Milan Station Holdings Limited
米蘭站控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1150

EXIT 米蘭站 Milan Station ®

GLOBAL OFFERING

Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager and Sole Sponsor

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

IMPORTANT

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

MILAN STATION HOLDINGS LIMITED
米蘭站控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares :	**162,500,000 Shares, including 108,414,000 Shares offered by the Company and 54,086,000 Sale Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Public Offer Shares :	**16,252,000 Shares (subject to adjustment)**
Number of International Offer Shares :	**146,248,000 Shares, including 92,162,000 Shares offered by the Company and 54,086,000 Sale Shares (subject to adjustment and the Over-allotment Option)**
Offer Price :	**Not more than HK$1.67 per Offer Share and not less than HK$1.17 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, and subject to refund)**
Nominal value :	**HK$0.01 per Share**
Stock code :	**1150**

Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager and Sole Sponsor

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies 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 other document referred to above.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator, on behalf of the Underwriters, the Company and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 17 May 2011 and, in any event, not later than 6:00 p.m. on Tuesday, 17 May 2011. The Offer Price will be not more than HK$1.67 per Share and is currently expected to be not less than HK$1.17 per Share unless otherwise announced. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$1.67 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$1.67 per Share.

The Sole Global Coordinator, on behalf of the Underwriters, may, with the consent of the Company, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK$1.17 to HK$1.67 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such announcement will also be available at the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.milanstation.com.hk. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the offer price range is so reduced such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed among the Company, the Selling Shareholder and the Sole Global Coordinator, on behalf of the Underwriters, by 6:00 p.m. on Tuesday, 17 May 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. In such circumstances, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). Such announcement will also be available at the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.milanstation.com.hk.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure applicants for the subscription for, the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain circumstances grounds arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you carefully read that section for further details.

11 May 2011

	Date *(Note 1)*
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** *(Note 2)*	11:30 a.m. on Monday, 16 May 2011
Application Lists open *(Note 3)*	11:45 a.m. on Monday, 16 May 2011
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Monday, 16 May 2011
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 16 May 2011
Application Lists close *(Note 3)*	12:00 noon on Monday, 16 May 2011
Expected Price Determination Date *(Note 5)*	Tuesday, 17 May 2011
Announcement of (i) the Offer Price; (ii) an indication of the level of interest in the International Offering; (iii) the level of applications of the Hong Kong Public Offering; and (iv) the basis of allocation of the Hong Kong Public Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), the website of the Company at www.milanstation.com.hk and the website of the Stock Exchange at www.hkexnews.hk on	Friday, 20 May 2011
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the section headed "How to Apply for Hong Kong Public Offer Shares — 10. Results of Allocations" in this prospectus from	Friday, 20 May 2011
Results of allocations in the Hong Kong Public Offering will also be available at www.iporesults.com.hk with a "search by ID" function	Friday, 20 May 2011
Despatch of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(Note 6)*	Friday, 20 May 2011

Despatch of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before *(Note 7)* .... Friday, 20 May 2011

Despatch of **White Form e-Refund payment instructions** (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before *(Note 7)*................. Friday, 20 May 2011

Dealings in Shares on the Stock Exchange to commence at ....9:00 a.m. on Monday, 23 May 2011

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of Global Offering" in this prospectus.

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you 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 Lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 16 May 2011, the Application Lists will not open and close on that day. Further information is set out in the paragraph headed "5. When to Apply for the Hong Kong Public Offer Shares — (e) Effect of bad weather conditions on the opening of the Application Lists" under the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus. If the Application Lists do not open and close on Monday, 16 May 2011, the dates mentioned in this section may be affected. A press announcement will be made by the Company in such event.

(4) Applicants who apply by giving electronic application instructions to the HKSCC should refer to the paragraph headed "9. How to Apply by Giving Electronic Application Instructions to HKSCC" under the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

(5) The Price Determination Date is expected to be on or about Tuesday, 17 May 2011 and, in any event, not later than 6:00 p.m. on Tuesday, 17 May 2011. If, for any reason, the Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Global Offering will not become unconditional and will lapse immediately.

(6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Friday, 20 May 2011 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised and has lapsed. Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the Application Forms as soon as practicable after the expiry of the time for their collection. Further information is set out in the paragraph headed "16. If Your Application for Hong Kong Public Offer Shares is Successful (in Whole or in Part)" under the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

(7) e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. If you apply through the **White Form eIPO** service (www.eipo.com.hk) by paying the application monies through a single bank account, you may have e-Refund payment instructions (if any) despatched to the application payment account on or before Friday, 20 May 2011. If you apply through the **White Form eIPO** service (www.eipo.com.hk) by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before Friday, 20 May 2011, by ordinary post and at your own risk. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque. No temporary documents of title will be issued. No dealing should take place in the Offer Shares prior to the commencement of dealing in the Shares on the Stock Exchange. Investors who trade on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title will do so entirely at their own risk.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011 or any other date notified by the Company as the date of despatch of share certificates, e-Refund payment instructions or refund cheques. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** may collect your share certificates in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person 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 Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Public Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "9. How to Apply by Giving Electronic Application Instructions to HKSCC" under the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Public Offer Shares or has applied for 1,000,000 Hong Kong Public Offer Shares or more but has not indicated in the Application Form that he/she/it wishes to collect share certificate and/or refund cheque, the share certificate and/or refund cheque will be despatched by ordinary post at the applicant's own risk to the address specified on the Application Form.

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 section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

You should read carefully the sections headed "Underwriting", "Structure of Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus, for details relating to the structure of the Global Offering, how to apply for Hong Kong Public Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of refund cheques and share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Milan Station Holdings Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public 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.

The Group has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by the Company, the Selling Shareholder, the Sole Global Coordinator, Sole Lead Manager, the Sole Sponsor, the Sole Bookrunner, any of the Underwriters, any of our or their respective directors, officers and representatives or any other person or party involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

CONTENTS

This summary aims at giving 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 this prospectus in its entirety, including the Group's financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. 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. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

The Group is principally engaged in the retail of unused and second-hand luxury branded handbags and apparel products in Hong Kong, the PRC and Macau by operating a total of 14 retail shops under the brand names of "Milan Station" and "France Station". According to the Synovate Report, in respect of the total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers in Hong Kong, the PRC and Macau for each of the two years ended 31 December 2008 and 2009, the Group accounted for (i) 6.5% and 6.3% of the total sales in Hong Kong; (ii) 0.04% and 0.3% of the total sales in the PRC; and (iii) 4.7% and 5.5% of the total sales in Macau respectively. The Group is a market leader and accounted for over 50% of market share of the total sales of luxury branded handbags amongst approximately 174 luxury branded handbags independent retailers in Hong Kong and ranked number one in terms of both sales value and sales volume amongst luxury branded handbag independent retailers in Hong Kong in 2009 according to the Synovate Report. In respect of the market share of the total sales of luxury branded handbags by independent retailers in the PRC and Macau in 2009, the Group accounted for about 5.7% and 77.7% of the total sales in the PRC and Macau respectively *(Note)*.

The Group has nearly ten years of operating history. Since the opening of its first "Milan Station" retail shop in 2001 in Tsim Sha Tsui, Hong Kong, the Group has established a retail network in Hong Kong and expanded its operation to Macau in 2007 and the PRC in 2008. As at the Latest Practicable Date, the Group has been operating 13 retail shops under the brand name "Milan Station" with ten retail shops in Hong Kong, two retail shops in Beijing and one retail shop in Macau. The Group was also operating a retail shop in Causeway Bay, Hong Kong under the brand name "France Station". In view of the escalating consumer spending on luxury products in the PRC and the satisfactory performance of its first retail shop in Beijing, the management of the Group plans to further expand its retail network to the other major cities in the PRC.

Note: The total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers and the market share of the total sales of luxury branded handbags by independent retailers in Hong Kong, the PRC and Macau for 2010 are not available. The Group's market share of the total sales of luxury branded handbags amongst all retailers and independent retailers in Hong Kong, the PRC and Macau in 2010 may be different from the above market share in 2009.

The following table shows a breakdown of the Group's revenue and the approximate percentage of the total revenue for the different geographical locations for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		2009		2010	
	HK$' million	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*
Hong Kong	456.1	89.1	555.5	90.9	645.4	88.4
The PRC	2.5	0.5	22.6	3.7	46.0	6.3
Macau	29.7	5.8	33.2	5.4	38.9	5.3
Taiwan	23.7	4.6	—	—	—	—
Total	512.0	100.0	611.3	100.0	730.3	100.0

Focusing on retail sales of second-hand luxury branded handbags since its establishment, the Group expanded its product range to include other luxury branded products. The products offered by the Group include unused and second-hand handbags, clothing, shoes, watches and other accessories. As at the Latest Practicable Date, the Group carried over 20 brands of handbag products and over 30 brands of other products from international luxury fashion houses including Balenciaga, Bottega Veneta, Céline, Chanel, Chloé, Dior, Fendi, Goyard, Gucci, Hermès, Louis Vuitton, Miu Miu, Prada and Yves Saint Laurent.

The following table shows a breakdown of the Group's revenue, the approximate percentage of the total revenue of the Group for each of the product categories and the price ranges of handbags for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		2009		2010	
	HK$' million	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*
By product categories (Handbags and other products)						
Handbags	497.1	97.1	600.4	98.2	722.8	99.0
Other products	14.9	2.9	10.9	1.8	7.5	1.0
Total	512.0	100.0	611.3	100.0	730.3	100.0
By product categories (Unused products and second-hand products)						
Unused products	111.9	21.9	229.0	37.5	339.6	46.5
Second-hand products	400.1	78.1	382.3	62.5	390.7	53.5
Total	512.0	100.0	611.3	100.0	730.3	100.0

	Year ended 31 December					
	2008		2009		2010	
	HK$' million	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*
By price range of handbags						
Within HK$10,000	230.4	45.0	237.7	38.9	231.9	31.7
HK$10,001-HK$30,000	110.4	21.5	111.4	18.2	153.0	21.0
HK$30,001-HK$50,000	9.0	1.8	11.7	1.9	22.4	3.1
Over HK$50,000	147.3	28.8	239.6	39.2	315.5	43.2
Total	497.1	97.1	600.4	98.2	722.8	99.0

During the Track Record Period, handbags was the most important product category for the Group, which in general accounted for over 97.0% of the total revenue of the Group. The increase in the sale of premium priced products was the major driving force for the growth of the Group's revenue during the Track Record Period. The revenue generated from the sales of the premium priced handbag products of over HK$50,000 increased from 28.8% of the total revenue of the Group for the year ended 31 December 2008 to 43.2% of the total revenue of the Group for the year ended 31 December 2010.

The Directors believe that the revenue generated from the sales of the premium priced handbag products will increase continuously due to the increasing demand from the PRC tourists towards such products in future and such trend is expected to result in a higher revenue but a lower gross profit margin for the Group. The sale of unused products also increased significantly. The revenue generated from unused products increased from 21.9% of the total revenue of the Group for the year ended 31 December 2008 to 46.5% of the total revenue of the Group for the year ended 31 December 2010.

Hong Kong has been the principal market of the Group, which contributed not less than 88.0% of the Group's revenue for the three years ended 31 December 2008, 2009 and 2010. With the expansion of the Group's retail network to other cities, the contribution of Hong Kong market to the Group's revenue slightly decreased from 89.1% of the total revenue of the Group for the year ended 31 December 2008 to 88.4% of the total revenue of the Group for the year ended 31 December 2010.

In 2007, the Group has developed its own collection of private label handbags under the brand name of "MS". The Group is also an authorised dealer of "Chouette" watches. Since 2008, the Group has been selling fur garments during winter period by way of consignment.

The Group achieved a sustaining growth in the past years. Its total revenue increased from HK$512.0 million in 2008 to HK$730.3 million in 2010, representing a CAGR of 19.4%. The profit of the Group increased from HK$46.0 million in 2008 to HK$54.3 million in 2010, representing a CAGR of approximately 8.6%.

BUSINESS MODEL

The business of the Group focuses on the sale of second-hand and unused luxury branded products, in particular, handbags, from international fashion houses. The Group's retail shops in Hong Kong and Macau sell both second-hand and unused products whilst the retail shops of the Group in the PRC only sell second-hand products. The business model of the Group makes luxury branded handbags more accessible and available. This business model is designed to aim at providing a platform for its customers to purchase second-hand and unused luxury branded products at its retail shops and sell such products to the Group thereafter for cash. The general public may also sell luxury branded products not being purchased from the Group's retail shops to the Group. All these products sold to the Group shall become the inventories of the Group.

Most of the executive Directors and the chief marketing officer have joined the Group for around ten years. The executive Directors have acquired the relevant experience and knowledge in local and international fashion trend and second-hand market for luxury branded products mainly through their experience in managing the operation of the Group and the chief marketing officer has acquired the relevant experience and knowledge through his experience working with international fashion houses for over two years as well as with the Group for around ten years. Their experience and knowledge enable the Group to identify "popular items" in accordance with the changing market trends and customers' needs.

"Popular items" may include limited edition luxury branded products and products that are shortage in supply in open market or not readily obtainable from the boutiques or retail shops of international fashion houses. Luxury fashion brands are now moving forward to provide "premium" versions of the handbags such as using exotic skins including crocodile or ostrich and precious materials. The premium price of these "popular items" allows the Group to yield a higher revenue but lower profit margin. The sales of the Group's premium priced products has been increasing during the Track Record Period. In order to source these "popular items", the Group may set a comparatively higher trade-in price to the selling prices listed by the boutiques or retail shops of international fashion houses to attract public consumers to offer for sale of their second-hand or unused "popular items".

As a value added service, the Group set up a customer service hotline for public consumers by which the Group provides services to collect luxury branded products at the place designated by the customers.

Below set out are the major features and differences of the Group's business and operation in Hong Kong, the PRC and Macau.

	Hong Kong	**The PRC**	**Macau**
Type of products purchased and sold by the Group	Both second-hand and unused products	Second-hand products only *(Note 1)*	Both second-hand and unused products
Type of suppliers of the Group *(Note 2)*	Public consumers, traders and Yes Lady, a connected person	Public consumers only *(Note 1)*	Both public consumers and traders
Purchasing procedures at the retail shops	The Group adopts the same purchasing procedures at the retail shops in Hong Kong, the PRC and Macau. The Group will refuse to accept any products if the suppliers fail to provide certain requested information.		
Trader registration policy	Yes. The trader registration policy applies to the suppliers who offer to sell more than two unused products to the Group.	No. The Company will not purchase unused products from the suppliers. *(Note 1)*	Yes. The trader registration policy applies to the suppliers who offer to sell more than two unused products to the Group.
First product examination at the retail shops	The Group performs the same first product examination procedures at the retail shops in Hong Kong, the PRC and Macau.		
Second product examination	The second product examination will be conducted by the staff at the Group's central warehouse. Only the products that passed the second product examination will be sold in the Group's retail shops.	Since the Group does not have central warehouse in the PRC, the second product examination will be performed by the senior management or shop managers or supervisors of another retail shop in Beijing. Only the products that passed the second product examination will be sold in the Group's retail shops.	Since the Group does not have central warehouse in Macau, the second product examination will be performed by the senior management or shop managers or supervisors of Hong Kong retail shops. Only the products that passed the second product examination will be sold in the Group's retail shop.

	Hong Kong	The PRC	Macau
Cash management	Separate cash registers and bank accounts will be used for handling sales receipts and purchase payments.	Separate cash registers will be used for handling sales receipts and purchase payments. After recording the total amount of cash receipts and cash spent in purchasing products at the close of business, the cash receipts will be used for purchasing products the next day.	Separate cash registers and bank accounts will be used for handling sales receipts and purchase payments.
Deposit of cash	Cash receipt will be deposited into a designated bank account on a daily basis (except on public holidays).	Cash receipt will not be deposited into a designated bank account on a daily basis. Instead, the cash receipt will be used for purchasing products from the public consumers.	Cash receipt will be deposited into a designated bank account on a daily basis (except on public holidays).

Notes:

1. In the PRC, the value added tax imposed on the sale of second-hand products is 2% while the value added tax for the sale of unused products is 17%. Taking into account of the differences in the tax rates in the PRC, it is the business strategy of the Group to focus on the sale of second-hand products only in the PRC. Since the retail shops of the Group in the PRC will only purchase second-hand handbags from public consumers in the PRC, the Group does not have any traders in the PRC.

2. The staff may supply products to the Group upon approval by the chief marketing officer or the district managers.

Suppliers

There are two main channels for the Group to source its products. One is from public consumers who sold their unused or second-hand products to the Group. The other channel is from local or overseas traders who, to the best knowledge of the Directors, directly purchase the products from either overseas or local boutiques or retail shops of international fashion houses or other dealers and then sell such products as unused products to the Group in Hong Kong.

In order to enable the Group to have a steady supply of products, the Group will:-

1. encourage the existing members of loyalty membership scheme and the general public to supply their products by increasing the purchase price or conducting other marketing and promotion activities. Any person including existing and potential customers and suppliers can register as a member of the loyalty membership scheme no matter whether he or she has had any transaction with the Group. As at the Latest Practicable Date, there were about 8,500 registered members under the loyalty membership scheme and all of the registered traders are registered members;

2. engage new traders by increasing the purchase prices of such products, if necessary. As at the Latest Practicable Date, 66 traders have been registered under the trader registration policy and the Group has been approached by more than ten potential suppliers for developing a business relationship with the Group, who have approached the Group through emails or phone calls from time to time seeking to supply more than two unused products to the Group;

3. broaden its product portfolio by sourcing more variety of international brands and products;

4. alliance with other overseas second-hand products retailers to expand its network of suppliers; and

5. formulate additional marketing activities to reach a wider base of suppliers such as developing smartphone applications.

The Group's total revenue was mainly generated from the sale of products sourced from the public consumers during the Track Record Period. The following table shows the breakdown of total revenue generated from the sales of (i) all products; (ii) the unused products of the Group; and (iii) the premium priced handbag products of over HK$50,000 which sourced from the traders and public consumers for the period from 1 February 2009, being the first month to implement the trader registration policy, to 31 December 2009 and for the year ended 31 December 2010:

	Period from 1 February 2009 to 31 December 2009 *(Note)*		**Year ended 31 December 2010**	
	HK$' million	*%*	*HK$' million*	*%*
For all products				
Traders	69.4	12.2	103.8	14.2
Public consumers	498.5	87.8	626.5	85.8
Total	567.9	100.0	730.3	100.0
For unused products				
Traders	47.6	21.7	82.6	24.3
Public consumers	172.1	78.3	257.0	75.7
Total	219.7	100.0	339.6	100.0
For premium priced handbag products of over HK$50,000				
Traders	29.6	13.0	45.4	14.4
Public consumers	198.7	87.0	270.1	85.6
Total	228.3	100.0	315.5	100.0

Note: The trader registration policy of the Group was launched in February 2009 and therefore, there was no record of revenue generated from the products sourced from the traders before February 2009.

Most of the products of the Group, including the premium priced handbag products of over HK$50,000 and the unused products, were sourced from the public consumers. The following table shows the breakdown of the total cost of sales of (i) all products; (ii) the unused products purchased by the Group; and (iii) the premium priced handbag products of over HK$50,000 which sourced from the traders and the public consumers for the period from 1 February 2009, being the first month to implement the trader registration policy, to 31 December 2009 and for the year ended 31 December 2010:

	Period from 1 February 2009 to 31 December 2009 *(Note 1)*		Year ended 31 December 2010	
	HK$' million	*%*	*HK$' million*	*%*
For all products				
Traders	57.4	13.2	84.4	15.2
Public consumers	376.4	86.8	469.2	84.8
Total *(Note 2)*	433.8	100.0	553.6	100.0
For unused products				
Traders	39.0	20.4	66.7	24.0
Public consumers	152.2	79.6	210.8	76.0
Total *(Note 2)*	191.2	100.0	277.5	100.0
For premium priced handbag products of over HK$50,000				
Traders	26.0	13.2	37.2	14.4
Public consumers	171.3	86.8	220.5	85.6
Total *(Note 2)*	197.3	100.0	257.7	100.0

Notes:

1. The trader registration policy of the Group was launched in February 2009 and therefore, there was no record of revenue generated from the products sourced from the traders before February 2009.

2. The total cost of sales does not include the provision for slow-moving inventories, inventories written off and other costs.

In addition to the traders and the public consumers, the Group also purchases second-hand luxury branded handbags or apparel products from Yes Lady, a company which is principally engaged in money lending. When Yes Lady advances a loan to a borrower, the borrower sometimes would deposit luxury branded handbags or apparel products with Yes Lady as security for the loan. If the borrower defaults in repayment of monies due in accordance with the loan documentation, Yes Lady will take possession of the luxury branded handbags or apparel products and sell the same to the Group. For details of such arrangement please refer to the paragraph headed "Purchase of second-hand luxury-branded handbags or apparel products from Yes Lady" under the section headed "Connected Transactions" in this prospectus. The approximate percentage of the total amount of the products purchased by the Group from Yes Lady was nil, 0.0014% and 0.0447% for each of the three years ended 31 December 2008, 2009 and 2010 respectively.

