ended 31 December 2011, 2012 and 2013. The Unaudited Illustrative Financial Information does not purport to predict the future financial positions or results of our Group.

**APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF
OUR GROUP AND CLOSELY RELATED COMPANIES**

Unaudited Illustrative Condensed Consolidated Statement of Financial Position of our Group and the Closely Related Companies as at 31 December 2011

	Extracted from the audited consolidated statement of financial position of our Group as at 31 December 2011 HK\$'000	Extracted from the audited statement of financial position of Standard Metal as at 31 December 2011 HK\$'000	Extracted from the audited consolidated statement of financial position of the Winlot Group as at 31 December 2011 HK\$'000	Extracted from the audited statement of financial position of Easy Kitchen as at 31 December 2011 HK\$'000	Notes	Adjustments for illustrative purpose HK\$'000	Unaudited illustrative condensed consolidated statement of financial position of our Group and the Closely Related Companies as at 31 December 2011 HK\$'000
Non-current assets	38,003	11	3,868	1,715	1.1	1,380	44,977
Current assets	324,350	53,932	139,989	23,680	1.2	(13,206)	444,774
					1.3	(29,661)	
					1.4	(3,717)	
					1.5	(50,593)	
Current liabilities	204,967	50,684	134,163	19,745	1.2	(13,206)	312,382
					1.3	(29,661)	
					1.4	(3,717)	
					1.5	(50,593)	
Net current assets	119,383	3,248	5,826	3,935			132,392
Non-current liabilities	4,384	—	—	—			4,384
Net assets	<u>153,002</u>	<u>3,259</u>	<u>9,694</u>	<u>5,650</u>			<u>172,985</u>
Equity							
Equity attributable to owners of our Company	144,476	3,259	10,373	5,650	1.1	1,380	165,138
Non-controlling interests	8,526	—	(679)	—			7,847
Total equity	<u>153,002</u>	<u>3,259</u>	<u>9,694</u>	<u>5,650</u>			<u>172,985</u>

Warning Statement

The Unaudited Illustrative Financial Information is for illustrative purpose only and does not reflect the audited financial information of the Group. Investors should refer to the Accountants' Report as set out in Appendix I for our Group's financial information during the Track Record Period.

**APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF
OUR GROUP AND CLOSELY RELATED COMPANIES**

Unaudited Illustrative Condensed Consolidated Statement of Comprehensive Income of our Group and the Closely Related Companies for the year ended 31 December 2011

	Extracted from the audited consolidated statement of comprehensive income of our Group for the year ended 31 December 2011 HK\$'000	Extracted from the audited statement of comprehensive income of Standard Metal for the year ended 31 December 2011 HK\$'000	Extracted from the audited consolidated statement of comprehensive income of the Winlot Group for the year ended 31 December 2011 HK\$'000	Extracted from the audited statement of comprehensive income of Easy Kitchen for the year ended 31 December 2011 HK\$'000	Notes	Adjustments for illustrative purpose HK\$'000	Unaudited illustrative condensed consolidated statement of comprehensive income of our Group and the Closely Related Companies for the year ended 31 December 2011 HK\$'000
Revenue	968,505	64,605	220,988	48,221	1.6 1.7 1.8 1.9	(187,495) (64,605) (1,070) (45,650)	1,003,499
Cost of sales	<u>(844,675)</u>	<u>(62,861)</u>	<u>(190,600)</u>	<u>(44,085)</u>	1.6 1.7 1.8 1.9	187,495 64,605 1,070 45,650	<u>(843,401)</u>
Gross profit	<u>123,830</u>	<u>1,744</u>	<u>30,388</u>	<u>4,136</u>			<u>160,098</u>
Profit before income tax	65,308	556	14,737	776	1.1	693	82,070
Income tax expense	<u>(19,860)</u>	<u>(89)</u>	<u>(3,043)</u>	<u>(264)</u>			<u>(23,256)</u>
Profit for the year	<u>45,448</u>	<u>467</u>	<u>11,694</u>	<u>512</u>			<u>58,814</u>
Other comprehensive income for the year, net of tax	<u>(5,030)</u>	<u>—</u>	<u>(2,319)</u>	<u>—</u>			<u>(7,349)</u>
Total comprehensive income for the year	<u>40,418</u>	<u>467</u>	<u>9,375</u>	<u>512</u>			<u>51,465</u>

Warning Statement

The Unaudited Illustrative Financial Information is for illustrative purpose only and does not reflect the audited financial information of the Group. Investors should refer to the Accountants' Report as set out in Appendix I for our Group's financial information during the Track Record Period.

APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND CLOSELY RELATED COMPANIES
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Notes to the Unaudited Illustrative Financial Information of our Group and the Closely Related Companies for the year ended 31 December 2011

- 1.1 The amount of HK\$1,380,000 represented the share of the net assets of the associate as if Ignite (HK) is an associate of the Group as at 31 December 2011. In addition, the amount of HK\$693,000 represented the share of the results of the associate as if Ignite (HK) is an associate of the Group during the year ended 31 December 2011.

The following table illustrates the summarised financial information of Ignite (HK) for the year ended 31 December 2011 extracted from its audited financial statements:

	2011 <i>HK\$'000</i>
Total assets	3,190
Total liabilities	(431)
	3,190
Total revenue for the year	1,707
Profit for the year	1,385
	1,385

- 1.2 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the trade receivables of Easy Kitchen of HK\$13,206,000 and the amounts due to related parties of the Group of HK\$13,206,000 are eliminated at 31 December 2011.
- 1.3 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the trade receivables of the Group of HK\$29,661,000 and the trade payables of the Winlot Group of HK\$29,661,000 are eliminated at 31 December 2011.
- 1.4 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the trade receivables of Easy Kitchen of HK\$3,717,000 and the trade payables of Standard Metal of HK\$3,717,000 are eliminated at 31 December 2011.
- 1.5 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the trade receivables of Standard Metal of HK\$50,593,000 and the amounts due to related parties of the Group of HK\$50,593,000 are eliminated at 31 December 2011.
- 1.6 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from the Group to the Winlot Group of HK\$187,495,000 and the purchase of goods from the Group by the Winlot Group of HK\$187,495,000 are eliminated during the year ended 31 December 2011.
- 1.7 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from Standard Metal to the Group of HK\$64,605,000 and the purchase of goods from Standard Metal by the Group of HK\$64,605,000 are eliminated during the year ended 31 December 2011.
- 1.8 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from Easy Kitchen to the Group of HK\$1,070,000 and the purchase of goods from Easy Kitchen by the Group of HK\$1,070,000 are eliminated during the year ended 31 December 2011.
- 1.9 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from Easy Kitchen to Standard Metal of HK\$45,650,000 and the purchase of goods from Easy Kitchen by Standard Metal of HK\$45,650,000 are eliminated during the year ended 31 December 2011.

**APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF
OUR GROUP AND CLOSELY RELATED COMPANIES**

Unaudited Illustrative Condensed Consolidated Statement of Financial Position of our Group and the Closely Related Companies as at 31 December 2012

	Extracted from the audited consolidated statement of financial position of our Group as at 31 December 2012 <i>HK\$'000</i>	Extracted from the audited statement of financial position of Standard Metal as at 15 November 2012 <i>HK\$'000</i>	Extracted from the audited consolidated statement of financial position of the Winlot Group as at 31 December 2012 <i>HK\$'000</i>	<i>Notes</i>	Adjustments for illustrative purpose <i>HK\$'000</i>	Unaudited illustrative condensed consolidated statement of financial position of our Group and the Closely Related Companies as at 31 December 2012 <i>HK\$'000</i>
Non-current assets	35,887	—	2,069	2.1	2,278	40,234
Current assets	337,511	1,221	58,209	2.2	(21,089)	375,852
Current liabilities	185,392	87	48,979	2.2 2.2	(2,996) (18,093)	213,369
Net current assets	152,119	1,134	9,230			162,483
Non-current liabilities	4,240	—	—			4,240
Net assets	<u>183,766</u>	<u>1,134</u>	<u>11,299</u>			<u>198,477</u>
Equity						
Equity attributable to owners of our Company	175,561	1,134	12,548	2.1	2,278	191,521
Non-controlling interests	8,205	—	(1,249)			6,956
Total equity	<u>183,766</u>	<u>1,134</u>	<u>11,299</u>			<u>198,477</u>

Warning Statement

The Unaudited Illustrative Financial Information is for illustrative purpose only and does not reflect the audited financial information of the Group. Investors should refer to the Accountants' Report as set out in Appendix I for our Group's financial information during the Track Record Period.

**APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF
OUR GROUP AND CLOSELY RELATED COMPANIES**

Unaudited Illustrative Condensed Consolidated Statement of Comprehensive Income of our Group and the Closely Related Companies for the year ended 31 December 2012

	Extracted from the audited consolidated statement of comprehensive income of our Group for the year ended 31 December 2012 HK\$'000	Extracted from the audited comprehensive income of Standard Metal for the period from 1 January 2012 to 15 November 2012 HK\$'000	Extracted from the audited consolidated statement of comprehensive income of the Winlot Group for the year ended 31 December 2012 HK\$'000	Extracted from the audited statement of comprehensive income of Easy Kitchen for the period from 1 January 2012 to 30 April 2012 HK\$'000	Notes	Adjustments for illustrative purpose HK\$'000	Unaudited illustrative condensed consolidated statement of comprehensive income of our Group and the Closely Related Companies for the year ended 31 December 2012 HK\$'000
Revenue	1,077,351	—	192,703	15,806	2.3 2.4	(176,044) (15,806)	1,094,010
Cost of sales	(917,307)	—	(175,993)	(14,416)	2.3 2.4	176,044 15,806	(915,866)
Gross profit	<u>160,044</u>	<u>—</u>	<u>16,710</u>	<u>1,390</u>			<u>178,144</u>
Profit/(Loss) before income tax	83,725	(441)	(4,689)	381	2.1	898	79,874
Income tax (expense)/credit	(15,517)	16	(401)	(95)			(15,997)
Profit/(Loss) for the year	<u>68,208</u>	<u>(425)</u>	<u>(5,090)</u>	<u>286</u>			<u>63,877</u>
Other comprehensive income for the year, net of tax	3,413	—	6,623	—			10,036
Total comprehensive income for the year	<u>71,621</u>	<u>(425)</u>	<u>1,533</u>	<u>286</u>			<u>73,913</u>

Warning Statement

The Unaudited Illustrative Financial Information is for illustrative purpose only and does not reflect the audited financial information of the Group. Investors should refer to the Accountants' Report as set out in Appendix I for our Group's financial information during the Track Record Period.

APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND CLOSELY RELATED COMPANIES
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Notes to the Unaudited Illustrative Financial Information of our Group and the Closely Related Companies for the year ended 31 December 2012

Notes:

- 2.1 The amount of HK\$2,278,000 represented the share of the net assets of the associate as if Ignite (HK) is an associate of the Group as at 31 December 2012. In addition, the amount of HK\$898,000 represented the share of the results of the associate as if Ignite (HK) is an associate of the Group during the year ended 31 December 2012.

The following table illustrates the summarised financial information of Ignite (HK) for the year ended 31 December 2012 extracted from its audited financial statements:

	2012 HK\$'000
Total assets	5,239
Total liabilities	(683)
	5,239
Total revenue for the year	2,201
Profit for the year	1,797
	1,797

- 2.2 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the trade receivables of the Group of HK\$21,089,000, the trade payables of the Winlot Group of HK\$2,996,000 and the amounts due to related parties of HK\$18,093,000 are eliminated at 31 December 2012.
- 2.3 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from the Group to the Winlot Group of HK\$176,044,000 and the purchase of goods from the Group by the Winlot Group of HK\$176,044,000 are eliminated during the year ended 31 December 2012.
- 2.4 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from Easy Kitchen to the Group of HK\$15,806,000 and the purchase of goods from Easy Kitchen by the Group of HK\$15,806,000 are eliminated during the year ended 31 December 2012.
- 2.5 Easy Kitchen is wholly-owned by Chasen which in turn was owned by Mr. Wong as to 50% until January 2012 when Mr. Wong together with the shareholder holding the other 50% equity interests in Chasen disposed of their entire shareholding to Mr. Wong's brother Mr. Wong Wan Kwong, who subsequently in April 2012 disposed of all his interest to an Independent Third Party. The Group and Easy Kitchen were considered independent parties since April 2012. In these regards, for the purpose of the preparation of the Unaudited Illustrative Financial Information, the statement of financial position of Easy Kitchen as at 31 December 2012 is not consolidated into the unaudited illustrative consolidated statement of financial position of the Group and the Closely Related Companies as at 31 December 2012, while the results of Easy Kitchen for the period from 1 January 2012 to 30 April 2012 (being the latest practicable date for preparation of audited financial statements of East Kitchen upon disposal by Mr. Wong's brother, Mr. Wong Wan Kwong) are consolidated into the unaudited illustrative consolidated statement of comprehensive income of the Group and the Closely Related Companies during the year ended 31 December 2012.
- 2.6 Standard Metal was engaged in trading of household products up to November 2012 when Standard Metal started the procedure for deregistration. In this regard, for the purpose of the preparation of the Unaudited Illustrative Financial Information, the statement of financial position of Standard Metal as at 15 November 2012 (being the latest practicable date for preparation of audited financial statements of Standard Metal before commencement of the procedure for deregistration) was consolidated into the unaudited illustrative consolidated statement of financial position of the Group and the Closely Related Companies as at 31 December 2012 while all the profit or loss of Standard Metal for the period from 1 January 2012 to 15 November 2012 (being the latest practicable date for preparation of audited financial statements of Standard Metal before commencement of the procedure for deregistration) are consolidated into the unaudited illustrative consolidated statement of comprehensive income of the Group and the Closely Related Companies during the year ended 31 December 2012. Both the directors of Standard Metal and the directors of the Company confirmed there is no significant change in the financial positions of Standard Metal between 15 November 2012 and 31 December 2012 and Standard Metal is dormant since 15 November 2012.

**APPENDIX III UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF
OUR GROUP AND CLOSELY RELATED COMPANIES**

Unaudited Illustrative Condensed Consolidated Statement of Financial Position of our Group and the Closely Related Companies as at 31 December 2013

	Extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 <i>HK\$'000</i>	Extracted from the audited consolidated statement of financial position of the Winlot Group as at 31 December 2013 <i>HK\$'000</i>	Notes	Adjustments for illustrative purpose <i>HK\$'000</i>	Unaudited illustrative condensed consolidated statement of financial position of the Group and the Closely Related Companies as at 31 December 2013 <i>HK\$'000</i>
Non-current assets	61,451	—	3.1	1,122	62,573
Current assets	397,049	46,166	3.2	2,278	435,893
Current liabilities	238,134	3,245	3.3	(9,600)	231,779
Net current assets	158,915	42,921			204,114
Non-current liabilities	22,535	—			22,535
Net assets	<u>197,831</u>	<u>42,921</u>			<u>244,152</u>
Equity					
Equity attributable to owners of the Company	194,441	42,921	3.1	1,122	240,762
			3.2	2,278	
Non-controlling interests	3,390	—			3,390
Total equity	<u>197,831</u>	<u>42,921</u>			<u>244,152</u>

Warning Statement

The Unaudited Illustrative Financial Information is for illustrative purpose only and does not reflect the audited financial information of the Group. Investors should refer to the Accountants' Report as set out in Appendix I for our Group's financial information during the Track Record Period.

APPENDIX III	UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND CLOSELY RELATED COMPANIES
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Unaudited Illustrative Condensed Consolidated Statement of Comprehensive Income of our Group and the Closely Related Companies for the year ended 31 December 2013

	Extracted from the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2013 <i>HK\$'000</i>	Extracted from the audited consolidated statement of comprehensive income of the Winlot Group for the year ended 31 December 2013 <i>HK\$'000</i>	<i>Notes</i>	Adjustments for illustrative purpose <i>HK\$'000</i>	Unaudited illustrative condensed consolidated statement of comprehensive income of the Group and the Closely Related Companies for the year ended 31 December 2013 <i>HK\$'000</i>
Revenue	1,236,284	209,578	3.4	(178,144)	1,267,718
Cost of sales	<u>(1,048,295)</u>	<u>(187,484)</u>	3.4	178,144	<u>(1,057,635)</u>
Gross profit	<u>187,989</u>	<u>22,094</u>			<u>210,083</u>
Profit before income tax	96,483	30,048	3.1	1,122	129,931
			3.2	2,278	
Income tax expense	<u>(18,150)</u>	<u>(198)</u>			<u>(18,348)</u>
Profit for the year	<u>78,333</u>	<u>29,850</u>			<u>111,583</u>
Other comprehensive income for the year, net of tax	<u>(3,876)</u>	<u>—</u>			<u>(3,876)</u>
Total comprehensive income for the year	<u>74,457</u>	<u>29,850</u>			<u>107,707</u>

Warning Statement

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APPENDIX III	UNAUDITED ILLUSTRATIVE FINANCIAL INFORMATION OF OUR GROUP AND CLOSELY RELATED COMPANIES
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Notes to the Unaudited Illustrative Financial Information of our Group and the Closely Related Companies for the year ended 31 December 2013

Notes:

- 3.1 The amount of HK\$1,122,000 represented the share of the net assets of the associate as if Ignite (HK) is an associate of the Group as at 31 December 2013. In addition, the amount of HK\$1,122,000 represented the share of the results of the associate as if Ignite (HK) is an associate of the Group during the year ended 31 December 2013.

The following table illustrates the summarised financial information of Ignite (HK) for the year ended 31 December 2013 extracted from its audited financial statements:

	2013 HK\$'000
Total assets	2,658
Total liabilities	(414)
	2,244
Total revenue for the year	2,729
Profit for the year	2,244
	2,244

- 3.2 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the amount of HK\$2,278,000 is recognised as a dividend income and received in cash by the Group as if Ignite (HK) is an associate of the Group during the year ended 31 December 2013.
- 3.3 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the amount due to a related company of the Group of HK\$9,600,000 and other receivables of the Winlot Group of HK\$9,600,000 are eliminated at 31 December 2013.
- 3.4 For the purpose of the preparation of the Unaudited Illustrative Financial Information, the sales of goods from the Group to the Winlot Group of HK\$178,144,000 and the purchase of goods from the Group by the Winlot Group of HK\$178,144,000 are eliminated during the year ended 31 December 2013.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 31 October 2014 of the properties interests held by the Group.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors Limited

PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL ASSETS VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 (“IVS”) and published by the International Valuation Standards Council which followed by the HKIS Valuation Standards 2012 Edition (the “HKIS Standards”) and published by the Hong Kong Institute of Surveyors (the “HKIS”). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the Latest Practicable Date. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
287–291 Des Voeux Road Central
Hong Kong

31 December 2014

The Directors
King’s Flair International (Holdings) Limited
12th Floor, Yardley Commercial Building
No.3 Connaught Road West
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of King’s Flair International (Holdings) Limited (hereinafter referred to as the “Instructing Party”) to us to conduct a valuation of certain *real properties* (same as the word *properties* in this report) in which King’s Flair International (Holdings) Limited (hereinafter referred to as the “Company”) and its subsidiaries (collectively, together with the Company hereinafter referred to as the “Group”)

have interests in Hong Kong and in the mainland of the People's Republic of China (hereinafter referred to as the "PRC" or "China"), and to report the existing status of certain property interests rented and occupied by the Group in Hong Kong and in the PRC, we confirm that we have conducted physical inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our opinion of values of the real properties of the Group as at 31 October 2014 (hereinafter referred to as the "Valuation Date") for the Instructing Party's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the subject properties are documented in a narrative valuation report and submitted to the Instructing Party at today's date.

At the request of the Instructing Party, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion of values as documented in the valuation report for the purpose of inclusion in this prospectus at today's date (the "Prospectus") for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

VALUATION OF PROPERTIES IN GROUPS I AND II

Basis of Valuation and Assumptions

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of values of the properties on the market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuations of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties has absolute title to its relevant property interests;
2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;

3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;
4. each of the properties has obtained relevant government's approvals for the sale of the property and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market; and
5. the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for their existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to our valuations.

Approach to Value

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis i.e. free to assign, transfer, let and mortgage, namely the sales comparison approach (or known as the market approach), the cost approach and the income approach.

Properties in Group I

In valuing the properties in Group I, we have adopted the comparable sales method of the market approach on the assumption that the properties were sold with the benefit of vacant possession at the Valuation Date. The comparable sales method considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

In valuing Property No. 3 in Group I which is located in the New Territories of Hong Kong in which the Government Lease had already expired before 30 June 1997, we have taken into account Section 6 of the New Territories Leases (Extension) Ordinance 1988 (Chapter 150 of the Laws of Hong Kong). According to the above ordinance, the lease of the property had already been extended without premium until 30 June 2047, and that an annual rent at three per cent. of the rateable value of the property has been charged from the date of extension.

Property in Group II

In valuing the property in Group II, having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost approach which is an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence

taken into account of the site formation cost and those public utilities connection charges to the property. The value of the land use rights of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of this property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We need to state that our opinion of value of the property in Group II is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various building(s) of the property on piecemeal basis in the open market.

We have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

REPORTING OF RENTED PROPERTY INTERESTS IN GROUPS III AND IV

Properties in Groups III and IV are subject to various leasehold arrangements, and we have assigned no commercial values to such property interests due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our summary report and the valuations accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale for each property in Groups I and II. Unless otherwise stated, it is assumed that the properties in Groups I and II are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

In our valuations for properties in Groups I and II, we have assumed that the properties are able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

As at the Latest Practicable Date of this prospectus, we are unable to identify any adverse news against the properties which may affect the reported findings or values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or values reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in each of the properties has free and uninterrupted rights to assign, to mortgage or to let the properties at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Group has the right to occupy and to use the properties. Our procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the property in Group II and copies of tenancy agreement of the properties in Groups III and IV. For the properties in Groups I and III, we have conducted searches in the Land Registry of Hong Kong. We have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued in Groups I and II. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the property in Group II that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in Group II. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the property in Group II. We are given to understand that the PRC legal opinions were prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所) dated 31 December 2014. No responsibility or liability from our part is assumed in relation to those legal opinions.

According to the legal opinions, the tenancy agreements in Group IV not yet registered in the relevant departments, this may incur demand from the relevant departments to register such tenancy agreements within a specified time line.

In our report, we have assumed that the legally interested party in the property in Group II has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in the property in Group II. Should this not be the case, it will affect our value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

The properties were inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC) or our graduate surveyors Mr Ivan Mak and Mr Sam Ngai in June 2014. We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached summary of values and valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative

uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our works, we have provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the appointed personnel of the Instructing Party or the Company.

We have relied solely on the information provided by the appointed personnel of the Instructing Party or the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, letting, occupation, site and floor areas and all other relevant matters.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability from our part is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Instructing Party or the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Instructing Party or the Company. Also, we have sought and received confirmation from the appointed personnel of the Instructing Party or the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the appointed personnel of the Instructing Party or the Company of material and latent facts that may affect the valuations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Instructing Party or the Company. We consider that we have

been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong Dollars (“HK\$”). In valuing the property in Group II, the adopted exchange rate was the prevailing rate as at the Valuation Date, being Renminbi Yuan (“RMB”) 0.789 per HK\$1 and no significant fluctuation in exchange rate has been found between that date and the date of this report.

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings or conclusion of values of the properties in this summary report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspections and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policies and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this prospectus for the Company’s shareholders’ reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney’s fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection

with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report including this summary report are prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the reporting guidelines contained in the IVS and HKIS Standards. The valuations have been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuations.

We retain a copy of this report together with the data provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

The summary of values and the valuation certificate are attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*
Director

Contributing valuers:
Ivan Mak Kin Hong *BSc*
Sam Ngai Yat Lun *BSc*
Joseph J Ho *BSc*

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

Group I — Properties owned and occupied by the Group in Hong Kong and valued on market value basis

Property	Amount of valuation in existing state as at 31 October 2014 <i>HK\$</i>	Interest attributable to the Group as at 31 October 2014	Amount of valuation in existing state attributable to the Group as at 31 October 2014 <i>HK\$</i>
1. Flat A901 (No. 18 Guildford Road) on 9th Floor and Car Parking Spaces Nos. A4 and A5 Block A Villa Verde Nos. 16 and 18 Guildford Road The Peak Hong Kong	67,000,000	100 per cent.	67,000,000
2. The whole of 12th Floor and Car Parking Spaces Nos. 89, 90 and 91 on 4th Floor Yardley Commercial Building No. 3 Connaught Road West Sheung Wan Hong Kong	72,000,000	100 per cent.	72,000,000
3. Workshop A on 4th Floor and its Flat Roof thereof and Car Parking Space No. P5 on Ground Floor Goodwill Industrial Building Nos. 36–44 Pak Tin Par Street Tsuen Wan New Territories	13,590,000	100 per cent.	13,590,000
		Sub-total:	<u>152,590,000</u>

Group II — Property held and occupied by the Group under various long-term title certificates in the PRC and valued on market value basis

Property	Amount of valuation in existing state as at 31 October 2014 HK\$	Interest attributable to the Group as at 31 October 2014	Amount of valuation in existing state attributable to the Group as at 31 October 2014 HK\$
4. Two parcels of land known as Lot No. 01-42-(009)-002 and various buildings erected thereon at No. 2 Yongzhen Street Hongdong Village Huiping Town Qidong City Nantong City Jiangsu Province The People's Republic of China 226255	3,200,000	100 per cent.	3,200,000
		Sub-total:	<u>3,200,000</u>

Group III — Properties occupied by the Group under various operating leases in Hong Kong

Property	Amount of valuation in existing state attributable to the Group as at 31 October 2014
5. Units A and B on 22nd Floor and a Car Parking Space G1 on Ground Floor Goodwill Industrial Building Nos. 36–44 Pak Tin Par Street Tsuen Wan New Territories Hong Kong	No Commercial Value
6. Flats A, B, C, D and E on 12th Floor Champion Building Nos. 287/291 Des Voeux Road Central Hong Kong	No Commercial Value
	Sub-total:
	<u>NIL</u>

Group IV — Properties occupied by the Group under various operating leases in the PRC

Property	Amount of valuation in existing state attributable to the Group as at 31 October 2014
7. Unit 0903, Block 4 Jianwai SOHO No. 39 Middle Road of E 3rd Ring Road Chaoyang District Beijing The People's Republic of China 100020	No Commercial Value
8. Shop No. L-SMM-173, Block 17 Solana Lifestyle Shopping Park No. 6 Chaoyang Park Road Chaoyang District Beijing The People's Republic of China 100026	No Commercial Value
9. A warehouse located at No. 5 Daxian Road Daludian Ercun Heizhuanghuxiang Chaoyang District Beijing The People's Republic of China 100023	No Commercial Value
10. An office unit on Level 4 of Block A North Zone E Link World No. 999 Huaxu Road Xujing Town Qingpu District Shanghai The People's Republic of China 201702	No Commercial Value

Property	Amount of valuation in existing state attributable to the Group as at 31 October 2014
11. House No. 45 Xijiao Meilinguan No. 689 Gaojing Road Qingpu District Shanghai The People's Republic of China 210702	No Commercial Value
12. A portion of warehouse located at No. 658 Huacai Road Qingpu District Shanghai The People's Republic of China 210708	No Commercial Value
13. Unit 1005-2 on Level 10 of Block 1 No. 5 Xingye 1st Road Ningbo Free Trade Zone Ningbo City Zhejiang Province The People's Republic of China 315800	No Commercial Value
Sub-total:	<u>NIL</u>
GRAND TOTAL*:	<u><u>HK\$155,790,000</u></u>

* HONG KONG DOLLARS ONE HUNDRED FIFTY FIVE MILLION SEVEN HUNDRED AND NINETY THOUSAND ONLY

VALUATION CERTIFICATE

Group I — Properties owned and occupied by the Group in the Hong Kong and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014 HK\$
1. Flat A901 (No. 18 Guildford Road) on 9th Floor and Car Parking Spaces Nos. A4 and A5 Block A Villa Verde Nos. 16 and 18 Guildford Road The Peak Hong Kong	The property comprises a residential unit on the 9th Floor and 2 car parking spaces on the basement of a 10-storey residential building. The building was completed in about 1970. The property, excluding 2 car parking spaces, has a saleable floor area of approximately 2,612 sq. ft. (242.70 sq.m.)	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for staff quarters purpose as at the Valuation Date.	67,000,000 (100 per cent. interest)
62/1190th shares of and in the Rural Building Lot No.834 (“the Lot”)	The Lot is held under a Conditions of Sale No. 8181 for a term of 75 years and renewable for 75 years commencing from 19 August 1963. The current annual government rent payable for the Lot is HK\$816.		