Since January 2011, all staff who wish to supply products to the Group, should fill in an application form and submit the same to the chief marketing officer or the district managers for approval before the Group will process such transaction. As at the Latest Practicable Date, the Group has received four applications from its staff for supplying products to the Group and the total amount of the purchase costs of the Group was approximately HK$40,000. Prior to the implementation of this policy, the Group does not have any record about the amount of purchases of second-hand or unused products purchased from its staff.

PRODUCT EXAMINATION

The Group implements a set of procedures to (i) distinguish whether the products supplied by its suppliers are unused or second-hand products; and (ii) prevent the Group from purchasing counterfeit products from its suppliers in order to ensure the products sold and distributed through the Group's retail shops are genuine and authentic products. The Group prepares a set of product examination guidelines setting out the specific features of most international luxury brands that the Group carries. The guidelines are set based on the experience of the executive Directors and the chief marketing officer of the Group, most of them have joined the Group for around ten years. The executive Directors have acquired the relevant experience in examining the specific features of international luxury branded products mainly through their experience in examining luxury branded products since joining the Group and the chief marketing officer has acquired the relevant knowledge through his experience working with international fashion houses for over two years as well as with the Group for around ten years.

The major procedures and guidelines are set out below:-

1. The Group organises in-house training sessions to those senior sales recommended by the shop managers and district managers in order to educate them on product knowledge and the techniques to distinguish unused products from second-hand products and genuine products from counterfeit products and the skill and procedures of checking the specific features (including anti-counterfeit features) of the products as set out in the guidelines. These training sessions are arranged when necessary after receipt of recommendation from

shop managers and district managers. Such senior sales will be trained to identify the anti-counterfeit features on handles, linings, buckles and zippers and the serial numbers imprinted on the products. These in-house training sessions are given by the chief marketing officer and district managers. The chief marketing officer has acquired the relevant knowledge and techniques through his experience working with international fashion houses for over two years and with the Group for around ten years and district managers have acquired their knowledge and techniques mainly through their experience in examining luxury branded products after joining the Group. From time to time, those frontline staff recommended by the shop managers and district managers will attend these training sessions. The Group will require its staff who have attended such training sessions to complete written tests so as to assess their knowledge and techniques for product examination. Only those staff who pass the written tests are designated to perform product examination in the Group's retail shops;

2. the first product examination includes checking the specific features (including the original price tag, brand label as well as the anti-counterfeit features) of the products will be performed by the designated staff of the Group before making any purchase from the suppliers. Two designated staff members are responsible for the first product examination of which at least one of them shall have been employed by the Group for over three years and received training in product examination. Both designated staff are also required to mark and sign on a product checklist to show that they have performed the first product examination;

3. the second product examination will be performed before any products will be sold at the Group's retail shops. For the retail shops in Hong Kong, the second product examination will be performed at the central warehouse of the Group; the Group does not have central warehouse in the PRC and Macau. For the retail shops in the PRC, the Group designates the shop managers or supervisors of any one shop in Beijing or the senior management to perform the second product examination for the other shop in Beijing once a week. For the retail shop in Macau, the Group designates the shop managers or supervisors of the retail shops in Hong Kong or the senior management to perform the second product examination twice a month;

4. as at the Latest Practicable Date, there were 63 designated staff of the Group who have knowledge in product examination to identify counterfeit products and are responsible for purchasing products from suppliers. These designated staff members include chief marketing officer, district managers, central warehouse staff, shop managers and those senior sales recommended by the shop managers and district managers. Among them, 49 designated staff work in the Group's retail shops in Hong Kong, ten designated staff work in the Group's retail shops in Beijing and four designated staff work in the Group's retail shop in Macau. Most of the designated staff members who are responsible for purchasing products from suppliers have over three years of experience in the Group; and

5. only those products that passed the second product examination will be sold at the Group's retail shops. The designated staff of the Group in Hong Kong, the PRC and Macau who is responsible for the second product examination is required to mark and sign on the same product checklist used for the first product examination to show that he/she has completed the second product examination.

As confirmed by the Directors, certain counterfeit products found during the second product examination were kept by the Group and previously shown to employees as internal training materials for its internal training purpose during the Track Record Period. As a measure of risk control, the Group will destroy and dispose of such counterfeit products and adopt other methods such as showing photographs for internal training purpose. If the products are damaged, the central warehouse staff (and for the shops in the PRC and Macau, the staff of the shop) will arrange for repairing the products and deliver them to retail shops for sale after they are properly repaired. In order to minimize the risk of changing or impairing the original products, the internal control guidelines stipulate that all damaged products shall only be delivered to the retail shops of international fashion house for repairing.

In 2010, the Group's "Milan Station" retail shops and the "France Station" retail shop in Hong Kong became members of the "No Fakes Pledge" scheme launched by the Hong Kong Intellectual Property Department. Under the scheme, the Group is required to sell only genuine goods and pledge not to sell or deal in counterfeit products.

Provision policy

The amount of the cost of the counterfeit products which are found in all of the retail shops of the Group in Hong Kong, Macau and the PRC or products which are unable to be repaired will be fully written off by the Group. As confirmed by the Directors, no counterfeit products was found for the year ended 31 December 2010. For each of the two years ended 31 December 2008 and 2009, the amount of counterfeit products written off by the Group was HK$6,000 and HK$14,000 respectively. The amount written off for damaged products for each of the three years ended 31 December 2008, 2009 and 2010 amounted to approximately HK$125,000, HK$85,000 and HK$93,000, respectively.

The amount of the cost of the goods being stolen from the Group will be fully written off by the Group. During the Track Record Period, the amounts of goods being stolen from and were written off by the Group were approximately HK$75,000, HK$209,000 and HK$150,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively.

The Group has a policy of making provision for slow-moving inventories. Handbag products of over 90 days and other products of over 45 days will be recognized as slow-moving inventories. At the end of each year, the Group would make 10% provision on the carrying value of handbags and other products that are aged over 90 days and 45 days, respectively. Additional 10% provision on the carrying value of the inventories will be made if another 90 days and 45 days passed for the handbags and other products respectively and so on. The provision made as at 31 December 2008, 2009 and 2010 amounted to approximately HK$2.4 million, HK$2.8 million and HK$4.3 million, representing an increase of approximately HK$0.4 million or 16.7% and HK$1.5 million or 53.6% for each of the two years ended 31 December 2009 and 2010 respectively.

Customers

The customers of the Group are mainly public consumers. The Group's five largest transactions with customers, who were not registered under the loyalty membership scheme of the Group, together accounted for less than 1.3% of the total revenue of the Group for each of the three years ended 31 December 2008, 2009 and 2010. Since the launch of the loyalty membership scheme in February 2009, the Group's five largest customers account for less than 0.2% of the total revenue of the Group for the period from February 2009 to 31 December 2009 and for the year ended 31 December 2010. All of the retail sales of the Group at its retail shops are settled in cash or by bank debit and credit cards.

Legal exposure

Given the business model of the Group involving purchase and sale of second-hand and unused luxury branded products in Hong Kong, the PRC and Macau, various laws and regulations in these jurisdictions are relevant. The Group has sought legal opinions from the Hong Kong Legal Counsel, the PRC Legal Adviser and the Macau Legal Adviser on the legality of its operation in these jurisdictions.

The Group has obtained all the necessary permits, certificates, licenses and approvals for its operation of its existing business and accordingly, based on the legal opinions sought by the Group from its legal advisers, has complied with all relevant laws and regulations applicable to its operation of its existing business in Hong Kong, the PRC and Macau.

Based on the legal opinions sought by the Group from the Hong Kong Legal Counsel, the PRC Legal Adviser and the Macau Legal Adviser and the independent due diligence works performed by the Sole Sponsor, the Sole Sponsor also confirmed that the Group's operation in Hong Kong, the PRC and Macau are in compliance with all the relevant laws and regulations in these jurisdictions and satisfies the legality of the business operation of the Group in Hong Kong, the PRC and Macau during the Track Record Period.

Hong Kong

As advised by the Hong Kong Legal Counsel, under Hong Kong laws, there is no general prohibition on parallel imports as such. However, various aspects of intellectual property laws (including trade mark laws, copyright laws and trade description laws) and laws of tort (including passing-off, procuring a breach of contract and tort of conversion) in Hong Kong may affect the legality of the importation of products to varying extents. The Hong Kong Legal Counsel further advised that there is no restriction or provision which specifically regulates trading in second-hand commodities in Hong Kong or prohibit certain goods to be sold as second-hand commodities. However, the offence of handling stolen goods is provided for by the Theft Ordinance (Chapter 210 of the laws of Hong Kong). For details, please refer to the paragraph headed "Hong Kong Laws and Regulations" under the sections headed "Regulations" and "Business" in this prospectus.

The PRC

The PRC Legal Adviser advises that, the Group's mode of operation only give rise to concern on compliance with laws and regulations relating to the following:-

1. establishment of and carrying on business in relation to the sale of second-hand goods with relevant legislations including "Opinion on Promoting the Development of Second-Hand Goods Industries in China" (關於促進我國舊貨行業發展的意見), "Notice on Expediting the Development of Second-hand Goods Industry" (關於加快舊貨行業發展的通知), "Administration Measures on the Circulation of Second-hand Commodities (Trial Implementation)" (舊貨流通管理辦法(試行)) and PRC Criminal Laws (中國刑法);

2. intellectual property laws including the PRC Copyright Law (中國著作權法), the PRC Patent Law (中國專利法) and the PRC Trademark Law (中國商標法);

3. the PRC anti-unfair competition laws including "Interpretation of the Supreme People's Court on Application of Law in the Civil Case of Unfair Competition" (最高人民法院關于審理不正當競爭民事案件應用法律若干問題的解釋) and the PRC Laws on Tort Liabilities (中國侵權責任法);

4. establishment of wholly foreign owned enterprise in the PRC with relevant legislations including the PRC Company Law (中國公司法), Wholly Foreign Owned Enterprises (中國外資企業法), the Implementation Rules of the PRC Law on Wholly Foreign Owned Enterprises (中國外資企業法實施細則), Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄) and the Measures for the Administration on Foreign Investment in Commercial Field (外商投資商業領域管理辦法); and

5. online sales business with relevant legislation including the Approval and Administration on Sales Project by Foreign Investment through Internet and Automat ("商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售專案審批管理有關問題的通知"，商資字[2010]272號).

For details, please refer to the paragraph headed "The PRC Laws and Regulations" under the sections headed "Regulations" and "Business" in this prospectus.

Macau

The Macau Legal Adviser advises that under the Group's current business model, the mode of operation only give rise to concerns on compliance with intellectual property laws and regulations in Macau. The relevant legislation is Decree Law no. 97/99/M "Juridical Regime of Industrial Property" of the laws of Macau. Regarding importing products in Macau, the relevant legislations are set out in 23rd of June — Law No. 7/2003 (Law of External Trade) and 13th of December — Law No. 4/99/M (Regulation of the Consumption Tax). For details, please refer to the paragraph headed "Macau Laws and Regulations" under the sections headed "Regulations" and "Business" in this prospectus.

In dealing with legal exposure, the Group has adopted certain control measures, including a set of internal control guidelines for its operation, which covers different aspects of shop operation for its retail shops in Hong Kong, the PRC and Macau and providing in-house training to ensure its staff are made aware of and will comply with the internal control guidelines. For details, please refer to the paragraphs headed "Shop operation", "Purchasing and product examination" and "Internal control measures relating to the operation of the Group" under the section headed "Business" in this prospectus.

In view of the fact that there has not been any legal proceedings in respect of claiming against the Group relating to sale of products to its customers and based on (a) the legal opinions sought by the Group from the Hong Kong Legal Counsel, the Macau Legal Adviser and the PRC Legal Adviser; (b) the undertakings given by the Group to the Sole Sponsor that (i) the Group would further enhance its internal control measures commensurate with its expansion; (ii) the Group has strictly implemented the recommendations in respect of internal control measures made by an independent internal control consultant, who was engaged by the Group to assist the Sole Sponsor with matters requiring technical advices in relation to internal control of the Group, from time to time; (iii) the Group would recruit competent staff for implementing such recommendations; and (iv) the Group would engage legal advisers in the place where the Group is carrying on its business to review the effectiveness of its internal control measures in dealing with the Group's legal risk; and (c) the independent due diligence works performed by the Sole Sponsor on the business operation of the Group and the competency of the independent internal control consultant and the legal advisers of the Group, the Sole Sponsor is satisfied that the Group's internal control measures are effective in dealing with the Group's legal risks.

PRINCIPAL STRENGTHS

The Directors consider that the Group's historical success and future prospects are to be underpinned by a number of principal strengths, which include the following:

- Market leader in retailing of luxury branded handbags by independent retailers in Hong Kong in 2009

- Broad variety of international brands to target different customers and provide one-stop services to customers

- The expertise of sales and management enables the Group to successfully identify domestic and international trends

- Strong retail presence in prime shopping areas

BUSINESS STRATEGIES

The Group's principal business objectives are to maintain a continuous growth and achieve a sustainable competitive advantage in order to maintain its market leading position in luxury branded handbag retailing industry. The Group intends to adopt the following strategies to further develop its existing retail network and reputation in Hong Kong, the PRC and Macau, to develop its position as a leading retailer of luxury branded products in the wider PRC market:

- Expansion of retail network in the PRC market, relocating and opening of new retail shops and refurbishment of existing retail shops in Hong Kong, the PRC and Macau

- Continuing its marketing strategies and campaigns

- Development of private label "MS" brand products

- Exploration of online sales channel

- Enhancement of staff training

- Upgrade the Group's information technology system

SUMMARY FINANCIAL INFORMATION

The tables below provide a summary of the combined financial information of the Group. The combined income statements and the combined statements of comprehensive income of the Group during the Track Record Period, the combined statements of financial position as of the three years ended 31 December 2008, 2009 and 2010 and the combined statements of cash flows for each of the three years ended 31 December 2008, 2009 and 2010 are extracted from the Accountants' Report in Appendix I to this prospectus. You should read the entire financial statements, including the notes thereto, included in Appendix I — Accountants' Report to this prospectus for more details.

Combined income statements and the combined statements of comprehensive income

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	511,998	611,273	730,259
Cost of sales	(371,546)	(467,609)	(555,599)
Gross profit	140,452	143,664	174,660
Other income and gains	2,025	536	935
Selling expenses	(61,854)	(71,028)	(84,091)
Administrative and other operating expenses	(23,231)	(24,597)	(24,681)
Finance costs	(244)	(381)	(187)
PROFIT BEFORE TAX	57,148	48,194	66,636
Income tax expense	(11,120)	(9,031)	(12,326)
PROFIT FOR THE YEAR	46,028	39,163	54,310
Other comprehensive income: Exchange differences on translating foreign operations	80	9	230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,108	39,172	54,540

Combined statements of financial position

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	6,573	11,976	9,082
Deferred tax assets	334	1,060	1,231
Rental deposits	—	4,360	10,719
Total non-current assets	6,907	17,396	21,032
CURRENT ASSETS			
Inventories (Note 1)	46,855	69,007	89,007
Trade receivables (Note 2)	4,968	6,443	9,691
Prepayments, deposits and other receivables (Note 3)	8,180	6,478	17,295
Amounts due from related parties	28,248	16,298	—
Tax recoverable	1,206	945	729
Pledged deposit (Note 4)	—	—	1,500
Cash and cash equivalents (Note 5)	43,468	40,585	26,640
Total current assets	132,925	139,756	144,862
CURRENT LIABILITIES			
Accrued liabilities and other payables (Note 6)	6,337	8,665	19,575
Interest-bearing bank borrowings	8,041	8,983	5,771
Obligations under finance leases	818	239	134
Amounts due to related parties	3,041	18,782	—
Tax payable	4,636	3,589	4,967
Provision	—	2,640	1,407
Total current liabilities	22,873	42,898	31,854
NET CURRENT ASSETS	110,052	96,858	113,008
TOTAL ASSETS LESS CURRENT LIABILITIES	116,959	114,254	134,040

Combined statements of financial position (continued)

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases	516	368	268
Amounts due to related parties	19,978	19,963	—
Deferred tax liability	93	379	177
Total non-current liabilities	20,587	20,710	445
Net assets	96,372	93,544	133,595
EQUITY			
Issued capital	—	—	—
Reserves	96,372	93,544	133,595
Total equity	96,372	93,544	133,595

Notes:

1. The increase of inventories to approximately HK$69.0 million as at 31 December 2009 from approximately HK$46.9 million by approximately HK$22.1 million was mainly attributable to the increase in the average inventory level for (i) the expansion of the retail shop located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (ii) the opening of the retail shop located at Woodhouse, Hong Kong in July 2009. The further increase of inventories to HK$89.0 million as at 31 December 2010 was mainly attributable to the increase in the average inventory level for (i) the opening of the retail shop located at Sanlitun Road, Beijing in August 2010; and (ii) the retail shops scheduled to be opened and expanded in the PRC and Hong Kong in the first half of 2011 according to the future plan of the Group.

2. Trade receivables refer to the bank debit or credit card receivables, which are fully settled with the banks within one month after the transaction occurred. The increases in trade receivables during the Track Record Period were mainly attributable to the increase in total revenue of the Group for the relevant periods, which were settled by bank debit or credit card payments.

3. The increase in prepayments, deposits and other receivables of HK$10.8 million to HK$17.3 million as at 31 December 2010 from HK$6.5 million as at 31 December 2009 was mainly due to (i) prepayment of listing expenses; (ii) increase in rental deposits paid for retail shops of the Group in Hong Kong and the deposit paid for new retail shop of the Group in the PRC; and (iii) other receivables mainly comprising the listing expenses receivable from Mr. Yiu.

Combined statements of financial position (continued)

4. In March 2010, the Group executed a facility letter with a bank pursuant to which the Group pledged HK$1.5 million as time deposit for bank loan and bank facilities.

5. The decrease in cash and cash equivalents of HK$14.0 million to HK$26.6 million as at 31 December 2010 from HK$40.6 million was primarily due to the cash outflows used in operating activities, which was mainly caused by (i) an increase in inventories for opening of new shops and expansion of existing shops; (ii) cash settlement in balances with related parties during the year; and (iii) an increase in prepayments, deposits and other receivables.

6. The increase in accrued liabilities and other payables of HK$10.9 million to HK$19.6 million as at 31 December 2010 from HK$8.7 million was mainly due to the increase in dividend payables of HK$10 million declared by the board of directors of MS HK to its then equity holder, World Top for the year ended 31 December 2010, which has been settled by the Group in January 2011.

Combined statements of cash flows

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	57,148	48,194	66,636
Adjustments for:			
Bank interest income	(324)	(95)	(18)
Gain on disposal of a subsidiary	(938)	—	—
Gain on disposal of items of property, plant and equipment	—	(400)	(873)
Write-off of items of property, plant and equipment	—	327	217
Provision for slow-moving inventories	1,132	439	1,542
Depreciation	3,692	4,490	5,742
Finance costs	244	381	187
	60,954	53,336	73,433
Increase in inventories	(10,755)	(22,591)	(21,542)
Decrease/(increase) in trade receivables	2,975	(1,475)	(3,248)
Increase in prepayments, deposits and other receivables	(844)	(2,658)	(17,176)
Movements in balances with related parties	(12,815)	(7,824)	(22,447)
Increase in accrued liabilities and other payables	1,633	2,328	910
Increase/(decrease) in provision	—	2,640	(1,233)
Cash generated from operations (Note)	41,148	23,756	8,697
Interest paid	(153)	(253)	(158)
Interest element on finance lease rental payments	(91)	(128)	(29)
Hong Kong profit tax paid	(9,308)	(9,562)	(8,759)
Overseas taxes paid	(84)	(695)	(2,346)
Net cash flows from/(used in) operating activities	31,512	13,118	(2,595)

Combined statements of cash flows (continued)

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	324	95	18
Purchases of items of property, plant and equipment	(2,783)	(9,292)	(2,953)
Disposal of a subsidiary	(1,230)	—	—
Proceeds from disposal of items of property, plant and equipment	—	—	780
Net cash flows used in investing activities	(3,689)	(9,197)	(2,155)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	10,182	9,110	6,251
Repayment of bank loans	(6,718)	(8,768)	(8,875)
Increase in a pledged time deposit	—	—	(1,500)
Dividends paid	—	(6,500)	(4,489)
Capital element of finance lease payables	(962)	(1,255)	(205)
Net cash flows from/(used in) financing activities	2,502	(7,413)	(8,818)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	30,325	(3,492)	(13,568)
Cash and cash equivalents at beginning of year	13,040	43,445	39,962
Effect of foreign exchange rate changes, net	80	9	211
CASH AND CASH EQUIVALENTS AT END OF YEAR	43,445	39,962	26,605
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the combined statements of financial position	43,468	40,585	26,640
Bank overdrafts	(23)	(623)	(35)
Cash and cash equivalents as stated in the combined statements of cash flows	43,445	39,962	26,605

Note:

Cash generated from operations of the Group decreased from approximately HK$41.1 million for the year ended 31 December 2008 to approximately HK$23.8 million for the year ended 31 December 2009 and further decreased to approximately HK$8.7 million for the year ended 31 December 2010.