Notes:

- The registered owner of the property is King’s Flair Development Limited, an indirect wholly-owned subsidiary of the Company.
- The property is subject to a legal charge to secure general banking facilities in favour of Sin Hua Bank Limited.
- For information purpose, the market rental of the property is HK\$139,000 per month, inclusive of management fee, government rent and rates.

Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014 HK\$
2. The whole of 12th Floor and Car Parking Spaces Nos. 89, 90 and 91 on 4th Floor Yardley Commercial Building No. 3 Connaught Road West Sheung Wan Hong Kong	The property comprises the whole office unit on the 12th Floor and 3 car parking spaces on the 4th Floor of a 29-storey commercial building (including a cockloft floor and a basement). The building was completed in about 1981.	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for office purpose as at the Valuation Date.	72,000,000
63/2001st shares of and in The Remaining Portion of Marine Lot No. 426	The property, excluding the car parking spaces, has a saleable area of approximately 5,043 sq. ft. (468.54 sq.m.).		(100 per cent. interest)
The Remaining Portion of Section B of Marine Lot No. 425	The Lot is held under various Government Leases for a term of 999 years and commencing between 1 December 1900 and 31 January 1901.		
The Remaining Portion of Marine Lot No. 425	The current annual government rent payable for the Lot is HK\$329.01.		
The Remaining Portion of Section A of Marine Lot No. 425			
The Remaining Portion of Section A of Marine Lot No. 424 and The Remaining Portion of Marine Lot No. 424 ("the Lot")			

Notes:

1. The registered owner of the property is King's Flair Development Limited, an indirect wholly-owned subsidiary of the Company.
2. The property is subject to a mortgage in favour of Hang Seng Bank Limited.

Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014 HK\$
3. Workshop A on 4th Floor and its Flat Roof thereof and Car Parking Space No. P5 on Ground Floor Goodwill Industrial Building Nos. 36-44 Pak Tin Par Street Tsuen Wan New Territories 13/438th shares of and in Section B of Tsuen Wan Inland Lot No.46 and The Remaining Portion of Tsuen Wan Inland Lot No. 46 ("the Lot")	<p>The property comprises a workshop unit on the 4th Floor and a car parking space on the Ground Floor of a 24-storey industrial building. The building was completed in about 1982.</p> <p>The property, excluding the car parking space, has a gross floor area and saleable area of approximately 5,627 sq. ft. (522.76 sq.m.) and 4,108 sq.ft. (381.64 sq.m.) respectively plus a flat roof area of approximately 3,015 sq.ft. (280.10 sq.m.).</p> <p>The Lot is held under a Condition of Sale No.UB5208 for a term of 75 years renewable for 24 years commencing from 1 July 1898.</p> <p>Under the New Territories Leases (Extension) ordinance 1988 (Cap 150), the lease term of the Government Lease has been extended to 30 June 2047 at a Government Rent of 3 per cent per annum of the rateable value of the Lot for the time being.</p>	<p>As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was occupied by the Group for workshop and storage purposes as at the Valuation Date.</p>	<p>13,590,000 (100 per cent. interest)</p>

Notes:

1. The registered owner of the property is King's Flair Development Limited, an indirect wholly-owned subsidiary of the Company.
2. The property is subject to a mortgage to secure general banking facilities in favour of Sin Hua Bank Limited.

Group II — Property held and occupied by the Group under various long-term title certificates in the PRC and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014 HK\$
4. Two parcels of land known as Lot No. 01-42-(009)-002 and various buildings erected thereon at No. 2 Yongzhen Street Hongdong Village Huiping Town Qidong City Nantong City Jiangsu Province The People's Republic of China 226255	<p>The property comprises two parcels of land having a total site area of approximately 12,398.80 sq.m. with 2 major buildings and various ancillary supporting structures erected thereon.</p> <p>The major buildings and structures, including a workshop building and an ancillary office building, are of 2 to 3-storeys in height and having a total gross floor area of approximately 2,075.52 sq.m. The building and structure were completed in between 1994 and 2000.</p> <p>The property is subject to a right to use the land for various terms till 28 May 2049 and 30 December 2053 for industrial purpose.</p>	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, the property was vacant as at the Valuation Date.	3,200,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land was granted to 科陶陶瓷製品(啟東)有限公司 (translated as Ketao Pottery Products (Qidong) Co. Limited hereinafter referred to as "Ketao Pottery"), an indirect wholly-owned subsidiary of the Company, via the following ways:
 - (i) A parcel of land having a site area of approximately 3,994.80 sq.m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights dated 29 May 2000 made between the Land and Planning Administrative Bureau of Qidong City and Ketao Pottery, the land use rights of a parcel of land having a site area of 3,995.00 sq.m. was granted to Ketao Pottery for a term of 50 years for industrial usage; and

pursuant to a State-owned Land Use Rights Certificate known as 啟國用(2000)字第1060001號 (Qi Guo Yong (2000) Zi Di 1060001 Hao) dated 2 June 2000 and issued by the Land and Planning Administrative Bureau of Qidong City, Ketao Pottery has a right to use the land having a site area of approximately 3,994.8 sq.m. for a term till 28 May 2049 for industrial purpose.
 - (ii) A parcel of land having a site area of approximately 8,404.00 sq.m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights dated 30 December 2003 made between the Land Resource Bureau of Qidong City and Ketao Pottery, the land use rights of a parcel of land having a site area of 8,404.00 sq.m. was granted to Ketao Pottery for a term of 50 years for industrial usage; and

pursuant to a State-owned Land Use Rights Certificate known as 啟國用(2004)字第0065號 (Qi Guo Yong (2004) Zi Di 0065 Hao) dated 12 January 2004 and issued by the Land Resource Bureau of Qidong City, Ketao Pottery has a right to use the land having a site area of approximately 8,404.00 sq.m. for a term till 30 December 2053 for industrial purpose.
2. Pursuant to a Building Ownership Certificates known as Qi Dong Fang Quan Zheng Zi Di 00134734 Hao (啟東房權證字第00134734號) issued by the Realty Management Bureau of Qidong City dated 15 December 2011, the legally interested party in the property having a total gross floor area of approximately 2,075.52 sq.m. is Ketao Pottery.
3. According to our on-site inspection, we noticed that access of the property has to pass through a third party's land.
4. According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinions are noted:
 - (i) Ketao Pottery has legally obtained the land use rights of the property by the way of land grant and all the consideration has been fully paid;
 - (ii) Ketao Pottery is the legally interested party in the property and has the right to occupy, use, transfer, lease, mortgage or any other legal way to dispose the property before the expiry date stated in the State-owned Land Use Right Certificate; and
 - (iii) the property is not subject to any mortgage, sealing up, or other form of restrictions.

Group III — Properties occupied by the Group under various operating leases in Hong Kong

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
5.	Units A and B on 22nd Floor and Car Parking Space G1 on Ground Floor Goodwill Industrial Building Nos. 36-44 Pak Tin Par Street Tsuen Wan New Territories Hong Kong	<p>The property comprises the whole workshop unit on the 22nd Floor and a car parking space on ground floor of a 24-storey industrial building. The building was completed in about 1982.</p> <p>The property has a gross floor area and saleable area of approximately 8,750 sq. ft. (812.89 sq.m.) and 6,388 sq.ft. (593.46 sq.m.) respectively.</p> <p>The property is rented to the Group for a term commencing from 1 July 2014 to 31 December 2016 at a total monthly rental of HK\$63,500 exclusive of management fees, government rent and rates.</p>	No Commercial Value

Notes:

1. The landlord of the property is Wong Siu Wah, the Chairman, Executive Director and Controlling shareholder of the Group.
2. According to the information provided by the appointed personnel of the Company, the tenants of the property are as follow:
 - (i) Unit A on 22nd Floor and Car Parking Space No. G1 on ground floor of the property is King's Flair Development Limited, an indirect wholly-owned subsidiary of the Company.
 - (ii) Unit B on 22nd Floor of the property is Gloxis Development Limited, a subsidiary of the Company.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
6.	Flats A, B, C, D and E on 12th Floor Champion Building Nos. 287/291 Des Voeux Road Central Hong Kong	<p>The property comprises the whole of the 12th Floor of a 22-storey office building. The building was completed in about 1973.</p> <p>According to the information made available to us, the property has a saleable area of approximately 2,270 sq. ft. (210.89 sq.m.)</p> <p>The property is rented to the Group for a term of 2 years commencing from 1 June 2014 to 31 May 2016 at a monthly rental of HK\$52,000.00 inclusive of government rent and rates.</p> <p>The property was occupied by the Group for office and showroom purposes as at the Valuation Date.</p>	No Commercial Value

Notes:

1. The landlord of the property is Kan Ho Enterprises Company, Limited, an independent third party of the Company.
2. The tenant of the property is Wonder Household Limited, a subsidiary of the Company.