The decrease in cash generated from operations of the Group for the year ended 31 December 2009 was mainly due to the increase in the average inventory level of the Group for (i) the expansion of the retail shop located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (ii) the opening of the retail shop located at Woodhouse, Hong Kong in July 2009.

Even though the profit before tax for the year ended 31 December 2010 increased, cash generated from operations of the Group for the year ended 31 December 2010 decreased mainly as a result of (i) an increase in rental deposits after renewal certain tenancy agreements at higher rental rates and entering into of new tenancy agreements during the year; and (ii) settling the balances with related parties in cash.

Gross profit and gross profit margin

The following table provides a breakdown of the Group's gross profit and gross profit margin for each of the product categories, the price ranges of products and geographical locations for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		2009		2010	
	Gross Profit HK$' million	*Gross Profit Margin (%)*	*Gross Profit HK$' million*	*Gross Profit Margin (%)*	*Gross Profit HK$' million*	*Gross Profit Margin (%)*
By product categories (Handbags and other products)						
Handbags (Note 1)	136.7	27.5	141.6	23.6	175.0	24.2
Other products (Note 1)	5.2	34.7	2.8	25.7	1.7	23.1
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By product categories (Unused and second-hand products)						
Unused products (Note 1)	19.3	17.2	29.8	13.0	62.1	18.3
Second-hand products (Note 1)	122.6	30.6	114.6	30.0	114.6	29.4
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By price ranges of products						
Within HK$10,000 (Note 1)	87.8	36.0	81.1	32.8	77.5	32.4
HK$10,001-HK$30,000 (Note 1)	28.5	25.5	28.8	25.5	37.2	24.2
HK$30,001-HK$50,000 (Note 1)	1.8	20.1	2.1	18.0	4.2	18.9
Over HK$50,000 (Note 1)	23.8	16.2	32.4	13.5	57.8	18.3
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By geographical locations						
Hong Kong (Note 1)	123.2	27.0	125.8	22.7	148.5	23.0
The PRC (Notes 1 & 2)	0.9	37.1	8.0	35.2	14.8	32.2
Macau (Notes 1 & 3)	10.8	36.1	10.6	32.1	13.4	34.4
Taiwan (Notes 1 & 4)	7.0	29.6	—	—	—	—
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9

Notes:

1. The gross profit does not include the provision for slow-moving inventories, inventories written off and other costs. Accordingly, the gross profit margin is calculated as the gross profit before provision for slow-moving inventories, inventories written off and other costs over total revenue and multiplied by 100%.

2. The first retail shop in China Central Place, Beijing and the second retail shop in Sanlitun Road, Beijing commenced business in October 2008 and August 2010 respectively.

3. The retail shop in Macau commenced business in July 2007.

4. The retail shop in Taiwan commenced business in October 2007 and such business has been disposed of by the Group on 31 October 2008.

INFORMATION ABOUT THE OPERATION OF THE GROUP'S SHOPS

	Year ended 31 December		
	2008	**2009**	**2010**
No. of shops operating at the beginning of the relevant period	12	13	13
Additional shops opened during the relevant period	2 shops located at Kau Yuk Road, Yuen Long, Hong Kong and China Central Place, Beijing respectively	1 shop located at Woodhouse, Hong Kong	1 shop located at Sanlitun Road, Beijing
Disposal/Ceased operation of shops during the relevant period	1 shop located in Taiwan	1 shop located at Cheung Sha Wan Road, Hong Kong	—
No. of shops operating at the end of the relevant period	13	13	14
Revenue (HK$'000)	511,998	611,273	730,259
Average revenue per shop (HK$'000)	39,384	47,021	52,161
% change in average revenue per shop	N/A	19.4%	10.9%
Inventories (HK$'000)	46,855	69,007	89,007
Average inventory per shop (HK'000)	3,604	5,308	6,358

The increase in average inventory per shop of the Group of approximately HK$5.3 million as at 31 December 2009 as compared to HK$3.6 million as at 31 December 2008, which was mainly due to increase in total inventories for (i) the opening of a new retail shop located at Woodhouse, Hong Kong in July 2009; (ii) the expansion of two retail shops of the Group located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (iii) the change of business strategy of the Group to increase sales portion of premium priced products.

The increase in average inventory per shop of the Group of approximately HK$6.4 million as at 31 December 2010 as compared to HK$5.3 million as at 31 December 2009, which was mainly due to increase in total inventories for (i) the opening of retail shop located at Sanlitun Road, Beijing in August 2010 and (ii) the continuous increase in sales portion of premium priced products of the Group.

Although the total number of shops for the years ended 31 December 2008 and 2009 remained at 13, the revenue and the inventories of the Group for the year ended 31 December 2009 increased by 19.4% and 47.3% during the relevant period respectively. The increase in the revenue and inventories was attributable to (i) the increase in the sales of premium priced products during the relevant period; (ii) the relocation and expansion of the retail shop located in Mongkok, Hong Kong in May 2009; (iii) the expansion of the retail shop located in Causeway Bay, Hong Kong in April 2009; (iv) full year operation of the retail shops in Yuen Long, Hong Kong and China Central Place, Beijing being recorded; and (v) the opening of the retail shop located at Woodhouse, Hong Kong in July 2009. The average revenue per shop for the year ended 31 December 2009 increased by 19.4% as compared to the year ended 31 December 2008 along with the increase in the revenue during the relevant period. The increase in the revenue and inventory for the year ended 31 December 2010 as compared to the year ended 31 December 2009 was attributable to (i) the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010; (ii) full year operation of the retail shops in Mongkok, Hong Kong, Causeway Bay, Hong Kong and Woodhouse, Hong Kong being recorded after the relocation, expansion or opening in 2009; and (iii) the opening of the second retail shop located at Sanlitun Road, Beijing in August 2010.

OFFERING STATISTICS

The following offer statistics are prepared on the basis of the high end and low end of the indicative Offer Price range as disclosed in this prospectus, without taking into account of the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

	Based on an Offer Price of HK$1.17 per Share	**Based on an Offer Price of HK$1.67 per Share**
Market capitalisation of the Shares upon completion of the Global Offering(1)	HK$760.5 million	HK$1,085.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.38	HK$0.46

Notes:

(1) The calculation of market capitalisation is based on 650,000,000 Shares expected to be in issue immediately upon completion of the Global Offering, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus and on the basis of a total of 650,000,000 Shares in issue, assuming that the Global Offering has been completed on 31 December 2010, which takes no account any Shares which may be alloted and issued upon exercise of the Over-allotment Option.

Based on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010, the unaudited pro forma adjusted combined net tangible assets per Share will drop by HK$0.08, from HK$0.46 per Share to HK$0.38 per Share as at 31 December 2010, represents a drop of 17.4% in unaudited pro forma adjusted combined net tangible assets per Share if the Offer Price is reduced from HK$1.67 to HK$1.17.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$1.42 per Share (being the mid-point of the indicative offer price range of HK$1.17 and HK$1.67 per Share), the adjusted consolidated net tangible asset value per Share will be HK$0.42 per Share, while the earnings per Share on a pro forma fully diluted basis will be diluted to HK$0.0805 per Share.

DIVIDEND POLICY

No dividend has been paid or declared by the Company since its date of incorporation.

For the years ended 31 December 2008, 2009 and 2010 and up to the Latest Practicable Date, the dividends paid by the Company's subsidiaries to their then shareholders were set out as follows:-

— A final dividend for the year ended 31 December 2008 of HK$7.0 million proposed by the board of directors of MS HK was approved on 14 August 2009;

— An interim dividend for the year ended 31 December 2009 of HK$35.0 million was declared by the board of directors of MS HK to its then shareholders; and

— An interim dividend of HK$14.5 million was declared by the board of directors of MS HK to its then shareholders on 22 December 2010. Part of the interim dividend of HK$4.5 million was settled by cash and received from Yiu's Private Group to the Group.

All such dividends were settled prior to the date of this prospectus and the Group financed the payment of these dividends by net cash generated from its operating activities. The Group's historical dividend distributions in the past should not be indicative of the Group's future dividend policy.

A decision to declare or to pay any dividends, and the amount of any dividends, if paid, depend on a number of factors, including the results of operation, cash flows, financial condition, future prospects, statutory, regulatory and other restrictions the Group are obligated to observe and other factors that the Directors may consider relevant. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Shareholders by any means which the Directors consider legal, fair and practicable.

Any declaration and payment of dividends will be subject to the constitutional documents and the Cayman Islands Companies Law. Any future dividends may only be paid out of the Group's distributable profit as permitted under the Cayman Islands Companies Law. Final dividends paid by the Company must be approved by an ordinary resolution of the Shareholders at a general meeting and must not exceed the amount recommended by the Directors.

As part of the Group's operation is conducted through its subsidiaries incorporated in the PRC and Macau, the ability of these subsidiaries to make dividend and other payments to the Group may be restricted by the applicable laws and regulations in which these subsidiaries are subject. The PRC laws require that dividends be paid only out of net profit, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group may enter into in the futures. Dividends received from the Group's PRC subsidiary may be subject to the PRC taxes. In Macau, a company is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

USE OF PROCEEDS

The net proceeds from the Global Offering accruing to the Group (after deduction of underwriting fees and estimated expenses payable by the Group in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$141.0 million assuming an Offer Price of HK$1.42 per Share (being the mid-point of the indicative Offer Price range of HK$1.17 to HK$1.67 per Share as stated in this prospectus). The Company plans to use the net proceeds from the Global Offering for the following purposes:

(i) approximately HK$96.0 million (equivalent to approximately 68.1% of the total estimated net proceeds will be used for the expansion of its retail network in the PRC market by opening an aggregate of 11 new retail shops under the brand name of "Milan Station", of which six shops and five shops will be established in (a) the major cities such as Beijing, Shanghai and Hangzhou in 2011 and (b) other major cities such as Guangzhou, Hangzhou and Chengdu in 2012, respectively. The Group estimated that the total costs for setting up each retail shop is about HK$8.7 million, of which approximately HK$3.5 million, HK$2.6 million, HK$2.0 million and HK$0.6 million will be used for general working capital, purchase of the inventories, renovation expenses and miscellaneous expenses for each retail shop, respectively;

(ii) approximately HK$12.0 million (equivalent to approximately 8.5% of the total estimated net proceeds) will be used for (a) relocating a total of three existing retail shops in Hong Kong in 2011 and 2012; (b) redecorating a total of eight existing retail shops in Hong Kong, the PRC and Macau from 2011 to 2013; and (c) decorating one new retail shop which is due to open in 2011 in Hong Kong;

(iii) approximately HK$17.0 million (equivalent to approximately 12.0% of the total estimated net proceeds) will be used for marketing and promotion of the Group including placing advertisements in traditional media such as newspapers, magazines, television, outdoor and in new media such as websites, Internet sales platform and smartphone applications, sponsor promotional events such as movies and concert and inviting celebrities to participate the sponsorship and promotional events of the Group in Hong Kong, the PRC and Macau in 2011 and 2012;

(iv) approximately HK$4.0 million (equivalent to approximately 2.8% of the total estimated net proceeds) will be used for the design and development of its private label "MS" brand products in 2011 and 2012 including hiring experience designers and engaging subcontractors;

(v) approximately HK$2.4 million (equivalent to approximately 1.7% of the total estimated net proceeds) will be used for exploration of online sales channel in 2011 and 2012;

(vi) approximately HK$2.8 million (equivalent to approximately 2.0% of the total estimated net proceeds) will be used for staff training and development in 2011 to 2012 in order to enhance the staff's sales techniques, retail management, customer services, product examination technique and management skill;

(vii) approximately HK$3.2 million (equivalent to approximately 2.3% of the total estimated net proceeds) will be used for upgrade of the Group's information technology system in 2011 and 2012; and

(viii) the balance of approximately HK$3.6 million (equivalent to approximately 2.6% of the total estimated net proceeds) will be used for its own working capital and other general corporate purposes.

The Selling Shareholder will receive the net proceeds from the sale of the Sale Shares in the aggregate amount of approximately HK$52.4 million after deducting its share of the estimated listing expenses in the Global Offering and assuming an Offer Price of HK$1.42 per Share, being the mid-point of the Offer Price range set out in this prospectus and assuming the Over-Allotment Option is not exercised.

RISK FACTORS

There are certain risks relating to an investment in the Shares, which can be categorized into (i) risks relating to business; (ii) risks relating to the industry in which the Group operates; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Global Offering and Share performance; and (v) risks relating to this prospectus. These risk factors are set out in the section headed "Risk Factors" in this prospectus and are summarized as follows. In view of the business model of the Group, your attention is particularly drawn to the risk factor headed "The Group is exposed to various legal risks in different jurisdictions where the Group is carrying on its business which may adversely affect the operation, financial condition and reputation of the Group". Given the business model of the Group, the Group is exposed to various legal risks which include the sale of counterfeit and stolen products, compliance with intellectual property laws of Hong Kong (including the copyright laws, trademark laws and trade description laws) and laws of tort of Hong Kong (including passing-off, procuring a breach of contract and tort of conversion), laws of the PRC relating to the sale of second-hand products, intellectual property laws (including the PRC Copyright Laws (中國著作權法), the PRC Patent Laws (中國專利法) and the PRC Trademark Laws (中國商標法)), anti-unfair competition laws of the PRC (中國反不正當競爭法), the PRC Law on Tort Liabilities (中國侵權責任法), laws relating to incorporation, operation and management of wholly foreign owned enterprise in the PRC and laws relating to online sales business and intellectual property laws and regulations of Macau including Decree Law no. 97/99/M "Juridical Regime of Industrial Property" of Macau and the laws relating to importing products. For details, please refer to the section headed "Regulations" and the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Risks relating to business

- The Group's business depends on its ability to maintain stable and adequate supply of inventories to meet consumer demand for its products, which may be subject to its ability to maintain an optimal level of inventories and its ability to obtain sufficient quantities of inventory for sale to its customers in a timely manner or at acceptable prices

- The Group is exposed to various legal risks in different jurisdictions where the Group is carrying on its business which may adversely affect the operation, financial condition and reputation of the Group

- The Group is operating under its brand names, "Milan Station" and "France Station", if its trademarks are infringed by third parties, its business may be harmed

- The business and reputation of the Group would be adversely impacted in the event of the non-compliance of the Group's internal control guidelines and failure of the product examination process

- The Group's business relies on the performance of certain retail shops

- The Group may fail to secure space for its retail shops on commercially reasonable terms or renew the existing leases and the usage rights of the Group's leased properties may be encumbered

- The Group may encounter difficulties in identifying suitable locations in the PRC and leasing retail shops in such suitable locations

- The Group relies on key management and senior and experienced sales personnel and its business may be adversely affected if the Group cannot recruit and retain talent personnel and suitable staff for its operation

- Reliance on retail sales in Hong Kong

- Reliance on sale of unused products and premium priced products of over HK$50,000

- Reliance on products of certain brands

- Seasonality

- The Group may fail to manage the growth of the Group's retail network effectively

- Restrictions on new markets exploration and expansion plan implementation

- A significant proportion of the net proceeds from the Global Offering is intended to be invested in the PRC market that the Group has a relatively short operating history compared to that of Hong Kong

- Failure to obtain and renew all relevant approvals, licenses and permits

- The Group may fail to sustain the same level of retail shops sales and new retail shops may fail to break even within projected time frames

- The Group has experienced negative cash flows from its operating activities for the year ended 31 December 2010

- The Group operates in a low entry barriers and competitive market which may result in lower profit margins, etc.

- Import tariffs and sales tax

- The Group may not enjoy preferential tax treatment

- Product liability

- The insurance coverage may not be sufficient to cover all losses

- Sales of the Group may decline if the Group fails to effectively market and promote its retail shops

- The Group may be subject to acts of God, acts of war and epidemics or pandemics which are beyond its control and which may cause damage, loss or disruption to its business

- The Group has records of non-compliance of Hong Kong regulatory requirements

- The Group has not paid certain housing provident fund contribution for and on behalf of the employees of the Group during the Track Record Period

Risks relating to the industry in which the Group operates

- Changes in existing laws and regulations and/or the imposition of new laws, regulations, restrictions and/or other entry barriers may lead to additional costs to comply with the more stringent rules and/or limiting the Group's ability to expand, which could slow down the Group's development plan, limit the growth and development of the Group and have an adverse impact on the Group's financial position

Risks relating to conducting business in the PRC

- The PRC's economic, political and legal developments, as well as government policies, could affect the Group's business in the PRC

- Government regulation of currency conversion and the fluctuation of the Renminbi may materially and adversely affect the Group's ability to pay dividends in foreign currencies to its Shareholders and the value of the dividends payable on its Shares

- The implementation of the labour contract law, increase in labour costs and future labour disputes may affect the operation and the profitability of the Group

- The PRC regulations of investment and loans by offshore holding companies to the PRC entities may delay or prevent the Group from using the proceeds of the Global Offering to make additional capital contributions or loans to members of the Group

- A newly enacted tax law of the PRC may affect tax exemptions on dividends received by the Group and Shareholders and increase the Group's enterprise income tax rate

- Uncertainties with respect to the PRC legal system could adversely affect the Group's operation and business

Risks relating to the Global Offering and Share performance

- The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of the Shares may be volatile
- Investors in the Global Offering will experience immediate dilution
- Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share prices
- Prior dividend policy and past dividend declared should not be used as an indicator for future dividends
- The Group may not be able to pay any dividends on the Shares
- There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile and could result in substantial losses for investors purchasing the Shares in the Global Offering

Risks relating to this prospectus

- Forward-looking statements may not be accurate
- Certain facts and problem statistics in this prospectus may not be reliable
- Investors should not rely on any information contained in press articles or other media regarding the Group or the Global Offering

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Articles of Association" or "Articles"	the articles of association of the Company adopted on 28 April 2011, a summary of which is set out in Appendix IV of this prospectus
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Application Lists"	the application lists for the Hong Kong Public Offering
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing"	the capital city of the PRC
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Cayman Islands Companies Law"	the Cayman Islands Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed "3. Written Resolutions of the Sole Shareholder" in Appendix V to this prospectus
"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 a 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, a CCASS Custodian Participant or a CCASS Investor Participant
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Milan Station Holdings Limited (米蘭站控股有限公司), a company incorporated in the Cayman Islands with limited liability on 1 November 2007
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	Mr. Yiu and Perfect One, each of them being a controlling shareholder (has the meaning ascribed thereto under the Listing Rules) of the Company
"Director(s)"	the director(s) of the Company
"EU"	the European Union
"EUR", "€" and "Euros"	Euro, the official currency of the EU's Eurozone
"Excel Trend"	Excel Trend Limited, a limited liability company incorporated in Hong Kong on 18 February 2004 and indirect beneficially wholly owned by Mr. Yiu
"FIE"	foreign investment enterprise
"Financial Information"	financial information regarding the Group, including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 together with explanatory notes thereto, as set forth in "Appendix I — Accountants' Report" to this prospectus
"Fortune Sincere"	Fortune Sincere Group Limited, a limited liability company incorporated in the BVI on 18 January 2006 and wholly owned by World Top
"France Station"	one of the brand names of the Group through which the Group operates its retail shop
"Global Fair"	Global Fair Corporation Limited, a limited liability company incorporated in Hong Kong on 6 July 2007 and wholly owned by Fortune Sincere

"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by White Form eIPO service provider, Computershares Hong Kong Investor Services Limited
"Group"	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Legal Counsel"	Mr. Ling Chun Wai, a Barrister-at-law in Hong Kong, the Hong Kong legal counsel of the Company
"Hong Kong Public Offer Shares"	the 16,252,000 Offer Shares initially being offered for subscription at the Offer Price in the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offering by the Company of initially 16,252,000 Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of Global Offering" in this prospectus) for cash at the Offer Price and on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section "Underwriting" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 9 May 2011 relating to the Hong Kong Public Offering entered into, amongst the Company, the Selling Shareholder, Mr. Yiu, the Sole Global Coordinator and the Hong Kong Underwriters
"Independent Third Party/Parties"	persons or companies which are independent of and not connected with any member of the Group, the Directors, chief executives, Controlling Shareholders and Substantial Shareholders of the Company or its subsidiaries and their respective associates for the purpose of the Listing Rules and "Independent Third Party" means any of them
"International Offer Shares"	the 146,248,000 Shares initially being offered for subscription under the International Offering (together, where relevant, with any additional Shares that may be issued by the Company pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of Global Offering" in this prospectus) comprising 92,162,000 new Shares offered by the Company and 54,086,000 Sale Shares
"International Offering"	the conditional placing of the International Offer Shares by the International Placing Underwriters with professional, institutional and/or other investors at the Offer Price, as further described in the section headed "Structure of Global Offering" in this prospectus
"International Placing Underwriters"	the placing underwriters of the International Offering as listed in the section headed "Underwriting — International Placing Underwriters" in this prospectus
"International Placing Underwriting Agreement"	the international placing underwriting agreement relating to the International Offering expected to be entered into by, among others, the Sole Global Coordinator, the International Placing Underwriters, the Selling Shareholder and the Company, as further described in the paragraph headed "International Offering" under the section headed "Underwriting" in this prospectus
"Latest Practicable Date"	Tuesday, 3 May 2011, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on Monday, 23 May 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Macau Legal Adviser"	Leong Hon Man Law Office, the legal adviser of the Company as to Macau law
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market)
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company adopted on 1 November 2007 and as amended from time to time
"Ministry of Commerce" or "MOFCOM"	The Ministry of Commerce of the PRC (中國商務部)
"MOP"	Macau dollars, the lawful currency of Macau
"Mr. Yiu"	Mr. Yiu Kwan Tat, a Controlling Shareholder, a chief executive officer, an executive Director and brother of Mr. Yiu Kwan Wai, Gary and Ms. Yiu Sau Wai, both are executive Directors
"MS"	the brand name of the Group through which the Group develops its private label brand products
"MS Beijing"	Milan Station Asia Pacific Retail (Beijing) Co., Ltd.* (米蘭站亞太零售(北京)有限公司), a wholly-owned foreign enterprise established under the laws of the PRC on 30 July 2008 and wholly owned by MS PRC (HK)
"MS BVI"	Milan Station (BVI) Limited, a limited liability company incorporated in the BVI on 28 September 2007 and wholly owned by the Company

"MS HK"	Milan Station (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on 27 June 2001 and wholly owned by MS BVI
"MS Macau"	Milan Station (Macau) Limited, Chinese name "米蘭站(澳門)一人有限公司" and Portuguese name "Milan Station (Macau) Sociedade Unipessoal Limitada" (previously known as Italy Station (Macau) Limited), a commercial company with limited liability by quotas incorporated in Macau on 28 May 2007 and wholly owned by Trilink
"MS PRC (BVI)"	Milan Station (PRC) Limited, a limited liability company incorporated in the BVI on 28 September 2007 and wholly owned by MS BVI
"MS PRC (HK)"	Milan Station (PRC) Limited, a limited liability company incorporated in Hong Kong on 2 November 2007 and wholly owned by MS PRC (BVI)
"MS Taiwan"	Milan Station (Taiwan) Limited (台灣米蘭站股份有限公司), a limited liability company incorporated in Taiwan on 4 September 2007 and wholly owned by Global Fair
"Milan Station"	one of the brand names of the Group through which the Group operates its retail shops
"NT$"	New Taiwan dollars, the lawful currency of the Republic of China
"Offer Price"	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, to be determined on or before the Price Determination Date, which price will not be higher than HK$1.67 per Share and is currently expected to be not less than HK$1.17 per Share
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares

"Over-allotment Option"	the option expected to be granted by the Company to the Sole Global Coordinator on behalf of the International Placing Underwriters exercisable by the Sole Global Coordinator pursuant to the International Placing Underwriting Agreement, to be exercisable at any time from the date of the International Placing Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 24,374,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the Offer Price, to cover, among other things, over-allocations (if any) in the International Offering, details of which are further described in the section headed "Structure of Global Offering — Over-Allotment and Stabilisation — The Over-allotment Option" in this prospectus
"Perfect One" or "Selling Shareholder"	Perfect One Enterprises Limited, a limited liability company incorporated in the BVI on 28 July 2010 and wholly owned by Mr. Yiu
"PRC" or "China"	the People's Republic of China, except where the context requires, geographical references in this prospectus to the PRC or China exclude Hong Kong, Macau and Taiwan
"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	Hills & Co., the legal adviser of the Company as to the PRC laws
"Price Determination Agreement"	the agreement to be entered into between the Company, the Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date to record the final Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, 17 May 2011 but no later than 6:00 p.m. on Tuesday, 17 May 2011, on which the Offer Price is fixed for the purposes of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"Reorganisation"	the reorganisation arrangements undergone by the Group in preparation for the listing of Shares on the Stock Exchange which is more particularly described in the sections headed "History and Development, Reorganization and Group Structure" and "Statutory and General Information — Further information about the Company and its Subsidiaries — 4. Corporate Reorganisation" in Appendix V to this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"Sale Shares"	the 54,086,000 Shares offered for sale by the Selling Shareholder under the International Offering
"SCNPC"	the Standing Committee of the National People's Congress of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company with a par value of HK$0.01 each
"Shareholder(s)"	registered holder(s) of the Shares
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 28 April 2011, the principal terms of which are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus
"Sole Bookrunner" and/or "Sole Global Coordinator" and/or "Sole Sponsor" and/or "Sole Lead Manager"	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"sq.m"	square meter(s)
"sq.ft."	square feet
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into among Perfect One and the Sole Global Coordinator on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed thereto under the Listing Rules
"Synovate Report"	the report on the luxury branded handbag industry in Asia Pacific commissioned by the Group and prepared by Synovate Limited, an Independent Third Party
"Taiwan"	the Republic of China
"Taiwan Legal Adviser"	Lee and Li, Attorneys-at-law, the legal advisers of the Company as to Taiwan Laws
"Track Record Period"	each of the three years ended 31 December 2008, 2009 and 2010
"Trilink"	Trilink Global Limited, a limited liability company incorporated in the BVI on 18 May 2005 and wholly owned by MS BVI
"Underwriters"	collectively, the Hong Kong Underwriters and the International Placing Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"United States" or "U.S."	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"World Top"	World Top Trading Limited, a company incorporated in the BVI and legally and beneficially wholly owned by Mr. Yiu

"Yes Lady"	Yes Lady Finance Company Limited, a company incorporated in Hong Kong, which is owned as to 3% by Ms. Wong Yu Har, the wife of Mr. Wong Hiu Chor, an executive Director, and 97% by Billion Capital Corporation Limited, a company owned as to 50% by Mr. Yiu, the Controlling Shareholder and an executive Director (with the remaining 50% owned by an Independent Third Party)
"Yiu's Private Group"	Mr. Yiu, the Controlling Shareholders and executive Directors of the Group, and /or his associates (other than members of the Group)
"%"	per cent.

All time refer to Hong Kong time.

The English names of the PRC and Macau nationals, entities, departments, facilities, certificates, titles and the like mentioned in this prospectus are translations from their Chinese and Portuguese names respectively. If there is any inconsistency, the Chinese or Portuguese (if applicable) name shall prevail. The English translation of names or any description in Chinese or Portuguese or the English, Chinese or Portuguese translation of names, as the case may be, which are marked with "" is for identification purposes only.*

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of the Latest Practicable Date.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB, MOP, US$, NT$ and Euro have been translated into HK$ at the rate of RMB1.00 = HK$1.18, MOP1.00 = HK$1.00, US$1.00 = HK$7.8, NT$1.00 = HK$0.25 and € 1.00 = HK$10.98. No representation is made that the RMB, MOP, US$, NT$ and EURO amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date.

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

This glossary of technical terms contains terms used in this prospectus in connection with our Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"CAGR"	Compound annual growth rate
"copyright"	Copyright is a property right which subsists in original literary, dramatic, musical or artistic works, sound recordings, films, broadcasts, cable programmes or the typographical arrangement of published editions and the copyright owners have the exclusive statutory right to exercise control over copying and other exploitation of the works for a specific period of time
"CPI"	Consumer price index
"EPOS"	Electronic Point(s) of Sale, the cashier system which uses swiping and reading record cards or credit cards for payment of products and services in retail shops
"GDP"	Gross domestic product
"Gross Floor Area"	The area of title of the buildings recorded in the building ownership certificates
"high-end market"	The market in which the product with average price of HK$5,000 or above is sold
"independent retailers"	Retail stores with business focus similar to the Group which engage in the sales of luxury branded products of more than one luxury brand which are not boutiques/retail shops of international fashion houses
"Internet"	An international network that links together computers and allows data to be transferred between each computer. These computers are called the services and individual users can use a modem to connect to the server computer and have access to the international network
"Luxury branded products"	The products, including clothing, handbags, jewelry, watches, eyewear, belts, wallets, other accessories etc., are manufactured by the designers having the brands targeting at high-end market or above
"Operation Area"	For the purpose of this prospectus, the areas for direct operation use on each floor, including the display area of operating counters of the brands/concessionaires and areas for public corridors and public storerooms

"parallel-imported goods"	As advised by the Hong Kong Legal Counsel, parallel import refers to the importation into a territory goods bearing a registered trademark (or the subject of any other intellectual property right) which have been put on the market in another territory by the owner of the mark or right or with his consent. The expression to "parallel-imported goods", or simply "parallel imports", is a reference to goods so imported without the consent of the owner or the mark or right or that of his authorised dealer in the country of destination
"pre-owned"	denoting things that have been previously owned by someone
"public consumers"	general public end-user consumers
"second-hand"	denoting things that have been previously owned and used by someone
"trademark"	A trademark is a sign that distinguishes the goods or services of one trader from those of others, it can be words (including personal names), indications, designs, letters, characters, numerals, figurative elements, colours, sounds, smells, the shape of the goods or their packaging or any combination of these
"unused"	denoting things that are pre-owned by others which have not been purchased from the brandowners or their respective authorised dealers in direct by the Group nor have been used by anyone before

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Shares of the Company to be offered in the Global Offering. You should pay particular attention to the fact that the Group conducts part of its operation in the PRC and Macau, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operation of the Group could be materially adversely affected by any of these 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.

RISKS RELATING TO BUSINESS

The Group's business depends on its ability to maintain stable and adequate supply of inventories to meet consumer demand for its products, which may be subject to its ability to maintain an optimal level of inventories and its ability to obtain sufficient quantities of inventory for sale to its customers in a timely manner or at acceptable prices

Maintaining an optimal level of inventories is important to the Group's business. The Group believes that its inventory level and the supply of inventory from suppliers allow it to respond to customer demand effectively and maintain a range of products at its retail shops.

During the Track Record Period, the amounts of provision for slow-moving inventories, inventories written off and other costs of the Group were HK$1.4 million, HK$0.7 million and HK$2.0 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively.

The aggregate amounts of inventories on the counterfeit products, damaged products, goods being stolen, gifts or other products written off by the Group during the Track Record Period were HK$216,000, HK$382,000 and HK$531,000 for the three years ended 31 December 2008, 2009 and 2010 respectively.

The inventories of the Group are mainly supplied by traders and public consumers. Since the implementation of the trader registration policy in February 2009, the approximate percentages to the total purchases by the Group from traders and public consumers were 17.1% and 82.9% for the period from 1 February 2009 to 31 December 2009 and 13.8% and 86.2% for the year ended 31 December 2010 respectively.

Notwithstanding that the Group does not rely on any particular supplier to supply the luxury branded products to the Group to maintain its operation, the Group must obtain from its suppliers sufficient quantities and varieties of the luxury branded products at acceptable prices and in a timely manner. As a common practice in the industry, to maintain flexibility, the Group does not have any long term supply agreements with its suppliers, but instead, the Group works on an order-by-order basis. Unfavorable fluctuations in the prices, quantities, quality and availability of luxury branded products could have a negative effect on the Group's profit margins and its ability to meet the demands of its customers.

If the supply of luxury branded products is substantially reduced due to the failure of suppliers to supply inventories to the Group or if there are significant increased in prices, the Group may have to incur additional costs to maintain its level of inventories, thereby decreasing its profit margin. Although the Group has adopted a set of guidelines for trade-in prices and retail prices to control and monitor the costs and the retail prices of the Group's products, the Group may not always be able to pass along all cost increases to its customers. In addition, if the Group cannot identify alternative sources for purchase of luxury branded products when needed, or obtain sufficient luxury branded products when required, the resulting loss of sales volume could adversely impact its ability to sell products to its customers in a timely manner, which could harm its reputation and financial performance.

At the same time, if the Group over-stocks inventories, its required working capital will increase and the Group will incur additional financing costs. If the Group under-stocks inventories, its ability to meet consumer demand and its operating results may be adversely affected.

The Group is exposed to various legal risks in different jurisdictions where the Group is carrying on its business which may adversely affect the operation, financial condition and reputation of the Group

General

The Group has two main sources for its second-hand and unused products, namely purchase from the public consumers of the luxury branded products and the traders. The Group has sought legal opinion as to whether the business model of the Group would attract any legal exposure or liability on the part of the Group or its Directors in civil or other aspects of laws. Given the business model of the Group, the Group is exposed to various legal risks which include the sale of counterfeit and stolen products, compliance with intellectual property laws of Hong Kong (including the copyright laws, trademark laws and trade description laws) and laws of tort of Hong Kong (including passing-off, procuring a breach of contract and tort of conversion). In respect of the liability for tort of conversion in Hong Kong, it is no defence that (i) the Group neither knows nor ought to have known that it is acting lawfully, or (ii) the Group acts entirely without negligence.

In respect of the Group's operation in the PRC, the Group is subject to laws relating to the sale of second-hand products, intellectual property laws (including the PRC Copyright Laws (中國著作權法), the PRC Patent Laws (中國專利法) and the PRC Trademark Laws (中國商標法)), anti-unfair competition laws of the PRC (中國反不正當競爭法), the PRC Law on Tort Liabilities (中國侵權責任法), laws relating to incorporation, operation and management of wholly foreign owned enterprise in the PRC and laws relating to online sales business. For the Group's operation in Macau, it is subject to intellectual property laws and regulations including Decree Law no. 97/99/M "Juridical Regime of Industrial Property" of Macau and the laws relating to importing products. For details, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Liabilities for infringement of intellectual property rights of third parties

In dealing with legal risks, the Group has adopted certain internal control measures, in particular those relating to purchasing and product examination set out in the table headed "Internal control measures relating to the operation of the Group" under the section headed "Business" in this prospectus, to prevent the sale of counterfeit products or stolen goods and infringement of intellectual property rights of third parties. Notwithstanding the internal control measures adopted by the Group, it is still possible that the Group may unwittingly sell counterfeit products or infringe the intellectual property rights of others or purchase stolen goods from its suppliers and face liabilities therefor in the course of carrying on its business.

During the Track Record Period, certain counterfeit products were found during the second product examination and there were certain incidents for which some products purchased by the Group were alleged to be stolen goods. The loss incurred by the Group arising from the incidents in respect of the sale of products which were alleged to be stolen goods during the Track Record Period amounted to approximately HK$20,500. For details, please refer to paragraph headed "Preventive measures for the sale of counterfeit products and stolen goods" under section headed "Business" in this prospectus.

In addition to the above, as advised by the Hong Kong Legal Counsel, the application of section 35 of the Copyright Ordinance is uncertain. For details, please refer to the sub-paragraph headed "Copyright Laws" under the paragraph headed "Intellectual Property Laws" under the section headed "Business" in this prospectus. There is no assurance that legal action would not be taken by any exclusive authorized dealer of any luxury brand against the Group for breach of the Copyright Ordinance and the Group is able to establish a defence.

In any event, where the Group and/or its directors are convicted of selling infringing copies under the Copyright Ordinance, they may each be subject to a maximum fine of HK$50,000 per infringing copy and an imprisonment of four years. Additionally, copyright owners may claim damages against the Group for the loss they have suffered. If the Group is in breach of any laws applicable to its business or any exclusive authorised dealer is able to establish a case against the Group, the operating results, financial condition and reputation of the Group would be adversely affected.

There is no assurance that any future changes in the laws of Hong Kong, the PRC and Macau or the interpretation thereof will not have any bearing on the legality of business operation of the Group in respect of selling products sourced from public consumers and traders. If such change occurs, it will have an adverse impact on the Group's operation and profitability.

The Group is operating under its brand names, "Milan Station" and "France Station", if its trademarks are infringed by third parties, its business may be harmed

As at the Latest Practicable Date, the Group was operating 13 retail shops under the brand name "Milan Station" and one retail shop under the brand name "France Station". The Group's image and brand name recognition are the result of considerable investment in marketing and advertising. The

Group's ability to leverage this investment depends on its ability to successfully protect its registered trademarks for its brand names. Any use of the Group's brand by third parties would negatively affect the Group's name recognition and the positive effects of advertising or other marketing efforts done to date, which could have an adverse effect on the Group's financial performance.

The Group is aware of (i) several shops using the name of "Milan Station" as their shop names for the sale of handbags in the PRC (including the cities where the Group plans to set up retail shops such as Guangzhou, Hangzhou and Shanghai); (ii) a website promoting the shop which uses the name of "Milan Stations" as its shop name and appears to be selling handbags in Guangzhou; and (iii) a website which uses the name of "米蘭站" as its brand name for selling of handbags through the Internet without permission or license from the Group. In addition, according to the searches conducted by the PRC Legal Adviser in Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Tianjin, Shenyang and Shanghai, where the Group has or intends to set up its retail shops, there are some third parties in Chengdu, Nanjing and Shanghai registering "米蘭站" with the local administration for industry and commerce as part of their enterprise names. The Group has engaged a lawyer in the PRC in 2011 who will commence legal actions against third parties for infringing the Group's intellectual property rights in the PRC within six months after Listing. As a result of the third party's use of the Group's registered trademark carrying out similar business of the Group or selling counterfeit products, the Group's image and brand recognition could be harmed, which, in turn, could have an adverse impact on the Group's financial performance. Further, any future disputes concerning trademarks or brands may incur significant litigation costs.

The business and reputation of the Group would be adversely impacted in the event of the non-compliance of the Group's internal control guidelines and failure of the product examination process

The Group relies upon the ability, experience and reliability of its staff in verifying the genuineness of the luxury branded products supplied by its suppliers as well as preventing from purchasing stolen goods from suppliers. Although the Group has designed and implemented a set of internal control guidelines in respect of verifying and purchasing luxury branded products, there is no assurance that the implementation of the Group's internal control guidelines would successfully prevent purchasing or selling of stolen, forgeries, counterfeit or any other illegal products.

The Group has experienced certain occasions when the Group unwittingly purchased counterfeit products. As confirmed by the Directors, no counterfeit products were found for the year ended 31 December 2010. For each of the two years ended 31 December 2008 and 2009, the amounts of counterfeit products written off were HK$6,000 and HK$14,000 respectively.

An incident occurred in December 2009 where a luxury branded handbag displayed for sale at a shop of the Group in Hong Kong which was alleged to be a stolen goods. Apart from such incident, the Group has also experienced similar incidents in both Hong Kong and Macau for which some products purchased by the Group were alleged to be stolen goods during the Track Record Period. For details of these incidents, please refer to the paragraph headed "The second product examination" under the section headed "Business" to this prospectus. Up to the Latest Practicable Date, these incidents did not incur any material financial loss to the Group because these incidents were either settled by selling the handbag in question to the claimant or the products seized by the police were (save and except that three handbags were still retained by the police and subject to investigations and in another case, the handbag in question was forfeited by the police) returned as there were insufficient evidence to support that those goods were in fact stolen goods. The loss incurred by the Group arising from the incidents in respect of the sale of products which were alleged to be stolen goods during the Track Record Period amounted to approximately HK$20,500.

If the Group unwittingly purchased stolen, forgeries, counterfeit or any other illegal products, such products would be written-off from its inventories and the financial results of the Group would be adversely affected. In addition, the success of the Group's business relies heavily on its reputation, if it is discovered that the products sold by the Group are stolen, forgeries, counterfeit or are otherwise illegal, it is possible that not only the Group may face liabilities thereof, but the Group's reputation will also be adversely affected.

The Group's business relies on the performance of certain retail shops

Certain retail shops of the Group make up a majority of the Group's total revenue. The top three retail shops of the Group, two of which are located in Causeway Bay, Hong Kong and one of which is located in Central, Hong Kong, contributed approximately 46.1%, 44.9% and 45.9% in aggregate to the total revenue of the Group for the three years ended 31 December 2008, 2009 and 2010 respectively. Amongst these three retails shops, the retail shop located at Percival Street, Causeway Bay, Hong Kong, is subject to mortgages and mortgagee consents have not been obtained. Any significant interruption to the operation of these retail shops located in Causeway Bay, Hong Kong and Central, Hong Kong, for example, by fire, water damage, weather or other acts of god, the failure to renew the tenancy agreements of these retail shops, or being vacated due to the failure to obtain mortgagee consent, could have an adverse impact to the business, operational results and financial position of the Group.

The Group may fail to secure space for its retail shops on commercially reasonable terms or renew the existing leases and the usage rights of the Group's leased properties may be encumbered

When the Group expands its retail network by adding new retail shops, availability of retail space at desirable locations and on acceptable terms is one of the key factors that the Group would consider. In addition, significant investments are made in the external and internal decorations and improvement of the retail shops. The Group is cautious in the selection of its retail shops, and the Group takes into account factors such as the convenience and accessibility of the sites to its target customer groups, the expected pedestrian traffic flow and the degree of surrounding competition. As at the Latest Practicable Date, the Group has 16 tenancy agreements for its retail shops in operation (each of the retail shops located at Percival Street, Causeway Bay, Hong Kong and Mongkok, Hong Kong is operated under two separate tenancy agreements), of which only five tenancy agreements have an option to renew. In addition, the lease terms of the Group's retail shops vary between one and five years. Among these 16 tenancy agreements entered into by the Group, two of which will expire in 2011, seven of which will expire in 2012, and the remaining will expire after 2012. For more details on the retail shops, please see the paragraph headed "Retail networks and geographical locations of retail shops" under the section headed "Business" in this prospectus. Although as advised by the

Directors, during the Track Record Period, the Group did not fail to renew any of the lease agreement in respect of its retail shops, considering the scarcity of suitable locations and their relatively high rental rates, the Group may not be able to obtain suitable sites for new retail shops on terms that are acceptable to the Group, and its expansion plans and its growth may be adversely affected.