Group IV — Properties occupied by the Group under various operating leases in the PRC

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
7.	Unit 0903 Block 4 Jianwai SOHO No. 39 Middle Road of E 3rd Ring Road Chaoyang District Beijing The People's Republic of China 100020	<p>The property comprises an office unit on Level 9 of a 13-storey office building. The building was completed in about 2006.</p> <p>According to the information made available to us, the property has a lettable area of approximately 161.99 sq.m.</p> <p>The property is rented to the Group for a term of 2 years commencing from 25 July 2013 to 24 July 2015 at a monthly rental of RMB20,000.00 inclusive of management fees and heating fees.</p> <p>The property was occupied by the Group for office purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 項翔 (translated as "Xiangxiang"), an independent third party of the Company.
- The lessee of the property is 寧波家之良品國際貿易有限公司 (translated as Ningbo Homesbrands International Trading Company Limited), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - The tenancy agreement is legally entered and valid.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
8.	Shop No. L-SMM-173 Block 17 Solana Lifestyle Shopping Park No. 6 Chaoyang Park Road Chaoyang District Beijing The People's Republic of China 100026	<p>The property comprises a retail shop on the basement of a 6-storey shopping arcade (including 2 levels of basement) which was completed in about 2008.</p> <p>According to the information made available to us, the property has a lettable area of approximately 114.30 sq.m.</p> <p>The property is rented to the Group for a term of 3 years commencing from 1 July 2013 to 30 June 2016 at a currently monthly base rental of RMB118,205.25 exclusive of management fees and promotion fee.</p> <p>The property was occupied by the Group for retail shop purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 藍色港灣有限公司 (translated as "Solana Limited"), an independent third party of the Company.
- The lessee of the property is 寧波家之良品國際貿易有限公司北京分公司 (translated as Ningbo Homesbrands International Trading Company Limited, Beijing Branch), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - The tenancy agreement is legally entered and valid.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
9.	A warehouse located at No. 5 Daxian Road Daludian Ercun Heizhuanghuxiang Chaoyang District Beijing The People's Republic of China 100023	<p>The property comprises a single storey of a warehouse which was completed in about 2010.</p> <p>According to the information made available to us, the property has a lettable area of approximately 300.00 sq.m.</p> <p>The property is rented to the Group for a term commencing from 10 September 2014 to 9 September 2015 at a yearly rental of RMB93,075.00.</p> <p>The property was occupied by the Group for warehouse purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 上海會成物流有限公司 (translated as "Shanghai Huicheng Logistics Company Limited"), an independent third party of the Company.
- The lessee of the property is 寧波家之良品國際貿易有限公司 (translated as Ningbo Homesbrands International Trading Company Limited), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - The tenancy agreement is legally entered and valid.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
10.	An office unit on Level 4 of Block A North Zone E Link World No. 999 Huaxu Road Xujing Town Qingpu District Shanghai The People's Republic of China 201702	<p>The property comprises an office unit on Level 4 of a 6-storey office building which was completed in about 2012.</p> <p>According to the information made available to us, the property has a gross floor area of approximately 1,421.88 sq.m.</p> <p>The property is rented to the Group for a term of 60 months from 1 November 2012 to 31 October 2017 at a yearly rental RMB986,073.78 exclusive of management fees.</p> <p>The property was occupied by the Group for office purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 上海莎歐科技發展有限公司 (translated as "Shanghai Sha'ou Technology Development Company Limited"), an independent third party of the Company.
- The lessee of the property is 悠享(上海)商貿有限公司 (translated as Youxiang (Shanghai) Commercial & Trade Company Limited), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinions are noted:
 - The tenancy agreement is legally entered and valid;
 - The property is subject to a mortgage in favour of the Bank of Shanghai Company Limited Baiyu Branch; and
 - In case Bank of Shanghai Company Limited Baiyu Branch exercised its right, the tenancy agreement may be terminated.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
11.	House No. 45 Xijiao Meilinguan No. 689 Gaojing Road Qingpu District Shanghai The People's Republic of China 210702	<p>The property comprises a 3-storey house which was completed in about 2004.</p> <p>According to the information made available to us, the property has a gross floor area of approximately 325.00 sq.m.</p> <p>The property is rented to the Group for a term commencing from 15 November 2013 to 14 November 2014 at a monthly rental RMB25,000.00 inclusive of management fees.</p> <p>The property was occupied by the Group for residential purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 陸佩君 (translated as "Lu Pei Jun"), an independent third party of the Company.
- The lessee of the property is 悠享(上海)商貿有限公司 (translated as "Youxiang (Shanghai) Commercial & Trade Company Limited"), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - The tenancy agreement is legally entered and valid.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
12.	A portion of warehouse located at No. 658 Huacai Road Qingpu District Shanghai The People's Republic of China 210708	<p>The property comprises a portion of a single storey warehouse which was completed in about 2013.</p> <p>According to the information made available to us, the property has a lettable area of approximately 1,075 sq.m.</p> <p>The property is rented to the Group for a term commencing from 1 December 2013 to 2 July 2015 at a yearly rental RMB255,043.75 exclusive of management fees, taxes and warehouse insurance.</p> <p>The property was occupied by the Group for warehouse purpose as at the Valuation Date.</p>	No Commercial Value

Notes:

- The lessor of the property is 上海康馳物流有限公司 (translated as "Shanghai Netax Logistics Company Limited"), an independent third party of the Company.
- The lessee of the property is 寧波家之良品國際貿易有限公司 (translated as "Ningbo Homesbrands International Trading Company Limited"), an indirect subsidiary of the Company.
- According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - The tenancy agreement is legally entered and valid.

	Property	Description and occupancy	Amount of valuation in existing state attributable to the Group as at 31 October 2014
13.	Unit 1005-2 on Level 10 of Block 1 No. 5 Xingye 1st Road Ningbo Free Trade Zone Ningbo City Zhejiang Province The People's Republic of China 315800	<p>The property comprises an office unit with ancillary furniture (2 display booth, a desk and public air-conditioner) on Level 10 of a 12-storeys building which was completed in approximately 2005. (See Note 3 below)</p> <p>According to the information made available to us, the property has a gross floor area of approximately 12.58 sq.m.</p> <p>The property is rented to the Group for a term commencing from 13 March 2014 to 12 March 2017 at a nil monthly rental and management fee.</p> <p>The property was occupied by the Group for office and showroom purposes as at the Valuation Date.</p>	No Commercial Value

Notes:

1. The lessor of the property is 寧波保稅區市場發展有限公司 (translated as "Ningbo Free Trade Zone Market Development Company Limited"), an independent third party of the Company.
2. The lessee of the property is 寧波家之良品國際貿易有限公司 (translated as "Ningbo Homesbrands International Trading Company Limited"), an indirect subsidiary of the Company.
3. According to the information provided by the appointed personnel of the Company, the lessee is liable to pay an annual rental of RMB2,000 for the ancillary furniture.
4. According to the legal opinions prepared by the Company's PRC legal adviser, Guangdong Allied Law Firm (廣東雅爾德律師事務所), the following opinion is noted:
 - (i) The tenancy agreement is legally entered and valid.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 December, 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company

promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits

on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such

restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;

- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of

the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution

amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the

specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the

foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should

be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 July, 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of

contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 June 2012.

Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company since 19 December 2014 and our principal place of business in Hong Kong is at 12 Floor, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. Ms. Wong Fook Chi has been appointed as authorised representative of our Company for the acceptance of service of process and any notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a Memorandum of Association and Articles of Association. A summary of certain relevant parts of our constitution and the Companies Law is set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each.

On the incorporation of our Company, one Share was subscribed, nil-paid by a nominee company which was an Independent Third Party. On the same day, (i) the nominee company transferred the said one nil-paid Share to First Concord; and (ii) our Company issued and allotted additional 199 Shares nil-paid to First Concord and 800 Shares nil-paid to City Concord.

Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Lions Power and Wealth Wise from KF Group on 24 December 2014, (i) the 200 nil-paid Shares and 800 nil-paid Shares then held by First Concord and City Concord respectively were credited as fully paid at par; and (ii) 1,800 Shares and 7,200 Shares, all credited as fully paid at par, were allotted and issued to First Concord and City Concord, respectively. Therefore, as at the Latest Practicable Date, a total of 10,000 Shares were in issue and all credited as fully paid.

Pursuant to the written resolutions of all our Shareholders passed on 22 December 2014, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.