The Group's existing retail shops are typically located in leased properties on street level or in shopping malls with high levels of pedestrian traffic flow, under concession or lease agreements. The Group's ability to renew existing leases upon their expiry is crucial to its operation and profitability and if the Group fails to renew existing leases, in particular the short term leases, the costs of leasehold improvement may have to be written-off. In addition, based on the information obtained from the Rating and Valuation Department of the government of Hong Kong, the rental of private retail properties in Hong Kong has been increasing since second quarter of 2009. The rental expenses of the Group were HK$30.0 million, HK$34.5 million and HK$41.7 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively and increased by approximately 15.0% and 20.9% from the year ended 31 December 2008 to the year ended 31 December 2009 and from year ended 31 December 2009 to year ended 31 December 2010 respectively.

Owing to the rapid rental increases in Hong Kong, the PRC and Macau, particularly in large cities, the Group may not be able to renew the existing arrangements on terms and conditions that are acceptable to the Group or may have to renew such arrangements on a more expensive basis, thus increasing the costs of operation of the Group. Based on an analysis of the past results of the Group during the Track Record Period, a 10% increase on the rental expenses of the retail shops of the Group would increase the total expenses of the Group by approximately 2% and decrease the net profit of the Group by approximately 5% to 7%. If the Group fails to renew arrangements on terms commercially acceptable to the Group, the Group may have to incur additional costs in relocating its retail shops to less attractive locations and decorating such retail shops accordingly. In addition, competitors may move into the retail spaces previously occupied by the Group. The Group may therefore lose customers of those retail shops.

As at the Latest Practicable Date, certain retail shops of the Group may be encumbered. There is one tenancy in respect of the Group's leased properties located at Chungking Mansion, Hong Kong, which is registrable and registration formalities have not yet been completed. The leased property located at Chungking Mansion, Hong Kong is used by the Group as its retail shop. For the year ended 31 December 2010, the revenue generated from the retail shop located at Chungking Mansion, Hong Kong was HK$18.8 million and, accounted for approximately 2.6% of the total revenue of the Group.

There is a tenancy in respect of one retail shop of the Group located at Percival House, Hong Kong which is subject to mortgage and mortgagee consent has not been obtained. For the year ended 31 December 2010, the revenue generated from the retail shop located at Percival House, Hong Kong was HK$138.4 million, which accounted for approximately 18.9% of the total revenue of the Group.

For details, please refer to the paragraph headed "Properties leased by the Group" under section headed "Business" and Appendix III to this prospectus, these encumbrances may result in the Group to vacate the relevant leased properties forthwith, which will incur additional costs in relocating the retail shops to other suitable locations.

If the Group fails to secure space for its retail shops on commercially reasonable terms or renew the existing leases, or if the usage rights of the Group's leased properties is encumbered resulting in the sub-tenancy/tenancy being unenforceable against third parties and the Group having to vacate any of its leased properties, there could be an adverse impact to the business, operational results, financial position, expansion plan and growth of the Group.

The Group may encounter difficulties in identifying suitable locations in the PRC and leasing retail shops in such suitable locations

The Group has put effort to identify suitable locations in the PRC and lease retail shops in such locations. Due to the scarcity of suitable locations for retail shops in major cities in the PRC where the Group may wish to expand, there is no assurance that the Group will be able to identify such suitable locations or lease such properties on terms commercially acceptable to the Group or, upon the expiration of a lease, that the Group will be able to renew the lease on acceptable terms. In the event that the Group encounters difficulties in securing suitable shop sites, the Group's expansion plans and business performance will be adversely affected.

The Group relies on key management and senior and experienced sales personnel and its business may be adversely affected if the Group cannot recruit and retain talent personnel and suitable staff for its operation

The Group maintains an experienced and stable management and senior sales team. The Group's success has been, and will continue to be, dependent upon the strategies and vision of its key management team and the experienced sales team. Further information on the Directors and senior management and sales personnel is set forth in the section headed "Directors, Senior Management and Employees" in this prospectus. Most of them have played a pivotal role in the Group's daily operation and are responsible for formulating strategies to deal with the changing market environment.

At the same time, the Group's continued growth also depends in part on its ability to recruit and retain suitable staff. As confirmed by the Directors, all of the Group's staff who are experienced in identifying counterfeit products were trained by the Group through its internal training courses given by the chief marketing officer and district managers and there were no difficulties for the Group to maintain a level of suitable staff during the Track Record Period. As at the Latest Practicable Date, the Group had approximately 63 designated staff who have knowledge in product examination to identify counterfeit products and responsible for purchasing products from suppliers. These designated staff members include chief marketing officer, district managers, central warehouse staff, shop managers and those senior sales recommended by the district managers and shop managers. During the Track Record Period, the number of employees who were experienced in identifying counterfeit products that had left the Group were one, three and two and the number of employees who were internally trained by the Group and became experienced in identifying counterfeit products were seven, 13 and seven for the three years ended 31 December 2008, 2009 and 2010 respectively. However, as the Group expands its retail network, the Group may need to externally hire experienced employees who have the requisite knowledge in respect of examining the luxury branded products in order to operate the retail shops of the Group.

Any unanticipated departure of the key management and senior sales personnel with significant knowledge and experience in the luxury branded products retail sector in Hong Kong, the PRC and Macau of the Group could have a material adverse impact on the Group's business. The Group cannot assure that it will be able to manage its expansion by retaining its existing executives and other experienced personnel and/or by recruiting additional suitable employees with significant knowledge and experience in the luxury branded products retail sector in Hong Kong, the PRC and Macau as competition for such personnel is and is likely to continue to be intensive.

In addition, the Group has seen an increasing trend in staff costs in Hong Kong, the PRC and Macau recently, which has had a direct impact on its staff costs. The Group may need to offer better compensation and other benefits in order to attract and retain key personnel in the future and that may materially affect its costs and profitability. The Group cannot assure that it will have the resources to fully satisfy its staffing needs as the Group continues to grow its business in the future or that its operating expenses will not significantly increase.

Reliance on retail sales in Hong Kong

Hong Kong is the Group's principal market, making it critical for the Group's overall operation and profitability. For each of the three years ended 31 December 2008, 2009 and 2010, approximately 89.1%, 90.9% and 88.4% of the gross sales proceeds were derived from Hong Kong respectively. The Directors anticipate that income derived from retail sales in Hong Kong will continue to be the Group's principal source of income in the near future. However, as the luxury branded products retail industry in Hong Kong is affected by the size of and purchasing power of its population, the general state of its economy and the number and spending of its visitors, the Group will be exposed to changes in economic, political and social conditions in Hong Kong. Any adverse change in the economic environment of Hong Kong may adversely affect the business, operational results, and financial position of the Group.

Reliance on sale of unused products and premium priced products of over HK$50,000

The total revenue of the Group increasingly relies on the sale of unused products and premium priced products of over HK$50,000. For each of the three years ended 31 December 2008, 2009 and 2010, the sales of unused products was approximately HK$111.9 million, HK$229.0 million and HK$339.6 million, representing approximately 21.9%, 37.5% and 46.5% of the Group's total revenue respectively whilst the sales of premium priced products of over HK$50,000 was approximately HK$147.3 million, HK$239.6 million and HK$315.5 million, representing approximately 28.8%, 39.2% and 43.2% of the Group's total revenue, respectively. However, for each of the three years ended 31 December 2008, 2009 and 2010, the gross profit of unused products was approximately HK$19.3 million, HK$29.8 million and HK$62.1 million respectively and the gross profit margin thereof was approximately 17.2%, 13.0%, and 18.3% respectively whilst the gross profit of premium priced products of over HK$50,000 was approximately HK$23.8 million, HK$32.4 million and HK$57.8 million respectively and the gross profit margin thereof was approximately 16.2%, 13.5% and 18.3% respectively. Both the sale of unused products and premium priced products have lower profit margin than other products. For premium priced products over HK$50,000, its gross profit margins during the Track Record Period were ranging from approximately 13.5% to 18.3% whilst the gross profit margins for other products were ranging from approximately 18.0% to 36.0%.

The Group cannot assure that it can maintain an optimal level of premium priced products of over HK$50,000. In addition, as the unused products and the premium priced products of over HK$50,000, were offered at a lower gross profit margin, the increase in the sale of these products may result in a reduction of the gross profit margin of the Group. If the Group's gross profit margin was further reduced, the Group will suffer greater adverse impact on its profitability.

Reliance on products of certain brands

The success of the Group relies on products of certain brands. For each of the three years ended 31 December 2008, 2009 and 2010, the number of top five brands of bags held in the inventories of the Group was equivalent to 87.7%, 78.5% and 56.4% of the Group's total number of handbags respectively, and was equivalent to approximately 94.1%, 93.1% and 92.4% of the Group's total value of handbags of the respective year.

The supply and demand of the products of popular brands sold by the Group may vary from time to time, depending on factors including but not limited to fashion trend, brand images and economic conditions. The Group cannot assure that it can successfully identify, forecast or respond to these changes and maintain an optimal level of the products of the popular brands. If the Group fails to source products of the current popular brands, or if the Group fails to identify, or forecast, and respond to changes in the popular brands, it could lead to lower sales, excess inventories and high markdowns and the Group may suffer an adverse impact on its profitability.

Seasonality

The Group's revenue is affected by seasonality factor. The Group experiences higher sales between October and February (the "Peak Period") in anticipation of the increase in the number of tourists and local consumption during National Day, Christmas and Lunar New Year holidays. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance. In addition, the Group will suffer greater adverse impact on its profitability if its operation is disrupted or affected by infectious disease outbreaks and other unpredictable events taking place during the Peak Period.

The Group may fail to manage the growth of the Group's retail network effectively

The Group has continuously expanded its retail network in the last two years. As at 31 December 2010, the Group directly operated a total of 11 retail shops in Hong Kong, one retail shop in Macau and two retail shops in the PRC. The Group's business plan calls for an opening of new shops in existing markets, in particular in Hong Kong and the PRC. However, there are a number of factors which could affect the Group's ability to open new shops. These factors could also affect the ability of the newly opened shops to achieve sales and profitability levels comparable with the Group's existing shops or to become profitable at all. These factors include:

- the Group's ability to identify suitable sites and locations for its retail shops;

- the Group's ability to negotiate acceptable rental terms for those retail shops;
- the Group's ability to maintain an efficient and cost effective operation (including adequate management and financial resources);
- the Group's ability to hire, train and retain skilled personnel; and
- the Group's ability to purchase sufficient level of inventory to meet the needs of customers.

The Group's ability to manage future growth will depend on its ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage its workforce. The Group cannot assure you that its personnel, procedures, system and controls will be effectively managed to support its future growth. If the Group fails to manage its growth effectively, its financial condition and results of operation could be adversely affected.

Restrictions on new markets exploration and expansion plan implementation

The Group's continued success in the future will largely depend on its ability to implement its expansion plans, to maintain its market leader position in its home base (i.e. Hong Kong) and to explore and tap into the retail markets of the PRC. Currently, the Group operates two retail shops in Beijing and the Group aims to expand its business to other major cities in the PRC where the Group does not possess the same level of familiarity with the regulatory and business environment in various provinces of the PRC. The Directors believe that the Group's long-term success will, to a considerable extent, depend on its ability to implement these expansion plans involving both regulatory risks and execution risks. As an foreign investment enterprises, the Group shall seek approvals and permits from the authorities on its new shops establishment and location selection. These locations will include cities in which no retail shop of the Group has already been established and where the Group has not established business relationships or experience. As advised by the Directors, during the Track Record Period, the Group has not experienced any difficulties on the implementation of its expansion plans. However, as the expansion of any business depends on many factors, including changes in law and social behaviour, market trends and economic conditions, the Group cannot assure that it will not experience any difficulties on the implementation of its expansion plans. There is no assurance that the Group will obtain the relevant approvals and permits or that, once obtained, the Group's experience in other locations will be fully relevant in the new locations. Any failure to obtain regulatory approvals and permits in a timely manner and any unforeseen difficulties arising from the unfamiliar locations may adversely affect the Group's expansion plans.

A significant proportion of the net proceeds from the Global Offering is intended to be invested in the PRC market that the Group has a relatively short operating history compared to that of Hong Kong

Although the Group commenced its PRC business in 2008 and had a relatively short operating history in the PRC market compared to that of Hong Kong, the Group intends to use approximately HK$96.0 million (based on the low end of the indicative offer price range, this amount is equivalent to approximately 68.1% of the total estimated net proceeds of the Listing) for the expansion of its retail network in the PRC market by opening new retail shops in certain major cities of the PRC. The amount of the net proceeds intended to be used for the Group's expansion in the PRC represents approximately 71.9% of the Group's net assets as at 31 December 2010.

The Group's revenue attributable to the PRC market for each of the three years ended 31 December 2008, 2009 and 2010 were 0.5%, 3.7% and 6.3% respectively. There is no assurance that the Group's investment of the proceeds from the Listing in the PRC market will be successful. In the event that the new retail shops in the PRC did not perform as expected, the financial results of the Group may be adversely affected. For further information relating to the Group's use of the listing proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Failure to obtain and renew all relevant approvals, licenses and permits

According to the PRC Legal Adviser, the Group has obtained all relevant approvals, licenses and permits required for its operation in the PRC. However, there can be no assurance that the Group could renew such approvals, licenses and permits. In addition, as the business operation of the Group is expected to further expand into other major cities of the PRC. As advised by the PRC Legal Adviser, during the Track Record Period, all the relevant approvals, license and permits required by the Group for conducting its business in the PRC are valid and there is no legal obstacle for the Group to obtain renewal for such approvals, licenses and permits. However, there can be no assurance that the Group is able to obtain the relevant approvals, licenses and permits required by the Group when it expands into such major cities of the PRC in the future. Any failure to obtain them in a timely manner may have an adverse effect on the Group's future operation, expansion and financial performance.

The Group may fail to sustain the same level of retail shops sales and new retail shops may fail to break even within projected time frames

The success of the Group's retail operation is dependent on a number of factors, such as the Group's ability to introduce merchandize which responds successfully and effectively to local consumer preferences, the success of the marketing efforts by the Group and the brand companies, and the Group's ability to compete with other retail vendors of luxury branded products.

The Group is constantly reviewing its sales performance data, both by retail shop and by region. The Group's expansion strategies are intended to benefit its growth in the long term. However, it takes time for new retail shops to break even or reach the same level of profitability as mature retail shops and, as the Group expands its retail network by adding new retail shops, the Group may experience a decrease in average sales per retail shop at least initially. Should the new retail shops experience prolonged delays in breaking even or achieving the Group's desired level of profitability, the Group's overall profitability may be affected. In addition, in the Group's existing retail shops, whether the Group will be able to sustain or continue to grow its sales per retail shop is subject to a number of factors, including the local GDP and consumer spending power and spending pattern, the pedestrian flow of the area where the Group's retail shops are located and the competition that the Group encounter, many of which are outside the control of the Group. If the Group is unable to increase retail shop sales in line with increasing costs, the Group's overall performance and profitability will be adversely affected.

The Group has experienced negative cash flows from its operating activities for the year ended 31 December 2010

The Group's net cash flows generated from/(used in) operating activities amounted to HK$31.5 million, HK$13.1 million and HK$(2.6) million for each of the three years ended 31 December 2008, 2009 and 2010 respectively. The Group's negative cash flow from operation for the year ended 31 December 2010 was primarily due to (i) the increase in inventories; (ii) the increase in prepayments, deposits and other receivables for expansion and opening of retail shops and prepayments for the listing expenses; (iii) the settlement in the balance with related parties; and (iv) increase in the profit and income taxes.

There can be no assurance that the Group will not face negative cash flow in the future, which could negatively affect the Group's liquidity and may materially and adversely affect the business operation and financial performance of the Group.

The Group operates in a low entry barriers and competitive market which may result in lower profit margins, etc.

The luxury branded products retail industry in Hong Kong, the PRC and Macau is competitive with no practical barriers to entry. Moreover, the Directors consider that the entry barriers to the luxury branded products retail industry are rather low. The Group experiences competition from other retail vendors in the geographical markets in which the Group currently operates and expects to face similar competition in the markets which the Group plans to enter. The Group competes with other retail vendors primarily for luxury branded products and retail shops locations. Some of the Group's competitors may have more financial and human resources, better access to attractive retail shops locations, more competitive pricing strategies or closer relationships with suppliers, brand companies or customers. A number of different competitive factors could have a material adverse effect on the Group's operational results and financial condition. Competition may lead to, among other things, lower selling price for the products of the Group, higher purchase costs for the products of the Group, higher costs for retail space and lower sales per retail shop, all of which could have a material adverse impact on the Group's results of operation and financial condition and lower its profit margins.

The traders, being the suppliers of the Group, may become competitors of the Group. To the best knowledge of the Directors, none of the competitors of the Group were run by the Group's traders since the implementation of the Group's trader registration policy in February 2009 and up to the Latest Practicable Date. However, should any of the traders become competitors of the Group in the future, these traders may develop reputation in selling the luxury branded products in competition with the business of the Group, which may decrease the market share of the Group. Further, these traders may reduce or discontinue the supply of products to the Group if they perceive the Group as a competitive threat with regard to sales of luxury branded products to their customers. As a result of these factors, the Group expects that the competitive pressures it faces may intensify and may result in price reductions, reduced margins and loss of market share.

Import tariffs and sales tax

At present, there is no import tariff, sales tax or other tax on the luxury branded products which are being sold by the Group in Hong Kong. If Hong Kong were to introduce or impose import tariffs, sales tax or other tax on those products, the Directors anticipate that the relevant profit margin of the Group may be reduced. Such introduction of tariff or tax may also result in a corresponding increase of the price of those products and could eventually lead to a decrease in customers' demand for luxury branded products. All these could have an adverse impact on the performance and profitability of the Group.

Since the Group only sells second-hand luxury branded products in the PRC, the Group is not required to pay any import tariff for such products. As advised by the PRC Legal Adviser, according to the laws of the PRC, the Group is also not required to pay any sales tax for the type of the products being sold by the Group in the PRC. However, if the Group changes its business strategies and sells imported products or products that need to pay sales tax or if the PRC government introduces or imposes sales tax on the products being sold by the Group, then the Directors anticipate that the relevant profit margin of the Group may be reduced which may also result in a corresponding increase of the price of those products and may lead to a decrease in customer's demand.

Regarding the retail of luxury branded products by the Group in Macau, as advised by the Macau Legal Adviser, according to the laws of Macau, there is no sales tax on the luxury branded products which are being sold by the Group in Macau. In addition, according to the laws of Macau, the luxury branded products which are being sold by the Group in Macau is not required to pay any consumption tax. However, if Macau were to introduce or impose sale tax or import tariffs on luxury branded products being sold by the Group, the Directors anticipate that the relevant profit margin of the Group may be reduced. Such introduction of tariff or tax may also result in a corresponding increase of the price of those products and could eventually lead to a decrease in customers' demand for luxury branded products. All these could have an adverse impact on the performance and profitability of the Group.

Importation of handbags into Taiwan is generally subject to a customs duty at the rate of 6.6% of the customs value of handbags according to the Laws of Taiwan and the custom duty must be declared and paid within 15 days of the arrival of goods. The Group did not comply with the relevant customs laws of Taiwan when it imported handbags into Taiwan from September 2007 to December 2007 as it had not made declaration to the Customs of Taiwan and did not pay any customs duty. In this regard, the Group might be subject to a customs duty of HK$254,159, being 6.6% of the aggregate value of the handbags and liable to an administrative fine of up to three times of the value of the handbags, which is HK$11,552,700 (i.e. HK$3,850,900 x 3). Furthermore, MS Taiwan, as an intended seller of the handbags, could be subject to a fine of no more than NT$30,000 if it was aware of the non-compliance of the relevant customs laws of Taiwan and adjudged guilty therefor. For details, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus. Any decision against the Group in respect of outstanding customs duty and administrative fine could have an adverse effect on the reputation, cash flow and results of operation of the Group.

The Group may not enjoy preferential tax treatment

As advised by the PRC Legal Adviser, the PRC subsidiary of the Group enjoys preferential tax treatment according to the "Notice of the State Administration of Taxation on the Distribution of "Administration Measures on Tax Revenue Deduction (Trial)"《國家稅務總局關於印發<稅收減免管理辦法（試行）>的通知》and the "Notice of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value-Added Tax Rate and the Policies of Summary Collection Measure for Value-Added Tax on Some Goods"《財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》by which the PRC subsidiary of the Group is entitled to enjoy a 50% reduction in the value added tax. According to the consultation with the No.9 Taxation Office of Beijing Chaoyang District State Taxation Bureau (北京市朝陽區國家稅務局第九稅務所) made by the PRC Legal Advisor, it is confirmed that the application formalities for half-deducted value added tax has changed from approval procedure to filing procedure since 2009. Accordingly, the PRC subsidiary of the Group filed the application for the preferential tax treatment at the taxation office and according to the ratification dated 27 January 2010 affirmed by No.9 Taxation Office of Beijing Chaoyang District State Taxation Bureau on the "Application Form for Preferential Treatment or Exemption on Value Added Tax", MS Beijing is ratified to continue to enjoy the preferential tax treatment with the rate of 2% and no time limit is imposed on the validity period of such treatment as at the Latest Practicable Date. However, there can be no assurance that the abovementioned preferential tax treatment would not be withdrawn or changed. In the event that abovementioned preferential tax treatment is withdrawn or changed, the Group's tax liability will increase and adversely affect the profitability of the Group.

Product liability

Like any retailer, the Group may be legally liable to product liability claims in case of selling defective products in Hong Kong.

In relation to the PRC, according to the relevant PRC laws and regulations, if the seller fails to indicate the manufacturers or the providers of the defective products, the seller shall be responsible for the product liabilities claims. The customer shall have the right to claim compensation from either the manufacturer or the seller. The product liability would incur where the product defect causes personal injury or property loss (apart from the loss resulting from the purchase of the product).

Further, according to the relevant laws of Macau, a customer shall have the right to claim for compensation against the Group for injuries resulting from a defective product sold by the Group, regardless of fault, provided that the defective product is normally destined to private use or consumption and that the injured party has mainly used the said product as such.

As confirmed by the Directors, during the Track Record Period, the Group has never been subject to any product liability claims or adverse publicity due to deficiencies in product verification in Hong Kong, the PRC and Macau.

The Group has not taken out insurance against all liabilities for the luxury branded products which are being sold by the Group. The Directors believe that there would not be any liabilities or claims in respect of the luxury branded products sold by the Group. The Directors confirm that the Group has not received any material complaints from its customers and that the Group has not been investigated by any governmental authority in this respect. However, if any liability claim is brought against any member of the Group in the future and such liability claim is not covered by the insurance taken out by the Group, it could adversely affect the business reputation or the operation of the Group.

The insurance coverage may not be sufficient to cover all losses

The Group has taken out insurance policies which cover, amongst other things, the assets in its offices, warehouse and retail shops, including all the inventories of the Group. The Group also has taken out insurance with coverage for risks and liabilities arising in or in relation to its retail shops, or in respect of its employees, through all risks of physical loss or damage to properties (which is extended to cover the loss caused by purchasing any counterfeit products and stolen goods), business interruption and employee compensation. Although the Group has taken out the aforesaid insurance policies, the Group does not carry insurance in respect of all risks. Therefore, there may be circumstances in which the Group will not be covered or compensated for specific losses, damages and liabilities, which may adversely affect the Group's financial condition and results of operation.

Sales of the Group may decline if the Group fails to effectively market and promote its retail shops

The Group has been launching and organising promotional events for its retail businesses. The Directors believe that such promotional and marketing events have not only increased the revenue of the Group but have also promoted and enhanced the brand name and image of the Group. The Group may not be able to continue to design, develop and organize promotional events that are popular among and appealing to its customers. Accordingly, the Group's competitors may rival the Group by organising such similar events or developing more attractive activities. Consequently, the Group's efforts in marketing and promotional events may not be effective in the future. In particular, major marketing campaigns that do not produce a favourable outcome and incur material costs may negatively impact the Group's revenue and results of operation. As a result of any of the foregoing, the Group may suffer increased expenses and/or a decreased profit margin, which would materially adversely affect its results of operation.

The Group may be subject to acts of God, acts of war and epidemics or pandemics which are beyond its control and which may cause damage, loss or disruption to its business

The business of the Group is subject to general economic and social conditions in the places where the Group has operation, particularly Hong Kong, the PRC and Macau. Natural disasters, epidemics or pandemics and other acts of God which are beyond control of the Group may adversely affect the economy, spending power and livelihood of the people in the places where the Group has operation. The Group's business, operating results and financial condition may be adversely affected in a material respect if such natural disasters occur. A recurrence of severe acute respiratory syndrome, an outbreak of swine or avian influenza, or any epidemic, in Hong Kong or other areas of the PRC or Macau, could result in material disruptions to the Group's operation or a slowdown of economy of such areas, which could materially and adversely affect the Group's business, financial condition and results of operation.

The Group has records of non-compliance of Hong Kong regulatory requirements

Before and during the Track Record Period, all Hong Kong subsidiaries of the Company had inadvertently failed to comply with the regulatory requirements under the Companies Ordinance in failing to make timely filings in relation to certain company secretarial matters with the Companies Registry of Hong Kong, due to the unintended and inadvertent oversights of and the mistakes as to the necessity of compliance with the time limit requirements under the relevant sections of the Companies Ordinance made by the relevant staff of such Hong Kong subsidiaries of the Company who was responsible for looking after these matters at the material times.

In respect of the failure to make timely filings for company secretarial matters with Companies Registry of Hong Kong, a company and its respective officers who failed to make timely filings for the aforementioned company secretarial matters with Companies Registry of Hong Kong would be liable to a fine of levels 3 to 5 (HK$10,000 to HK$50,000) and a daily default fine of HK$300 or HK$700 for each late filing. As advised by the Hong Kong Legal Counsel, it is reckoned that the total sum of the penalties incurred does not exceed HK$8,000,000 and none of the offences relating to the aforesaid failure to make timely filings carried a term of imprisonment. For details of the non-compliance, please refer to the paragraph headed "Non-compliance and corporate governance and internal control measures to ensure compliance with various applicable rules and regulations" under the section headed "Business" in this prospectus. Should the Group is fined by the Companies Registry, the results of the Group's financial position may be adversely affected.

The Group has not paid certain housing provident fund contribution for and on behalf of the employees of the Group during the Track Record Period

In the PRC, the establishment of a standard housing provident fund system and the requirement for payment of the housing provident fund differ for different local authorities and depend on the practice of different local authorities. As advised by the PRC Legal Adviser, after making enquiry by the PRC Legal Adviser with the local government authority in charge of housing provident fund in Chaoyang district, Beijing ("**Chaoyang Housing Fund Authority**"), as at the Latest Practicable Date, Chaoyang Housing Fund Authority did not implement the payment registration in respect of the housing provident fund compulsorily and if a company does not open any account for housing provident fund, it will not take initiative to conduct any investigation against such company provided that no complaint is lodged by any employee of such company. As further advised by the PRC Legal Adviser, Chaoyang Housing Fund Authority usually will not impose any penalty on the company who fails to file any registration for the housing provident fund if such company later files and pays for the outstanding housing provident fund within the prescribed time limit.

Since the employees of the Group in the PRC were not willing to or did not propose to make payment for the housing provident fund, the Group has not paid past provident fund contributions for and on behalf of its employees during the Track Record Period. As advised by the PRC Legal Adviser, according to the "Administration Ordinance on Housing Provident Fund" (住房公積金管理條例), a wholly foreign owned enterprise shall register and pay the housing provident fund for its employees. It is believed that although the non-payment of housing provident fund by the Group is in accordance with the common practice in Beijing, it is not in full compliance with the rules, regulations and laws in relation to the housing provident fund in the PRC. However, the Group has not received any notice or warning from any of the local government authorities in charge of housing provident fund in the PRC and none of such authorities imposed any penalties on the Group. For each of the three years ended 31 December 2008, 2009 and 2010, the amount of unpaid housing provident fund contribution for the employees required to be paid by the Group is RMB13,612, RMB44,155 and RMB80,033 respectively. No provision for these amounts was made during the Track Record Period. The Group has settled all outstanding housing provident fund as at 31 December 2010 and will continue to pay all housing provident fund pursuant to the relevant laws and regulations of the PRC. As advised by the PRC Legal Adviser, the Group may be ordered to pay such housing provident fund contributions within a stipulated deadline by the relevant PRC authorities and if the Group fails to make payment before the aforesaid deadline, a fine ranging from RMB10,000 to RMB50,000 may be imposed by the relevant PRC authorities. Any judgment or decision against the Group in respect of outstanding housing provident fund contributions could have an adverse effect on the reputation, cash flow and results of operation of the Group.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

Changes in existing laws and regulations and/or the imposition of new laws, regulations, restrictions and/or other entry barriers may lead to additional costs to comply with the more stringent rules and/or limiting the Group's ability to expand, which could slow down the Group's development plan, limit the growth and development of the Group and have an adverse impact on the Group's financial position

The Group is subject to compliance with various laws and regulations relating to luxury branded products and general consumer protection in the jurisdictions in which the Group sells its products. Failure to comply with these rules may result in the suspension of sales or seizure of the Group's products, significant penalties or claims and, in some jurisdictions, criminal liability. In the event that the countries in which the Group sells its products increase the stringency of such laws and regulations, the costs may increase, and the Group may be unable to pass these additional costs on to its customers. In the event that any such change in law or regulations requires that the Group obtains a license or permit for its operation, the Group may be unable to obtain or, if obtained, maintain such license or permit, which may result in a temporary or permanent suspension of some or all of its business activities, which could disrupt its operation and adversely affect its business. Further, in the event that any jurisdiction in which the Group operates or plans to operate imposes any new laws, regulations, restrictions and/or other barriers to entry, its ability to expand may be thereby limited and its growth and development may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The PRC's economic, political and legal developments, as well as government policies, could affect the Group's business in the PRC

A part of the business of the Group is operated in the PRC and the expansion plan of the Group would aim at opening more shops in various cities in the PRC. Therefore, the Directors expect that the Group will derive a portion of its revenues from its retail operation in the PRC. Accordingly, the results of operation and prospects of the Group are, to a significant degree, subject to the economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control of foreign exchange. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. However, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC'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. All these factors could affect the economic conditions of the PRC and, in turn, affect its business. Any policies, laws, regulations and measures implemented by the PRC government which have a negative effect on the Group may affect the results of operation and financial condition of the Group.

Government regulation of currency conversion and the fluctuation of the Renminbi may materially and adversely affect the Group's ability to pay dividends in foreign currencies to its Shareholders and the value of the dividends payable on its Shares

As part of the business of the Group is operated in the PRC, the expansion plan of the Group would aim at opening more shops in various cities in the PRC. The Directors expect that the Group will derive ever increasing percentage of its retail revenues corresponding to its expansion of operation in the PRC, the Group may receive, in future, substantially all of its revenues in Renminbi, which currently is not a freely convertible currency. The Group will have to convert a portion of these revenues into other currencies in order to make payments on declared dividends, if any, on the Shares.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, the PRC subsidiaries of the Group will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with various procedural requirements. The PRC government, however, may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If this were to occur, the PRC subsidiaries of the Group may not be able to pay dividends in foreign currencies to its shareholders.

The implementation of the labour contract law, increase in labour costs and future labour disputes may affect the operation and the profitability of the Group

The Labour Contract Law (勞動合同法) became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to fixed term employment contracts, hiring of temporary employees and dismissal of employees. In addition, under the newly promulgated

"Regulations on Paid Annual Leave for Employees" (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to fifteen days, depending on the length of the employees' years of services. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, the staff costs of the Group may increase. The Directors cannot assure you that any labour disputes, work stoppages or strikes will not arise in the future. Increases in staff costs and future labour disputes with the Group's employees could adversely affect the Group's business, financial condition and results of operation.

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

Any capital contributions or loans the Group, as an offshore entity, make to the PRC members of the Group, including from the proceeds of the Global Offering, are subject to the PRC regulations. For example, the total of any offshore loans to the PRC members of the Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of the Group, which shall comply with certain regulatory limits prescribed by the competent authority of the MOFCOM and such loans must be registered with SAFE or its authorised organisation. In addition, the Group's capital contributions to the PRC members of the Group must be approved by the competent authorities of the MOFCOM and SAFE. The Group cannot assure that it will be able to obtain these approvals on a timely basis, or at all. If the Group fails to obtain such approvals, its ability to capitalise the relevant PRC members of the Group or fund their operation or to utilise the proceeds of the Global Offering in the manner described in the section headed "Future Plans and Use of Proceeds" may be adversely affected, which could adversely affect the liquidity of the relevant PRC member of the Group, the Group's ability to grow through its subsidiaries' operation and its financial condition and results of operation.

A newly enacted tax law of the PRC may affect tax exemptions on dividends received by the Group and Shareholders and increase the Group's enterprise income tax rate

The Company is incorporated under the laws of the Cayman Islands and hold interests in its PRC subsidiary through MS PRC (BVI) and MS PRC (HK), which are limited companies incorporated in the BVI and Hong Kong respectively. Under the PRC Enterprise Income Tax Law (《中國企業所得稅法》) and the Implementation Rules of the PRC Enterprises Income Tax Law (中國企業所得稅法實施條例) which have become effective as of 1 January 2008 (the "New Tax Laws"), the Group is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC. According to the "Arrangements Between Mainland and Hong Kong Special Administrative Region for Avoiding Dual Taxation on Income and Preventing Escape of Taxation" (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止漏稅的安排), a withholding tax at the rate of 5% is applicable to any dividends paid to MS PRC (HK) by its PRC subsidiary, unless the Group is entitled to reduction or elimination of such tax, including by tax treaties.

The New Tax Laws provide that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Along with the business expansion of the Group in the PRC, if the Group is deemed to be a PRC tax resident enterprise by the PRC tax authority, the Group may be subject to an enterprise income tax rate of 25% on its worldwide income (including dividend income received from its subsidiaries), which excludes the dividends received directly from another the PRC tax resident, the Group's historical operating results may not be indicative of its operating results for future periods and the value of its Shares will be adversely affected.

Uncertainties with respect to the PRC legal system could adversely affect the Group's operation and business

The Company is a holding company established in the Cayman Islands and conduct its business operation in the PRC through its subsidiary incorporated in the PRC. This subsidiary is generally subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to FIEs.

When the PRC Government started its economic reform in 1978, it began to formulate and promulgate various laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investments. The PRC has made significant progress in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on the Group's business and prospects. The Chinese legal system is a civil law system based on written statutes. Unlike the common law system, the Chinese legal system is a system in which prior court decisions may be cited for reference but have little precedential value. In addition, since the Chinese legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform. The enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to the Group. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

RISKS RELATING TO THE GLOBAL OFFERING AND SHARE PERFORMANCE

The Offer Price may not be indicative of prices that will prevail in the trading market, and the market price of the Shares may be volatile

The Offer Price for the Offer Shares will be determined by negotiations between the Group and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The price and trading volume of the Shares may be highly volatile. Factors such as changes in the Group's results of operation or events affecting other companies in the industry, currency fluctuations and general political, economic and market conditions may cause the market price of the Shares to change substantially. The volatility in the price of the Shares may be caused by factors outside control of the Group.

Investors in the Global Offering will experience immediate dilution

The Offer Price is higher than the net tangible book value per Share prior to the Global Offering. Therefore, when you purchase the Shares in the Global Offering at the Offer Price, you will incur an immediate dilution in unaudited pro forma adjusted combined net tangible assets of HK$0.46 per Share, assuming an Offer Price at HK$1.67 per Share, the high end of the indicative Offer Price range stated in this prospectus, and that the Over-allotment Option is not exercised. In addition, the Group may issue additional Shares or equity-related securities in the future under the Share Option Scheme or to raise additional funds, finance acquisitions or for other purposes. If the Group issues additional Shares or equity-related securities in the future, the percentage ownership of the Group's existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share prices

The sale of a significant number of the Shares in the public market after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as otherwise described in the paragraph headed "Undertakings of the Controlling Shareholders" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on the Major Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the Group's major Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for the Group to issue new Shares in the future at a time and price the Directors deem appropriate, thereby limiting the Group's ability to raise capital.

Prior dividend policy and past dividend declared should not be used as an indicator for future dividends

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends paid by the Company's subsidiaries to their then shareholders during the Track Record Period were as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend	—	35,000	14,489
Proposed final dividend	7,000	—	—

The final dividend for the year ended 31 December 2008 of HK$7,000,000 proposed by the board of directors of MS HK was approved on 14 August 2009. The interim dividend for the year ended 31 December 2009 of HK$35,000,000 was declared by the board of directors of MS HK to its then equity holders, World Top and Win Hero International Ltd. An interim dividend of HK$14,489,000 was declared by the board of directors of MS HK to its then shareholders on 22 December 2010.

The Group may not be able to pay any dividends on the Shares

Subject to the Cayman Islands Companies Law, the Company may declare dividends in any currency to be paid to the Shareholders, but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Associations provide dividends may be declared and paid out of the profit of the Company, realized, or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. The Company can also pay dividends out of the share premium with the approval of its Shareholders and subject to a statutory solvency test. There is no assurance that the Company will declare dividends of similar amounts at similar rates or at all in the future.

In the future, the amount of dividends that the Group may declare will be subject to, among other things, the results of operation, cash flows, financial condition, future prospects, statutory, regulatory and other restrictions the Group are obligated to observe and other factors that the Directors may consider relevant. Accordingly, the past dividends declared do not amount to any guarantee or representation or indication that the Company must or will declare and pay a dividend in such manner or declare and pay any dividend at all, either in the first financial year subsequent to the Global Offering or thereafter. The dividend policy is subject to review by the Directors at any time and the Company may determine not to pay any dividends as a result of such review.

There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile and could result in substantial losses for investors purchasing the Shares in the Global Offering

Prior to the Listing, there has been no public market for the Shares. The Offer Price will be the result of negotiations between the Company, the Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) and may differ from the market prices for the Shares after the Listing. The Group has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond control of the Group:

- variations in the results of the Group's operation;
- changes in securities analysts' analysis of the Group's financial performance;

- announcement by the Group of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market prices and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Stock markets and the shares of listed companies in Hong Kong have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Forward-looking statements may not be accurate

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “may”, “ought to”, “should” and “will”. Those statements include, among other things, the discussion of the Group’s growth strategy and expectations concerning the Group’s future operation, liquidity and capital resources. Purchasers and subscribers of the Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions also could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by the Group that its plans and objectives will be achieved.

Certain facts and problem statistics in this prospectus may not be reliable

Certain facts and statistics in this prospectus are derived from various publicly available government and official publications, which the Directors believe to be reliable. The Group cannot, however, guarantee the quality or reliability of such government or official sources. While the Group has taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such government or official sources, they have not been independently verified by the Group, the Underwriters, the Sole Sponsor or any of their respective affiliates or advisers. The Group therefore makes no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from government or official sources contained in this prospectus.

Investors should not rely on any information contained in press articles or other media regarding the Group or the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding the Group and the Global Offering. Such press and media coverage may include references to certain events or information that do not appear in this prospectus, including certain business and financial information, financial projections, valuations and other information. The Group has not authorised the disclosure of any such information in the press or media coverage and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, the Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Shares.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, 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 in any material respect, and there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Public 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 in this prospectus and the Application Forms. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Hong Kong Public Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of Global Offering" in this prospectus, and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters), the Company and the Selling Shareholder. The International Offering is fully underwritten by the International Placing Underwriters. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters), the Company and the Selling Shareholder by 6:00 p.m. on Tuesday, 17 May 2011, the Global Offering will not proceed and will lapse. For full information about the Underwriter and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON GLOBAL OFFERING AND SALE OF THE OFFER SHARES

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

No action has been taken to permit an offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus 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 and sales 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 securities regulatory authorities or an exemption from the authorities.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued on the exercise of any options which may be granted 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. Dealings in the Shares on the Stock Exchange are expected to convene on or around Monday, 23 May 2011. Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Application Lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as may be determined by HKSCC. 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 obtain independent professional advice and seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering 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 Shares (or exercising rights attached to them). None of the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, professional advisers or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise or any rights in relation to, the Shares.