Our Company will offer 175,000,000 new Shares by way of the Share Offer to the public and the professional investors in Hong Kong for subscription.

Conditional on the share premium account of our Company being credited with the proceeds from the Share Offer, the amount of HK\$5,249,900 standing to the credit of the share premium account of our Company will be capitalised to pay up in full at par 524,990,000 Shares for allotment and issue to First Concord and City Concord, pro rata to their existing shareholdings in our Company as at the Latest Practicable Date (the "Capitalisation Issue"). The number of Shares so allotted and issued will, together with the Shares held by First Concord and City Concord as at the Latest Practicable Date, represent 75% of the entire issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue.

Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Share which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, 700,000,000 Shares will be issued fully paid or credited as fully paid, and 9,300,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of our incorporation.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Resolutions of all our Shareholders passed on 22 December 2014" in this Appendix and pursuant to the Over-allotment Option and the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company.

3. Resolutions of all our Shareholders passed on 22 December 2014

Pursuant to the written resolutions of all our Shareholders passed on 22 December 2014:

- (a) our Company approved and adopted the Articles as our new articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the Shares then in issue in all respects;
- (c) conditional on the same conditions as stated in the sub-section headed "Conditions of the Share Offer" in the section headed "Structure and Conditions of the Share Offer" in this prospectus, the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;
- (d) conditional on the Listing Committee granting approval for the listing of and permission to deal in the Shares, the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;

- (e) conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise the amount of HK\$5,249,900 standing to the credit of the share premium account of our Company to pay up in full at par 524,990,000 Shares for allotment and issue to First Concord and City Concord, pro rata to their existing shareholdings in our Company as at the Latest Practicable Date;
- (f) conditional upon the Share Offer and the Listing becoming unconditional, a general unconditional mandate was given to our Directors authorising them to exercise all powers of the Company to allot, issue and deal with, otherwise than pursuant to Shares issued as a result of rights issue, exercise of the subscription or conversion rights attaching to any warrants, bonds, notes, debentures and securities of the Company, scrip dividend scheme or upon the exercise of the options which may be granted pursuant to the Share Option Scheme or similar arrangement or a specific authority granted by Shareholders in general meeting, Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option) and (ii) the aggregate nominal amount of Shares repurchased under the authority granted to our Directors as referred to in paragraph (g) below, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the revocation, variation or renewal by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest; and
- (g) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Main Board or any other stock exchange on which the Shares or other securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the revocation, variation and renewal by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest.

4. Reorganisation

The companies in our Group underwent the Reorganisation in preparation for the listing of the Shares on the Main Board which involved the following:

- (a) On 20 February 2012, the authorised share capital of Manweal was increased from HK\$300,000 to HK\$10,000,000 by the creation of 9,700,000 shares of HK\$1.00 each ranking pari passu with all the existing shares. On the same day, 3,440,000 and 1,760,000 ordinary shares in Manweal were issued and allotted to KF Group and Mr. Lin Zhao respectively at par value. As a result, Manweal became held as to 68% by KF Group and 32% by Mr. Lin Zhao (who subsequently transferred the 1,760,000 ordinary shares in Manweal to Primehill Holdings Limited, a BVI Company wholly and beneficially owned by a family member of Mr. Lin Zhao as at the Latest Practicable Date).
- (b) On 11 April 2012, King's Flair Development disposed of its 8,000 shares, being 88.89% of the shareholding in Houzehold Trend to Eagle Action at a consideration of HK\$1,058,000, being the net asset value of such shares. On 16 November 2012, Eagle Action disposed of its 9,000 shares, being 100% of the shareholding in Houzehold Trend to an Independent Third Party.
- (c) On 11 April 2012, Aegis Global disposed of all its shareholding, being 7,000 shares in Dark Star to Eagle Action at a consideration of HK\$7,000, being the par value of such shares since it is a net liability company.
- (d) On 12 April 2012, King's Flair Development acquired an aggregate of 10,000 ordinary shares of HK\$1.00 each in Aegis Global, being the entire issued share capital thereof, as to 6,000 ordinary shares from Oera (as trustee for and with the consent of Eagle Action) and 4,000 ordinary shares from Green Concord at a consideration of HK\$3,663,000 and HK\$2,442,000 respectively, being the net asset value of such shares.
- (e) On 26 April 2012, King's Flair Development acquired an aggregate of 5,100 ordinary shares of HK\$1.00 each in Homespan HK, being 51% of the issued share capital thereof, as to 5,099 ordinary shares from Eagle Action and 1 ordinary share from Oera (as trustee for and with the consent of Eagle Action) at a consideration of HK\$3,929,943 and HK\$771 respectively, being the net asset value of such shares.
- (f) Lions Power was incorporated in the BVI on 3 May 2012. The authorised share capital of Lions Power upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, of which 1 share has been fully paid and allotted to KF Group.

- (g) Wealth Wise was incorporated in the BVI on 3 May 2012. The authorised share capital of Wealth Wise upon incorporation was US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, of which 1 share has been fully paid and allotted to KF Group.
- (h) On 20 March 2012, the PRC JV resolved to increase its registered capital from RMB5,000,000 to RMB10,000,000, out of which RMB4,950,000 was contributed by Manweal and RMB50,000 by Mr. Lin Zhao. The equity interest of the PRC JV became held as to 75% by Manweal and 25% by Mr. Lin Zhao as from 28 June 2012 after the capital contributions were made and the new business licence issued.
- (i) Our Company was incorporated in the Cayman Islands on 25 June 2012 as an exempted company with limited liability. On incorporation of our Company, one nil-paid Share was allotted and issued to Codan Trust Company (Cayman) Limited, which was transferred to First Concord. On the same date, 199 Shares and 800 Shares were allotted and issued nil-paid to First Concord and City Concord respectively.
- (j) Youxiang was established as a domestic company in the PRC on 25 October 2012 with a registered capital of RMB1,000,000, the entire equity interest of which is held by the PRC JV.
- (k) On 20 November 2012, KF Group transferred 3,740,000 ordinary shares, being all its shareholding, in Manweal to Wealth Wise at a consideration of HK\$3,740,000.
- (l) On 14 December 2012, King's Flair Development disposed of 499 ordinary shares and 1 ordinary A share of Homespan UK, being the entire shareholding interest in Homespan UK, to an Independent Third Party at nil consideration since Homespan UK was a net liability company.
- (m) On 17 December 2014, KF Group transferred 999,999 ordinary shares in King's Flair Development, being 99.9999% of the shareholding thereof, to Lions Power at a consideration of HK\$248,765,955 (being the net asset value thereof), and Mr. Wong transferred 1 ordinary share in King's Flair Development, being 0.0001% of the shareholding thereof, to Lions Power at a consideration of HK\$249 (being the net asset value thereof).
- (n) On 22 December 2014, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares.
- (o) On 23 December 2014, shareholder's loan (i) in the aggregate sum of HK\$248,766,204 advanced by KF Group to Lions Power to finance its payment of the consideration for the acquisition of the 1,000,000 ordinary shares in

King's Flair Development was capitalized by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Lions Power; and (ii) in the sum of HK\$3,740,000 advanced by KF Group to Wealth Wise to finance its acquisition of the 3,740,000 ordinary shares in Manweal was capitalized by the allotment and issue to KF Group of 999 new shares, credited as fully paid, of Wealth Wise.

- (p) On 24 December 2014, our Company acquired the entire issued share capital of Lions Power and Wealth Wise from KF Group. The consideration was satisfied by the allotment and issue of 9,000 Shares, credited as fully paid, as to 1,800 Shares in favour of First Concord and as to the remaining 7,200 Shares in favour of City Concord and crediting as fully paid at par the 1,000 nil paid Shares in issue at the time.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the sub-section headed "Reorganisation and Group Structure" in the section headed "History, Reorganisation and Group Structure" in this prospectus and in the paragraph headed "Reorganisation" in this Appendix, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Repurchase of our own securities by our Company

The Listing Rules permit companies with a primary listing on the Main Board to repurchase their securities on the Main Board subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Main Board by a company with a primary listing on the Main Board must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to written resolutions of all our Shareholders passed on 22 December 2014, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Main Board, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following Listing (including Shares to be issued pursuant to the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held, or when revoked, varied or renewed by an ordinary resolution of our Shareholders in the general meeting, whichever shall first occur.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Company to have general authority from Shareholders to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(c) *Funding of repurchases*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws and regulations of Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose or, subject to the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be provided for out of profits, share premium or, subject to the Companies Law, out of the capital of our Company.

(d) *Impact on repurchase*

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account of the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *Directors' intention to sell Shares*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell Shares to our Company or our subsidiaries.

(f) *Directors' undertaking*

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Cayman Islands.

(g) *Connected parties*

No connected person has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so.

(h) *Share repurchases made by our Company*

No repurchase of Shares has been made by our Company within six months prior to the date of this prospectus.