OVER-ALLOTMENT AND STABLISATION

Details of the arrangement relating to the Over-allotment Option and Stabilisation are set out in the paragraph headed "Over-allotment and Stabilisation" under the section headed "Structure of Global Offering" in this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

The Company's principal register of members will be maintained by its principal registrar, Butterfield Fulcrum Group (Cayman) Limited in the Cayman Islands and the Company's register of members will be maintained by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

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

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedure for applying for Hong Kong Public Offer Shares is set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of Global Offering" in this prospectus.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments/are rounded to one decimal place. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

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

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Yiu Kwan Tat	Flat B, G/F, 78 King's Park Hill Road, Homantin, Hong Kong	Chinese
Yiu Kwan Wai, Gary	Flat C, 41/F, Block 7, The Waterfront, 1 Austin Road West, Tsim Sha Tsui, Hong Kong	Chinese
Wong Hiu Chor	Flat G, 8/F, Block 5, Tanner Gardens, North Point, Hong Kong	Chinese
Yiu Sau Wai	Flat B, 31/F, Block 1, The Waterfront, 1 Austin Road West, Tsim Sha Tsui, Hong Kong	Chinese
Non-executive Director		
Tam B Ray, Billy	Flat A4, 1/F, Hoi Wan Building, 29 Hoi Wan Street, Hong Kong	Chinese
Independent non-executive Directors		
Ip Shu Kwan, Stephen	Flat 7A, Dynasty Court Tower 5, 23 Old Peak Road, Hong Kong	Chinese
So, Stephen Hon Cheung	Flat B, 1/F, Sunny Villa, 69 Blue Pool Road, Happy Valley, Hong Kong	Canadian

Name	Residential Address	Nationality
Lau Kin Hok	No. 6 Hong Ye Lane, Hong Cheng Garden, Yuetai Road, Er Sha Islands, Guangzhou, the PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square, Central, Hong Kong
Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square, Central, Hong Kong
Hong Kong Underwriters	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square, Central, Hong Kong
	Kingsway Financial Services Group Limited 5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong
	VC Brokerage Limited 28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong
International Placing Underwriters	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square, Central, Hong Kong

	Kingsway Financial Services Group Limited 5/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong
	VC Brokerage Limited 28/F., The Centrium, 60 Wyndham Street, Central, Hong Kong
Legal advisers to the Company	*as to Hong Kong law* DLA Piper Hong Kong 17th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
	as to the PRC law Hills & Co. 11th Floor, Central Tower, No. 88 Fu Hua 1st Road, Fu Tian Central Business District, Shenzhen, the PRC
	as to Macau law Leong Hon Man Law Office 12th Floor, China Law Building, Avenida da Praia Grande no.409, Macau
	as to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*as to Hong Kong law* Hastings & Co. 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong

Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* 18th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Property valuer	RHL Appraisal Limited Room 1010, Star House, Tsim Sha Tsui, Kowloon, Hong Kong
Receiving banker	Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong

Registered Office	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Units 18-19, 18th Floor, Nan Fung Commercial Centre, No. 19 Lam Lok Street, Kowloon Bay, Hong Kong
Website address	www.milanstation.com.hk (information on the website does not form part of this prospectus)
Compliance adviser	China Merchants Securities (HK) Co., Limited
Company secretary	Lo Wai Shing *CPA*
Authorised representatives for the purpose of the Listing Rules	Wong Hiu Chor Flat G, 8/F, Block 5, Tanner Gardens, North Point, Hong Kong Lo Wai Shing Flat C, 8/F, The Panorama, 520-526 Castle Peak Road, Tsuen Wan, New Territories
Authorised representatives for the purpose of Part XI of the Companies Ordinance	Wong Hiu Chor Lo Wai Shing
Audit committee	So, Stephen Hon Cheung (Chairman) Ip Shu Kwan, Stephen Lau Kin Hok
Remuneration committee	Lau Kin Hok (Chairman) So, Stephen Hon Cheung Ip Shu Kwan, Stephen Yiu Kwan Tat Wong Hiu Chor

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Cayman Islands principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands
Principal bankers	Wing Hang Bank, Limited DBS Bank (Hong Kong) Limited CITIC Bank International Limited

This section contains certain statistics, industry data or other information relating to the industry that are derived from various government or official sources that are publicly available as well as the research report published by Synovate Limited.

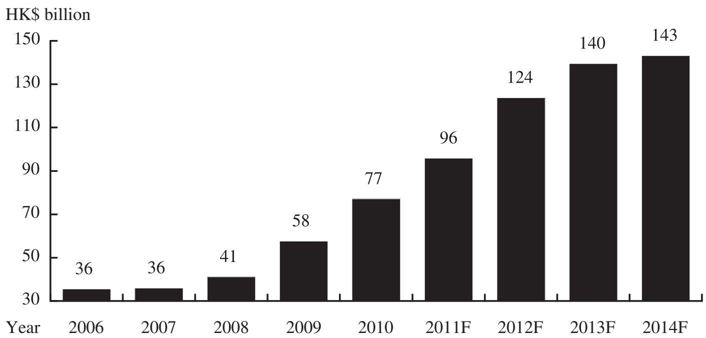
The Company believes that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Selling Shareholder the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW

The Group is principally engaged in the retail of luxury branded handbags and apparel products in Hong Kong, the PRC and Macau. It operates retail shops under the brand names of "Milan Station" and "France Station". As at the Latest Practicable Date, the Group carries over 20 brands of handbag products and over 30 brands of other products from international luxury fashion houses including Balenciaga, Bottega Veneta, Céline, Chanel, Chloé, Dior, Fendi, Goyard, Gucci, Hermès, Louis Vuitton, Miu Miu, Prada and Yves Saint Laurent.

The following chart shows the market sales value estimation for luxury branded handbags in Asia Pacific from 2006 to 2014:

CAGR of estimated total market sales value from 2006 to 2014 = 18.8%



Note: Asia Pacific includes Japan, Hong Kong, India, China, Taiwan, Korea, Australia, Singapore, Malaysia, Thailand, Indonesia, Macau, Philippines, Vietnam and Myanmar
Sources: Synovate database, interview and analysis

The Asia-Pacific luxury branded handbags market has picked up since 2009. The Asia-Pacific luxury branded handbags market has generated a total revenue of about HK$58 billion in 2009, representing CAGR of above 18.8% for the period spanning from 2006 to 2014 (forecasted). The performance of the Asia-Pacific luxury branded handbags market is forecasted to accelerate, which is expected to drive the market to a value of about HK$143 billion by the end of 2014.

Market sales value for luxury branded handbags by countries

The following tables show the ten largest national markets in Asia-Pacific for luxury branded handbags, in 2009 and forecast in 2014, in terms of sales and market shares:

Top 10 countries for luxury branded handbag sales in Asia-Pacific in 2009 and sales forecast in 2014

		2009				2014	
Rank	**Countries**	**Sales (HK$ Billion)**	**Market share (%)**	**Rank**	**Countries**	**Sales (HK$ Billion)**	**Market share (%)**
1	Japan	14.14	24.6	1	Japan	33.97	23.7
2	Hong Kong	9.59	16.7	2	Hong Kong	32.36	22.6
3	The PRC	7.95	13.8	3	The PRC	22.25	15.6
4	India	6.08	10.6	4	India	13.93	9.8
5	Taiwan	5.50	9.6	5	Taiwan	12.50	8.8
6	Korea	4.92	8.5	6	Korea	11.07	7.7
7	Australia	2.62	4.6	7	Australia	5.34	3.7
8	Singapore	2.04	3.5	8	Singapore	3.91	2.7
9	Malaysia	1.47	2.5	9	Malaysia	2.48	1.7
10	Thailand	1.47	2.5	10	Thailand	2.48	1.7
11	Other countries in Asia-Pacific	1.79	3.1	11	Other countries in Asia-Pacific	2.90	2.0
Total	Asia-Pacific	57.57	100.0	Total	Asia-Pacific	143.19	100.0

Note: Other countries in Asia-Pacific include Indonesia, Macau, Philippines, Vietnam and Myanmar

Sources: Synovate interview and analysis

Japan dominates the volume of sales of luxury branded handbags in Asia-Pacific market, from historical year of 2009, to the forecasted year of 2014. Japan alone counts for around 24% of the entire luxury branded handbag sales in Asia-Pacific and ranked as the first position in 2009. The 2009 ranking of the PRC on luxury branded handbag sales was at third, positioned behind Hong Kong and Japan. Benefitting from a vast amount of tourists travel from China and the rest of the world all year round for tax-free luxury goods especially handbags, Hong Kong's position in luxury branded handbags remains strong. By comparison, the market size for luxury branded handbags in Macau is relatively small.

Industry trends

Products

Luxury branded handbags are gaining popularity in Asia-Pacific, luxury fashion brands are moving forward to enhance their existing luxury branded handbag collection from the standard line or known as signature or classic style, to more varieties using exotic skins such as crocodile, ostrich, lizard and precious materials such as diamond and gold to provide a "premium" version of the signature handbags each costing a minimum of HK$100,000. In the aim to position the status of their brands, there is a trend for these premium versions of signature handbags being reserved for their most important customers, i.e. big spending customers. Luxury branded handbags retailers will increasingly add gimmicks and special value-added services to help customers to define themselves and to stand out from the crowd. Personalization through adding personal initials on the customer's handbag, together with some sophisticated chains and accessories will distinguish one customer's taste from another. The luxury branded handbags have so far resisted the financial crisis better than so-called hard luxury products, such as high-priced watches and jewelry, and the trend is expected to continue in the future.

Second-hand Iuxury branded handbags

Demand of luxury goods from the increasing youthful population has attracted second-hand luxury branded handbag retailers to maintain their physical presence in different districts of a city for better sales and competitive advantage. During the post recession period, the second-hand luxury branded handbag market picked up most quickly in the Asia-Pacific region, especially for consumers who would change luxury branded handbags every season; it makes economic sense to obtain a few or more second-hand luxury branded handbags which are attractive and affordable with the same quality and authenticity. Besides making purchases during sale seasons from new or unused luxury branded handbag retailers, which happens only a few times a year, enjoying discount all year round from second-hand luxury branded handbag outlets is gaining popularity especially to the office lady and housewife segments consumers. Most customers who trade in their handbags do not normally have much bargaining power in price because they want cash instantly; and more customers want to trade in their luxury branded handbags so that they can proceed to buying the next season's luxury branded handbags. This continuous cycle allows outlets selling second-hand luxury branded handbags to acquire and sell their handbags at lower prices to attract a wider range of customers, with significant profit margins. In addition, some second-hand luxury branded handbags could appreciate in monetary terms when they become collectors' items in the second-hand luxury branded handbag market.

Brands

Brand reputation is the key factor driving luxury branded handbags business in Asia-Pacific. Although luxury branded handbag markets will continue to grow in the Asia-Pacific region, retailers who have expanded rapidly in terms of shop establishments will continue to devote extra effort on brand building and communication. The luxury brand will explore sub-brand opportunity suitable for the unique taste of the Asia-Pacific market. For example, one French luxury branded handbag company and silk merchandises opened its first shop under the brand named in Chinese language in the year of 2010. The major luxury branded handbags retailers will continue to consolidate and expand their global presence of its brand position with benefits from international awareness, diverse locations, and established markets in Europe and North America alongside with the rapidly-emerging markets in Asia-Pacific. Luxury brand would continue to develop a significant local client base, whilst also leveraging the opportunities offered by the global tourism.

Price

The selling price per luxury branded handbag has seen an increase of 10% annually since the recession period with the current price set at about HK$5,000 or above per luxury branded handbag in the Asia-Pacific region. The increase of price would not hinder the demand for luxury branded handbags as the pursuit of luxury branded handbags is expected to remain strong in the coming decade. Also, the demand for luxury branded handbags in Asia-Pacific is so rapid that the hand-made productions and craftsmen in Europe cannot even keep up with the tremendous demand; as a result the selling price of handbags would continue its upward trend within a short period, leaving no room for regular discount opening to the public on signature luxury branded handbags. Discount on luxury branded handbags would only be applicable to seasonal items but not regular items. The future strategy of selling luxury branded handbags will be to boost up the selling price of luxury branded handbag in order to satisfy the less price sensitive Asia-Pacific customers. This will continue to benefit the Asia-Pacific markets such as Hong Kong, which imposes no tax on luxury branded handbags. In all cases, luxury retailers will continue to remain strong presence in Hong Kong and attract more tourists from around the region for style and bargain.

Sales channel

Competitions among sales channels will become more intense as luxury branded handbag retailers find efficient sales channel strategies necessary for maintaining the luxury branded handbag leadership in Asia-Pacific market. Successful luxury branded handbag retailers are becoming more capable in controlling the brand operation through wholly-owned sales channels rather than through franchise. Selling the luxury brand in quantity and delivering high levels of service will be required. Brand recognition through wholly-owned sales channels would be seen as a potential to boost sales in the coming decades, given the fact that many Asian consumers are not able to appreciate luxury branded handbags in terms of the product design concepts. Online shopping has already been proven to be a future sales channel for luxury branded handbags. For instance, when it comes to proactive searches for luxury branded handbag information, the Internet is by far the most significant and easiest medium to obtain information for consumers, so brand visibility in search engines is crucial in the future sales channel trend. There is also room for more in-depth information about brands and products to be placed online.

Countries

Hong Kong remains by far one of the most preferred and attractive destinations for Asia-Pacific consumers, especially for mainland Chinese, to buy high-end products particularly luxury branded handbags. Hong Kong is considered to be the ideal place for better deals in terms of price, wider selection in style from different brands as well as quality of products. Moreover, the ease of access to Hong Kong has reinforced its status as a shopping hub for the mainland Chinese consumers. Guangzhou consumers in particular are most likely to purchase their preferred products in Hong Kong while consumers from Shanghai and Beijing also rank Hong Kong as their top-of-mind destination for purchasing luxury branded handbags. It is anticipated that the strong luxury demand from mainland

Chinese will continue to boost luxury branded handbag sales in Hong Kong while remaining as the major Chinese hub for the sales of luxury branded handbags in the foreseeable future. Hong Kong will continue to benefit from the rapid economic growth of the PRC which guarantees the spin of the spending trend in the region.

Customers

The strategy in capturing loyal Asia-Pacific customers to choose for their luxury branded handbags is increasingly important. Luxury brands are cultivating their market through extensive range of brand-building tools, loyalty programs and invitations through exclusive marketing campaigns. Soft tactics such as relationship building between sales executives and the luxury brands esteemed customers are crucial and seen as effective especially in the Asian culture. The younger generations of Asia-Pacific customers are in parallel with global trends due to the convenient access to the Internet and foreign media, increased freedom to travel and the experience of overseas education. Asia-Pacific customers want exactly what is happening in the rest of the world instantly and give no exception to luxury branded handbags. In fact, many brands that are reporting decline or flat sales in Hong Kong market as local business continue to see enormous support from mainland Chinese travelers. The top-end luxury brands are aware of this fact and will continue to open flagship shops in response to the demand of more mainland Chinese customers.

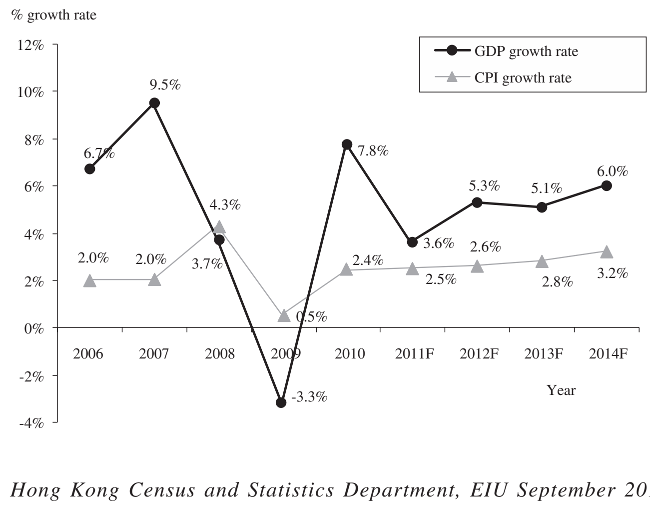
THE ECONOMY IN HONG KONG, THE PRC AND MACAU

Key economic indicators of Hong Kong, the PRC and Macau

Hong Kong

The following graph shows the growth rate of GDP and CPI of Hong Kong from 2006 to 2010 and the forecast from 2011 to 2014:

Hong Kong's Key Economic Indicators



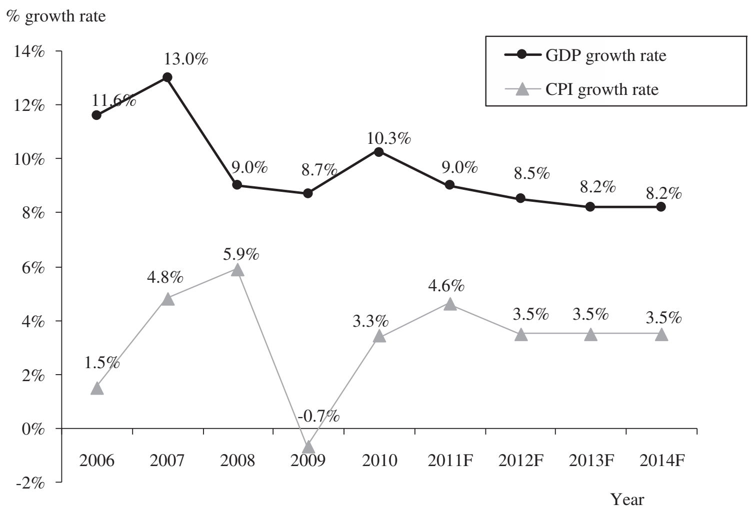
Sources: Hong Kong Census and Statistics Department, EIU September 2010

Hong Kong's economy has continued to grow from the year of 2006 through the year of 2008, which the growth rate peaked at the year 2007 of about 9.5%. However, due to the impact of the financial crisis starting at the fourth quarter of 2008, Hong Kong has recorded a negative GDP growth rate of 3.3% in 2009. Hong Kong's increasing integration with mainland China through trade, tourism, and financial links has helped Hong Kong's economy in 2010 to recover more quickly than expected, which had a growth rate of approximately 7.8%.

The PRC

The following graph shows the growth rate of GDP and CPI of the PRC from 2006 to 2010 and the forecast from 2011 to 2014:

The PRC's Key Economic Indicators



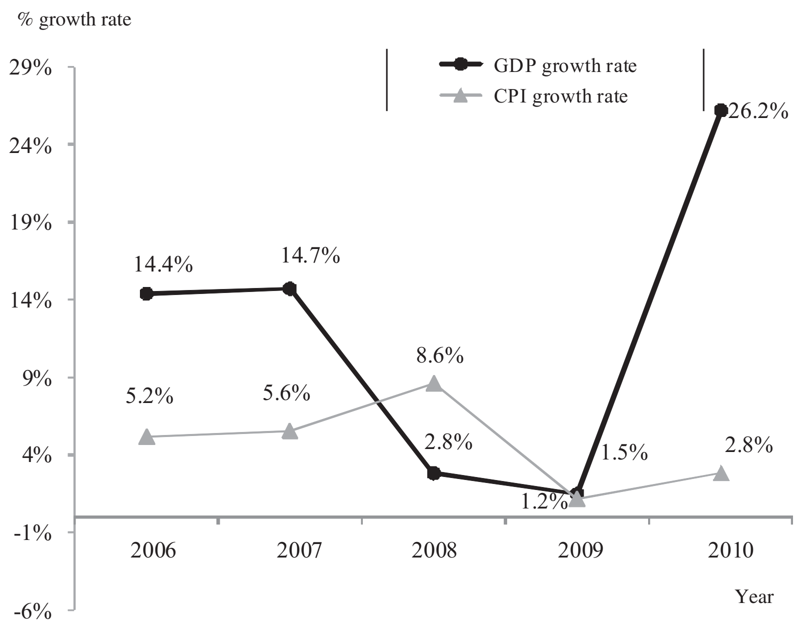
Sources: News & Broadcast 18 June 2010, China Statistics Bureau, China News 22 January 2010

From 2006 to 2007, the PRC's GDP maintained a robust growth rate at over 10%, and the growth rate hit the historical high in 2007 at 13%. From 2008 to 2009, the PRC's GDP growth rate dropped to about 9.0% and 8.7% respectively. The GDP growth rate for the PRC was up to about 10.3% in 2010 because the recovery of the global economy has driven the increase in domestic demand and has been favorable to its external trade, in which the export volume have been recovered rapidly since the trough in early 2009.

Macau

The following graph shows the growth rate of GDP and CPI of Macau from 2006 to 2010:

Macau's Key Economic Indicators



Sources: Statistics and Census, Macau SAR

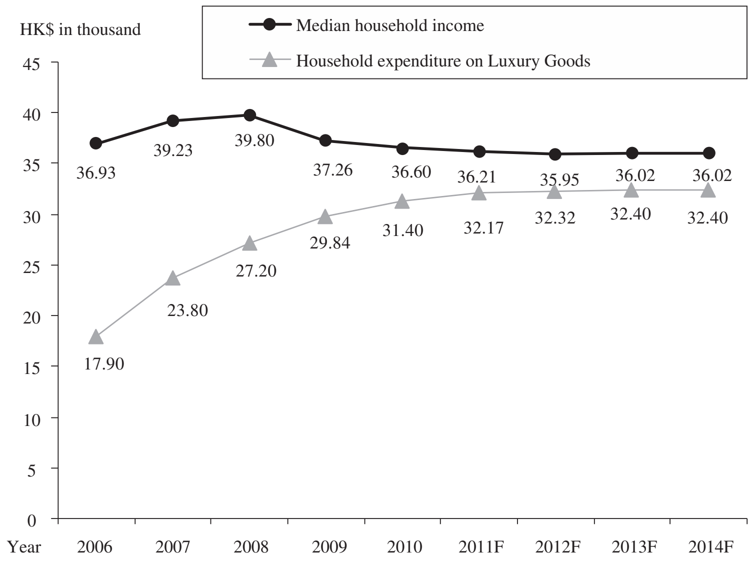
Macau's economy had grown dramatically by two-digit GDP rate due to the prosperous growth of gambling and tourist industry after the liberalization of casinos and flooding of mainland China tourists to Macau until late 2008. Macau's economy heavily relied on the gambling and related tourism businesses, with about 71% of total GDP contribution in 2009; gambling tax receipts accounted for about 77% of total government revenue in 2009. In close alignment with the GDP growth rate, inflation was another problem that Macau was facing from 2006 to 2008.