(i) *Takeovers Code*

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(j) *Share capital*

Exercise in full of the Repurchase Mandate, on the basis of 700,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, could accordingly result in up to 70,000,000 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Resolutions of all our Shareholders passed on 22 December 2014" in this Appendix.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**










The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement for sale and purchase of the entire issued share capital of Wonder Household dated 31 December 2013 between Oera as vendor and King's Flair Development as purchaser for a consideration of HK\$19.2 million;
- (b) an instrument of transfer and one set of bought and sold notes all dated 17 December 2014 between KF Group and Lions Power whereby KF Group transferred 999,999 ordinary shares in King's Flair Development to Lions Power at a consideration of HK\$248,765,955;
- (c) an instrument of transfer and one set of bought and sold notes all dated 17 December 2014 between Mr. Wong and Lions Power whereby Mr. Wong transferred 1 ordinary share in King's Flair Development to Lions Power at a consideration of HK\$249;
- (d) an agreement for sale and purchase of the entire issued share capital of Lions Power and Wealth Wise dated 24 December 2014 between KF Group as vendor, First Concord, City Concord, Mr. Wong and Ms. Rebecca Cheng as warrantors and our Company as purchaser whereby KF Group agreed to transfer the entire issued share capital of Lions Power and Wealth Wise to our Company and in consideration for which our Company agreed to allot and issue 1,800 Shares and 7,200 Shares, credited as fully paid, to First Concord and City Concord respectively and crediting as fully paid at par the 1,000 nil paid Shares in issue;
- (e) a deed of indemnity dated 24 December 2014 given by the Controlling Shareholders in favour of our Group in relation to, among other things, taxation, details of which are set out in the paragraph headed "Indemnity" in paragraph E of this Appendix;
- (f) a deed of non-competition dated 22 December 2014 entered into between the Controlling Shareholders and our Company whereby the Controlling Shareholders have given certain non-competition undertakings as referred to in the paragraph headed "Deed of non-competition" in the section headed "Relationship with the Controlling Shareholders" in this prospectus;
- (g) a compliance adviser agreement dated 31 July 2014 entered into between the Company and Baron appointing Baron as the compliance adviser of the Company; and
- (h) the Public Offer Underwriting Agreement.

2. Intellectual Property

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks, which may be material to the business of our Group:

Trademark	Class	Place of registration	Trademark number	Name of registrant
	8	PRC	10982324	PRC JV
	11	PRC	10678049	PRC JV
	20	PRC	10063176	PRC JV
	29	PRC	10063223	PRC JV
	30	PRC	10063256	PRC JV
	32	PRC	10063288	PRC JV
	33	PRC	10063319	PRC JV
	40	PRC	10063341	PRC JV
家之良品	35	PRC	10982601	PRC JV
 硅家	21	PRC	10453516	King's Flair Development



Trademark	Class	Place of registration	Trademark number	Name of registrant
	25	PRC	13031028	KF Marketing
	21	Hong Kong	199507820 (Note)	The Company
	21	Hong Kong	302346741	The Company
King's Flair International (Holdings) Limited	21	Hong Kong	302346750	The Company
	21	Hong Kong	300155637	King's Flair Development
	21	PRC	3908328	King's Flair Development
	21	Hong Kong	302821509	KF Marketing
	3, 14, 21, 25	Hong Kong	302928448	KF Marketing

Note: This trademark was assigned by Mr. Wong to the Company on 27 June 2013 at nil consideration.

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks which may be material to our business:

Trademark	Class	Place of registration	Application number	Name of registrant	Application date
	21	PRC	12534009	KF Marketing	2013-05-06
	18	PRC	12533970	KF Marketing	2013-05-06
	14	PRC	12533950	KF Marketing	2013-05-06
	24	PRC	13031001	KF Marketing	2013-08-05
	20	PRC	12533988	KF Marketing	2013-05-06
	8	PRC	12533867	KF Marketing	2013-05-06
	9	PRC	12533878	KF Marketing	2013-05-06
	11	PRC	12533889	KF Marketing	2013-05-06
	16, 21	Hong Kong	303176037	The Company	2014-10-23
King's Flair International (Holdings) Limited King's Flair International (Holdings) Limited	16, 21	Hong Kong	303176028	The Company	2014-10-23
科勁國際(控股)有限公司 科勁國際(控股)有限公司	16, 21	Hong Kong	303176046	The Company	2014-10-23

In addition, as at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the application of which were rejected and are under the review process:

Trademark	Class	Place of registration	Application number	Name of registrant	Application date	Rejection date
	21	PRC	10975168	PRV JV	2012-05-25	2013-09-10
	3	PRC	12533826	KF Marketing	2013-05-06	2014-05-04

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registered Owner
kingsflair.com.hk	King's Flair Development
homesbrands.com	PRC JV
homesbrands.cn	PRC JV
homesbrands.com.cn	PRC JV
家之良品.中国	PRC JV
家之良品.公司	PRC JV
gourmetkitchen.hk	Manweal
gloxis.com	Gloxis

Save as disclosed above, as at the Latest Practicable Date, our Group had not registered or applied for registration of any trademark, patent, domain name or other intellectual or industrial property rights which may be material to the Group in Hong Kong or elsewhere.

Moreover, the PRC JV has been authorised to use certain trademarks in the PRC pursuant to a number of licence agreements. For details, please refer to paragraph headed "Retail business" under section headed "Business" of this prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and/or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Directors will have the following interests and/or short positions in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in

Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Mr. Wong (Notes 2 & 3)	Interest of controlled corporation	525,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Director's interest in the share capital of our Company.
2. First Concord is held as to 60% by Mr. Wong and as to 40% by Ms. Rebecca Cheng. Therefore, Mr. Wong is deemed to be interested in the 105,000,000 Shares held by First Concord under the SFO.
3. Mr. Wong is the beneficial owner of 100% of the issued share capital of City Concord. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord under the SFO.

Save as disclosed above, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), none of our Directors will have any interests and/or short positions in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed.

(b) Interests and/or short positions of substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to our Directors, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be

interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long positions in the Shares

Name of substantial Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding
First Concord <i>(Note 2)</i>	Beneficial owner	105,000,000 (L)	15%
City Concord <i>(Note 3)</i>	Beneficial owner	420,000,000 (L)	60%
Mr. Wong <i>(Notes 2 & 3)</i>	Interest of controlled corporation	525,000,000 (L)	75%
Ms. Rebecca Cheng <i>(Notes 2 & 3)</i>	Interest of controlled corporation	525,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of our Company.
2. First Concord is held as to 60% by Mr. Wong and 40% by Ms. Rebecca Cheng. Mr. Wong and Ms. Rebecca Cheng are both deemed to be interested in the 105,000,000 Shares held by First Concord.
3. City Concord is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 Shares held by City Concord. Ms. Rebecca Cheng is deemed to be interested in the 420,000,000 Shares held by City Concord by reason of her being the spouse of Mr. Wong.

Save as disclosed above, so far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), there are no other person (not being a Director or chief executive of our Company) who has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Particulars of service agreements

Each of the executive Directors, namely, Mr. Wong, Ms. Wong Fook Chi and Mr. Wong Ying Wai Dennis has entered into a service agreement with our Company for an initial term of three years, commencing from the Listing Date with an initial annual remuneration (inclusive of all salaries from other companies within our Group) of approximately HK\$6.0 million, HK\$450,000 and HK\$600,000 respectively. Either party has the right to give not less than three months' written notice to terminate the respective

service agreement. In addition, each of these Directors will be entitled to a discretionary bonus to be calculated based on individual performance. Each of these Directors will also be reimbursed all reasonable out-of-pocket expenses properly incurred by him/ her in the performance of his/her duties as a Director. The service agreement entered into with Mr. Wong also provided that our Company shall provide our Group's property being Flat A901 on 9th Floor and car parking space number A4 and A5, Block A, Villa Verde, Nos. 16 and 18, Guildford Road, The Peak, Hong Kong, as accommodation and for use of Mr. Wong and his family.

Pursuant to the letter of appointment from our Company to each of the independent non-executive Directors dated 22 December 2014, the appointment of each of Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie is for an initial term of three years commencing from the date of appointment with a director's fee of HK\$144,000, HK\$144,000 and HK\$144,000 per annum respectively.

3. Directors' remuneration

Remuneration and benefit in kind of approximately HK\$15.6 million in aggregate were paid and granted by our Group to our Directors for the financial year ended 31 December 2013.

Under the current arrangements, our Directors will be entitled to receive remuneration which, for the financial year ending 31 December 2014, is expected to amount to approximately HK\$5.9 million, excluding the discretionary bonuses payable to our Directors.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to our Group.

4. Personal guarantees

As at the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, Mr. Wong, an Executive Director and a Controlling Shareholder, or together with Ms. Rebecca Cheng, also a Controlling Shareholder, provided personal guarantees for unlimited amounts, to certain banks for granting the general banking facilities, treasury facilities and combined import, clear import loan and packing credit facilities to our Group during the Track Record Period. These banks include Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited and Standard Chartered Bank (Hong Kong) Limited and they had confirmed in or before August 2014 in writing to release the guarantees mentioned above on the date immediately before the Listing Date provided that certain conditions therein are satisfied, in particular, completion of Listing and corporate guarantee shall be given by our Company to replace the said personal guarantees.

Save as disclosed above, none of our Directors has provided any personal guarantee or executed any charges over their properties in favour of any banks or other third parties for banking facilities or other financial accommodation granted to any member of our Group.

5. Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

6. Disclaimers

Save as disclosed in this prospectus,

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (d) none of the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group or is an officer or servant or in employment of an officer or servant of our Group.

D. SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of all our Shareholders passed on 22 December 2014.

The terms of the Share Option Scheme complies with Chapter 17 of the Listing Rules:

1. *Purpose of the Share Option Scheme*

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to our Group.
- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:
 - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.
- (c) For the purpose of the Share Option Scheme, “Eligible Participant” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. *Who may join and basis for determining eligibility*

- (a) The Board may at its discretion grant options to: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a Director, chief executive or substantial Shareholder of our Company or any of their respective close associates, must comply with the requirements of Rule 17.04(1) of the Listing Rules.

- (d) Subject to the provisions of the Share Option Scheme, any person whom the Board has resolved to be qualified to become an Eligible Participant must remain eligible during the period when any option granted to him/her/it remains outstanding. In assessing such grantee's continuing eligibility under the Share Option Scheme, the requirements set out in the Share Option Scheme and the views, if any, of the independent non-executive Directors shall be given due and careful consideration by the Board.
- (e) Should the Board resolves that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to other applicable rules and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements under the Share Option Scheme.

3. *Grant of options*

- (a) Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time on a Business Day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Participant as the Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be deemed accepted when our Company receives the acceptance of the offer letter duly signed by the Eligible Participant together with a non-refundable payment of HK\$1 (or such other nominal sum in any currency as the Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where the Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet the continuing eligibility criteria, any outstanding option (to the extent it has not already been exercised) shall lapse;

- (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent it has not already been exercised) will lapse unless otherwise resolved to the contrary by the Board;
 - (iii) in the event that the Eligible Participant is a corporation whether incorporated or unincorporated, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
 - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) Our Company shall not offer the grant of an option to any Eligible Participant:
- (i) after inside information has come to our knowledge, until we have announced the information pursuant to the relevant requirements of the Listing Rules; or
 - (ii) during the period commencing one month immediately preceding the earlier of:
 - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules), for approving of our Company's results for any year, half-year, quarterly year or any other interim period (whether or not required under the Listing Rules); and

- (2) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (d) Any grant of options to a Director, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee). Where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to our Shareholders. The grantee, his associates and all core connected persons (as defined under the Listing Rules) of our Company must abstain from voting at such general meeting.

4. *Exercise price of Shares*

The exercise price for any Share under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day's, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the relevant option or where our Company has been listed for less than five Business Days, the new issue price shall be used as the closing price, and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5. *Maximum number of Shares*

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The maximum number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 10% of the issued share capital of our Company, which is expected to be on or before the date of the listing of the Shares (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained pursuant to sub-paragraph (d) below. Options lapsed in accordance with the terms of the Share Option Scheme and such other share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (c) The Scheme Mandate Limit may be refreshed by our Shareholders in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of our Company at the date of the approval of the refreshment by our Shareholders in general meeting. Upon any such refreshment, all options granted under the Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the Share Option Scheme or any other such share option schemes of our Company) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to our Shareholders containing such information from time to time required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (d) The Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to our

Shareholders containing such information from time to time required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.

- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of our Company as at the date of such new grant. Any grant of further options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as the auditors of our Company or the independent financial adviser of our Company shall certify in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. *Time of exercise of option*

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which shall not be more than 10 years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

7. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

8. *Rights on ceasing to be an Eligible Participant*

Where an option was granted subject to certain continuing conditions, restrictions or limitations on the grantee's eligibility and the Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet such continuing eligibility criteria, any outstanding option (to the extent it has not already been exercised) shall lapse.

9. *Rights on death/ceasing employment*

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within a period of 12 months following his/her death or such longer period as the Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his/her death, disability or the termination of his/her employment on one or more of the following grounds that:
 - (i) he/she has been guilty of serious misconduct; or
 - (ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
 - (iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty; or
 - (iv) (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or any subsidiary,

the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.

- (c) If the grantee is an employee, director, consultant, professional, agent, partner, adviser of or contractor to our Group or an Affiliate at the time of the grant of the relevant option(s) and his/her employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant,

professional, agent, partner, adviser of or contractor to our Group or an Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.

- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his/her becoming a director of our Group or our Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or our Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. *Effects of alterations to capital*

In the event of any alteration in the capital structure of our Company while an option remains exercisable, and such event arises from including a capitalisation of profits or reserves, rights issue, open offer, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to unexercised options, the exercise price, the method of exercise of the options, and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not

be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

11. *Rights on a takeover*

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code). Any option then remaining unexercised at such expiry shall lapse and become void.

12. *Rights on a scheme of arrangement*

In the event of a compromise or arrangement between our Company and our members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company’s share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof. Any option then remaining unexercised shall lapse at such expiry and become void.

13. *Rights on a voluntary winding up*

In the event notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantees and any grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Any option then remaining unexercised shall lapse at such expiry and become void.

14. *Rights attaching to Shares upon exercise of an option*

Shares issued and allotted upon the valid exercise of an option will rank pari passu in all respects with the other existing fully paid Shares in issue at the date of allotment.

15. *Lapse of options*

An option (to the extent such option has not already been exercised) shall lapse automatically and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of any of the periods referred to in paragraphs 9 and 11;
- (c) subject to paragraph 13, the date of commencement of the winding-up of our Company;
- (d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date on which the grantee who is an employee ceases to be an employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or on any

- other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or any subsidiary;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
- (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any Director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any Director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. *Cancellation of options granted*

The Board shall have the absolute discretion to cancel any options granted but not exercised at any time at the request of the grantee provided where an option is cancelled and a new option can only be proposed to be granted to the same grantee if there are available unissued Shares in the authorised share capital of our Company comprising in ungranted options (excluding all the cancelled options) within the limits referred to in paragraph 5.

17. *Period of the Share Option Scheme*

Options may be granted to Eligible Participants under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. *Alteration to Share Option Scheme and termination*

- (a) The Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of our Shareholders in general meeting. No such adjustments shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantee as would be required of our Shareholders under the Articles of Association for the time being of our Company for a variation of the rights attached to Shares.
- (b) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature, must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

19. *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon (a) Shareholders' approval; (b) the Listing Committee granting approval for the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and (c) the commencement of the dealing in the Shares on the Stock Exchange.

20. *Administration of the Share Option Scheme*

The Share Option Scheme shall be administered by the Board whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no options have been granted by our Company under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme being 70,000,000 Shares in total, representing 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

E. OTHER INFORMATION

1. Indemnity

First Concord, City Concord, Mr. Wong and Ms. Rebecca Cheng (collectively the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) whereby they have given joint and several indemnities in connection with, among other matters:

- (a) any taxation falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled, save:
 - (i) to the extent that provision or reserve has been made for such taxation in the combined audited accounts of our Group for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014;
 - (ii) taxation falling on any of the members of our Group on or after 1 July 2014 unless liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by, the Indemnifiers, our Group or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled;

- (iii) to the extent that such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus are fulfilled or to the extent that such taxation arises or is increased by an increase in rates of taxation after such date with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of Cayman Islands, BVI or anywhere else in the world on the profits of companies for the current or any earlier financial period);
- (iv) to the extent that such taxation is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge; or
- (v) to the extent any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (i) above which is finally established to be an overprovision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and other jurisdiction in which the companies comprising our Group are incorporated.

2. Litigation

Save as disclosed under the paragraph head “Litigation” under the section headed “Business” of this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

The fee payable by our Company to Baron to act as the Sole Sponsor in relation to the Listing is approximately HK\$1.5 million, and Baron will be reimbursed for its expenses properly incurred in connection with the Listing.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company will appoint Baron as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year ending 31 December 2016.

5. Preliminary expenses

The estimated preliminary expenses of our Company are approximately US\$5,370 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

7. Qualifications of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualifications
Baron Global Financial Services Limited	A licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Guangdong Allied Law Firm	PRC legal advisers to our Company
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorney-at-law
DLA Piper Hong Kong	Legal adviser as to International Sanctions laws
LCH (Asia-Pacific) Surveyors Limited	Property valuer

8. Consents of experts

The experts as referred to in the paragraph “— Qualifications of experts” in this Appendix have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has been no material adverse change in the financial position or prospects of our Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up); and
 - (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriter) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries.
- (b) Our Company has no founder shares, management shares or deferred shares.
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

- (e) The principal register of members of our Company will be maintained in the Cayman Islands and a branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Tricor Investor Services Limited, our Company's branch share registrar and transfer office in Hong Kong.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the paragraph headed "Consents of experts" of Appendix VI to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed "Summary of material contracts" of Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Vincent T.K. Cheung, Yap & Co. at 11th Floor, Central Building, 1-3 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants' report on our Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014;
- (d) the report on unaudited pro forma financial information issued by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter dated the date of this prospectus and valuation certificate relating to the property interests of our Group prepared by the Valuer, the text of which is set out in Appendix IV to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;
- (g) the legal opinions prepared by the PRC Legal Advisers in respect of certain aspects of our Group in the PRC;
- (h) the international sanctions memorandum issued by DLA Piper Hong Kong in respect of our Group's sales in Sanctioned Countries;
- (i) the Cayman Islands Companies Law;
- (j) the service agreements referred to in the paragraph headed "Particulars of service agreements" in Appendix VI to this prospectus;
- (k) the rules of the Share Option Scheme referred to in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus;

- (l) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus; and
- (m) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus.



King's Flair International (Holdings) Limited
科勁國際(控股)有限公司