Household income and expenditure on luxury goods in Hong Kong, the PRC and Macau

Hong Kong

The following graph shows Hong Kong's household income and expenditure on luxury goods from 2006 to 2010 and the estimate from 2011 to 2014:

Hong Kong's Household Income and Expenditure on Luxury Goods from 2006 to 2014



Note: Luxury goods exclude car, yacht, jet, service, spirit and etc. and include handbags, jewelry and watches, clothing, small leather goods, footwear, cosmetics, accessories etc.

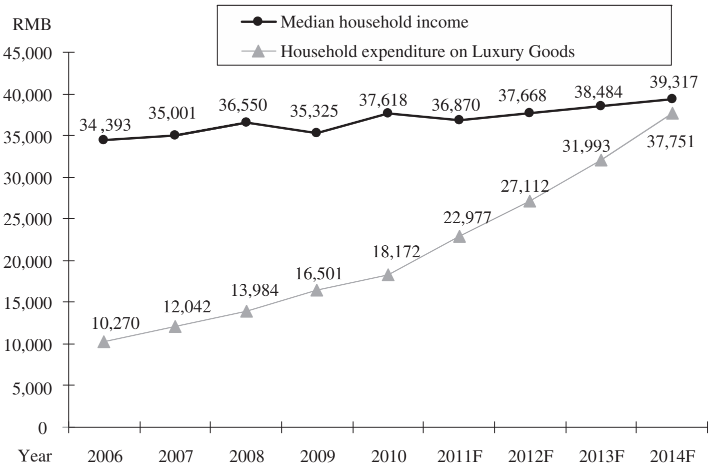
Sources: Hong Kong Census and Statistics Department, Synovate estimation

Hong Kong household expenditure on luxury goods remains strong despite the shrink in income in 2010. The median household income of Hong Kong has declined at CAGR of about 0.20% from 2006 to 2010 while household expenditure on luxury goods increased dramatically at CAGR of about 15.1%. The effect of the slowdown was largely due to the impact of the financial crisis which has led median household income to shrink by about 6.8% from 2008 to 2009.

The PRC

The following graph shows the PRC's household income and expenditure on luxury goods from 2006 to 2010 and the forecast from 2011 to 2014:

The PRC's Household Income and Expenditure on Luxury Goods from 2006 to 2014



Notes:

(1) Luxury goods exclude car, yacht, jet, service, spirit and etc, include clothing, leather goods & shoes, jewellery, watch, cosmetic, accessories etc.

(2) Luxury goods expenditure excludes the purchase when travelling overseas.

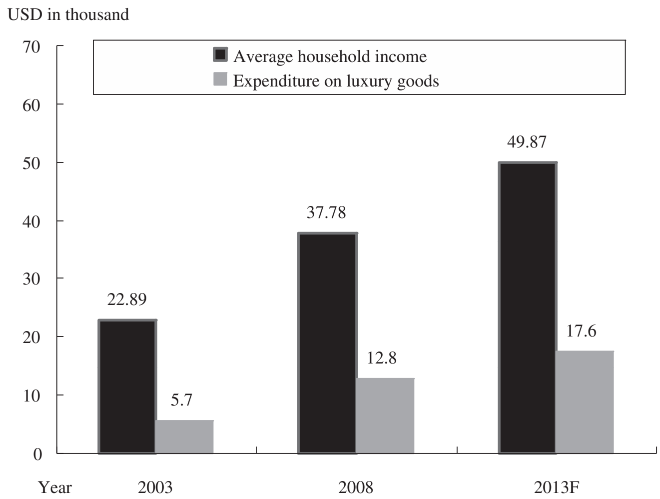
Sources: Synovate interviews, China Statistic Bureau

As the median household income of China grew steadily yearly at the CAGR of about 1% from 2006 to 2010, the average expenditure on luxury goods per household per year increased dramatically at the CAGR of about 17.1% for the same period, from about RMB10,270 to RMB18,172.

Macau

The following chart shows Macau's household annual income and expenditure on luxury goods in 2003 and 2008 and the forecast in 2013:

Macau's Household Annual Income and Expenditure on Luxury Goods in 2003, 2008 and 2013



Note: The study by Statistics and Census of Macau SAR is conducted every 5 years.

Luxury goods in Macau include clothing, handbags, jewelry, watches, eyewear, belts, wallets, etc. which are sold in the retail shops of international fashion houses.

Sources: Statistics and Census, Macau SAR, Synovate estimation

Macau average household income increased dramatically at about 65% over the past five years (2008 over 2003) because of the prosperous growth of gambling and the related tourists market. Macau's average annual expenditure on luxury goods increased at about 124.6% over the past five years (2008 over 2003) because of the significant increase of their average income, which supported them to have more disposable income to buy luxury goods.

Average consumer spending on luxury branded products in Hong Kong, the PRC and Macau

Hong Kong

The following chart shows the average consumer spending on luxury branded and designer's products in Hong Kong from 2006 to 2009:

Average Consumer Spending on Luxury Branded and Designers' Products in Hong Kong from 2006 to 2009

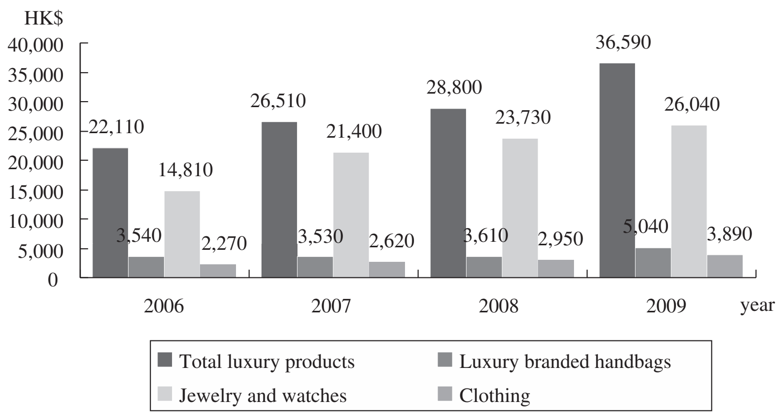
- CAGR for average consumer spending on luxury branded and designers' products in Hong Kong from 2006 to 2009 = 18.3%

- CAGR for average consumer spending on the following product categories in Hong Kong from 2006 to 2009:

  - Luxury branded handbags = 12.5%

  - Jewelry and watches = 20.7%

  - Clothing = 19.7%



Note: Luxury branded and designers' products in Hong Kong include clothing, handbags, jewelry, watches, eyewear, belts, wallets, etc. which are sold in the retail shops of international fashion houses.

Sources: Synovate interviews and analysis

Apparels are the most sought after luxury branded products by Hong Kong consumers, followed by leather goods and footwear. Jewelry and watches alone accounted for about 71% of the total market share for luxury products, followed by handbags and clothing at about 14% and 11% respectively in 2009. An average consumer spent about HK$36,590 on luxury branded and designers' products in Hong Kong in 2009. Average consumer spending on luxury branded and designers' products in Hong Kong has increased at CAGR of about 18.3% from 2006 to 2009. In line with consumers' preference in luxury category, average consumer spending on jewelry and watches has increased most significantly, at CAGR of about 20.7%, followed by clothing at about 19.7%. Although consumer spending on luxury branded handbags accounted for only about 14% of total luxury expenditure, price inflation at wide range of selection has fueled spending to increase at CAGR of about 12.5%, with mainland China tourists accounting for about 60% of the sales of handbags.

The PRC

The following chart shows the average consumer spending on luxury branded and designer's products in the PRC from 2006 to 2009:

Average Consumer Spending on Luxury Branded and Designers' Products in the PRC from 2006 to 2009

- CAGR for average consumer spending on luxury branded and designers' products in China from 2006 to 2009 = 7.3%
- CAGR for average consumer spending on the following product categories in China from 2006 to 2009:
  - Luxury branded handbags = 9.9%
  - Jewelry and watches = 3.6%
  - Clothing = 9.2%

Notes: Luxury and designers' products in China include clothing, handbags, jewelry, watches, eyewear, belts, wallets, etc. which are sold in the retail shops of international fashion houses.

Sources: Synovate interviews and analysis

The average consumer spending on luxury branded and designers' products in the PRC grew significantly across 2006 to 2009 at CAGR of about 7.3%, from about RMB32,500 to about RMB40,200 because of the growth of RMB value and the increase in the consumption by the wealthy Chinese. The average consumer spending on luxury branded handbags grew stronger than clothing, jewelry and watches at CAGR of about 9.9% for 2006 to 2009.

Macau

The following chart shows the average consumer spending on luxury branded and designer's products in Macau from 2006 to 2009:

Average Consumer Spending on Luxury Branded and Designers' Products in Macau from 2006 to 2009

- CAGR for average consumer spending on luxury branded and designers' products in Macau from 2006 to 2009 = 4.0%
- CAGR for average consumer spending on the following product categories in Macau from 2006 to 2009:
  - Luxury branded handbags = 10.2%
  - Jewelry and watches = 3.7%
  - Clothing = 2.7%

Note: Luxury and designers' products in Macau include clothing, handbags, jewelry, watches, eyewear, belts, wallets, etc. which are sold in the retail shops of international fashion houses.

Sources: Synovate interviews and analysis

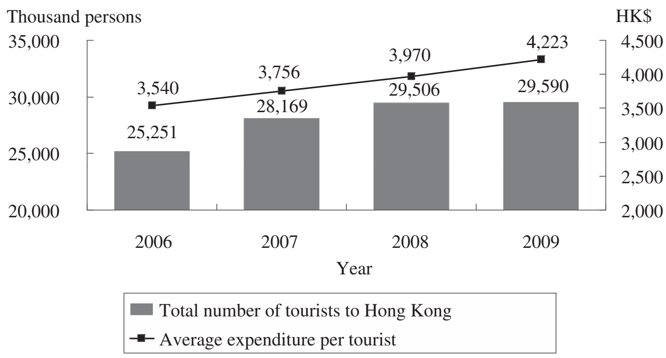
The average consumer spending on luxury branded and designers' products in Macau grew moderately from 2006 to 2009 at CAGR of about 4.0%, from about MOP34,100 to MOP38,400 because of the increase in the mainland China tourists to Macau. The average consumer spending on luxury branded handbags grew stronger than clothing, jewelry and watches at CAGR of about 10.2% for 2006 to 2009.

Tourist number and their average expenditure in Hong Kong

The following chart shows the tourist number and their average expenditure (overnight and same-day) in Hong Kong from 2006 to 2009:

Tourist Number and their Average Expenditure (Overnight and Same-day) in Hong Kong from 2006 to 2009

CAGR for the number of tourists to Hong Kong = 5.4%
CAGR for the average expenditure per tourist = 6.1%



Note: Tourist number includes both same-day and overnight visitors

Source: Hong Kong Tourism Board

The following table shows the tourist number by country in 2009:

Tourist Number by Country in 2009

Country/Region	**No. of tourists**	**Percentage to total tourists (%)**
The PRC	17,956,731	61%
South & Southeast Asia	2,885,155	10%
Taiwan	2,009,644	7%
Europe, Africa & the Middle East	1,968,781	7%
North Asia	1,823,184	6%
The America	1,567,807	5%
Australia, NZ & South Pacific	707,963	2%
Macau SAR	671,389	2%

Note: Tourist number includes both same-day and overnight visitors

Source: Hong Kong Tourism Board

The number of tourists to Hong Kong recorded a continuous growth from 2006 to 2009, with the CAGR of about 5.4%. The increasing record was mainly due to the surge of the PRC tourists from about 13.6 million in 2006 to about 18.0 million in 2009 (at CAGR of about 9.7%), which was the result of the ease of travel restrictions. Tourists from the PRC accounted for about 61% of total number of tourists to Hong Kong in 2009, outnumbering the total visitors from all other countries. Despite the economy downturn in 2009, the PRC (6.5%), India (4.6%), Middle East (2.0%), and Indonesia (1.3%) tourists were the only origins to have positive growth from 2008 to 2009. About 17% of tourists bought handbags, wallets or belts in Hong Kong in 2009, with an increase of about 4.0% from 2006.

THE RETAIL INDUSTRY IN HONG KONG, THE PRC AND MACAU

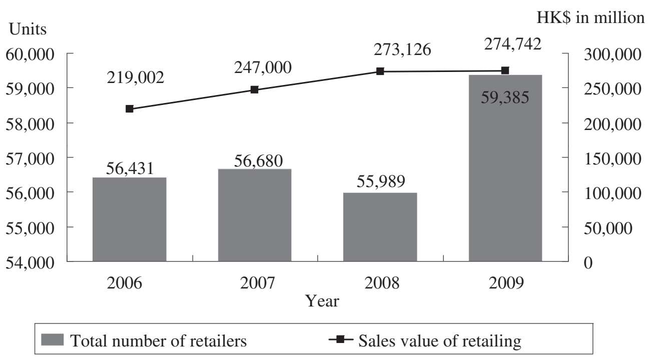
Market value of retailing business in Hong Kong, the PRC and Macau

Hong Kong

The following graph shows the total number of retailers and the sales value of retailing business in Hong Kong from 2006 to 2009:

Market Sales Value of Retailing Business in Hong Kong from 2006 to 2009

CAGR for the market sales value of retailing in Hong Kong from 2006 to 2009 = 7.9%



Notes:

(1) Retailing business covers food, alcoholic drinks and tobacco, sales of supermarkets, fuels, clothing, footwear and allied products, sales of department stores, jewelry, watches and clocks and valuable gifts, books, stationery, Chinese medicine and other consumer goods etc.

(2) Footwear, allied products and other clothing accessories covers retail outlets selling footwear, fabrics, tailoring accessories and other clothing, footwear and allied products.

(3) Jewelry, watches and clocks and valuable gifts covers goldsmith shops, jewelry, jade and precious stone shops, valuable gift shops, watch and jewelry shops and retail selling watches and clocks, etc.

Source: Hong Kong Census and Statistics Department

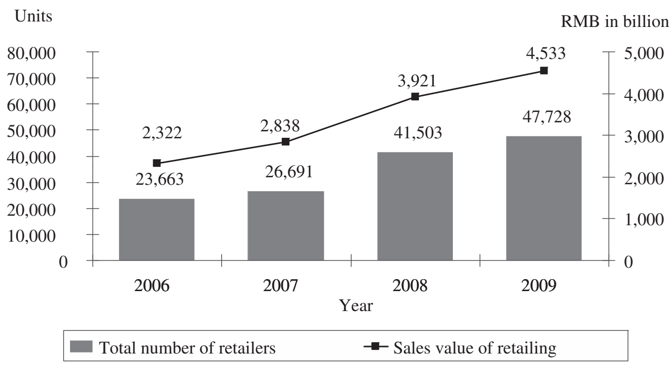
The market sales value of general retailing business in Hong Kong from 2006 to 2009 had the CAGR of about 7.9%, because of the continuous growth by the tourists' expenditure in Hong Kong throughout the period. However, the retailing sales slowed down in 2009, due to the surging unemployment rate, declining disposable income per capita and decreasing number of tourist arrivals. Due to the economic recovery, the number of retailers also surged to 59,385 units and 61,713 units in 2009 and 2010 respectively.

The PRC

The following graph shows the total number of retailers and the sales value of retailing business in the PRC from 2006 to 2009:

Market Sales Value of Retailing Business in the PRC from 2006 to 2009

CAGR for the market sales value of retailing in the PRC from 2006 to 2009 = 25.0%



Notes:

(1) Retailer refers to the registered company with the designated size of above RMB5 million, not refer to sales point.

(2) The retail value is only for enterprises of sales value of RMB5 million or above, but exclude wholesales, hotel and catering service.

Sources: China Statistics Bureau, Synovate analysis

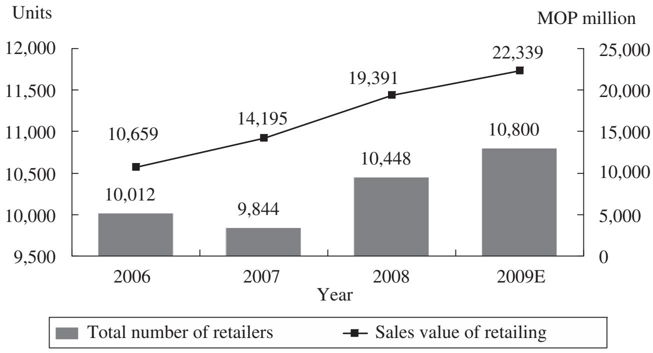
The retailing business showed the growth of market value at CAGR of about 25.0% in the PRC, from about RMB2,322 billion to RMB4,533 billion across the period of 2006 to 2009. The growth rate of market value for retailing business in the PRC in 2009 slowed down to about 15.6%, because the consumer sentiment was weakened, and the negative effects of the domestic and global economies slowed down the consumer spending, such as job losses and slower income growth. It has shown a sign that the retailing business has been picking up faster from 2010, and the retailing market value for 2010 has about 18.4% year-on-year growth.

Macau

The following graph shows the total number of retailers and the sales value of retailing business in Macau from 2006 to 2009:

Market Sales Value of Retailing Business in Macau from 2006 to 2009

CAGR for the market sales value of retailing in Macau from 2006 to 2009 = 28.0%



Notes:

(1) The figures in the chart include all types of the retailing business in Macau.

(2) The number of retailers in Macau in 2009 is an estimation number from Synovate, as the Macau official statistics has not released the data.

Sources: Statistics and Census, Macau SAR

The retailing business in Macau grew significantly for the past four years from 2006 to 2009, with the market value grew at the CAGR of about 28.0% and the retailer number grew at the CAGR of about 2.6%. It is expected that more of the shopping centers will be in Macau. With the shifting from street shops to large and concentrated centers, more brands and retailers will enter the Macau market for sharing the tourist market.

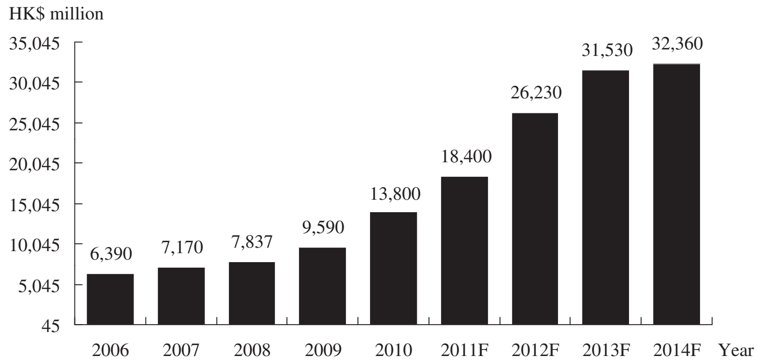
Market sales value for luxury branded handbags in Hong Kong, the PRC and Macau *(Note 1)*

Hong Kong

The following chart shows the market sales value estimation for luxury branded handbags in Hong Kong from 2006 to 2014:

Market Sales Value Estimation for Luxury Branded Handbags in Hong Kong from 2006 to 2014

CAGR of estimated total market sales value from 2006 to 2010 = 21.2%
CAGR of estimated total market sales value from 2011 to 2014 = 20.7%



Notes:

(1) The terms "new and unused" and "second-hand" used under this paragraph shall have the following meaning:

(a) Definition of new and unused: denoting things that have never been used by anyone before.

(b) Definition of second-hand: denoting things that have been previously owned and used by someone.

(2) The figures above include the new and unused and second-hand luxury branded handbags sold at all types of channels: boutiques or retail shops of international fashion houses, luxury branded handbag independent retailers etc.

Sources: Synovate interviews and analysis

Market for luxury branded handbags mainly comprised direct sales of goods from the boutiques or retail shops of international fashion houses and those from luxury branded handbag independent retailers in Hong Kong:

- Sales derived from the boutiques or retail shops of international fashion houses and luxury branded handbag independent retailers accounted for about 88% and 12% of the total market sales respectively in 2009.

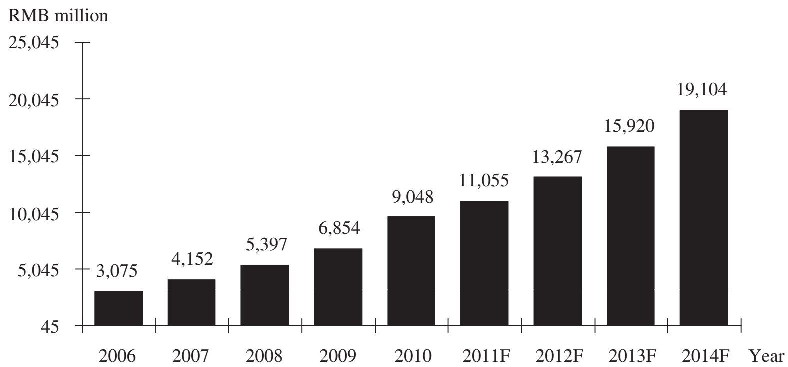
Although the market for luxury branded handbags has slowed down in 2008 as a result of the financial crisis and reduced consumer confidence, it has rebounded quickly in 2009 and 2010 at a significant increase of about 22.4% and 43.9% respectively. Luxury branded handbags sales is expected to accelerate at about 20.7% from 2011 to 2014 as Hong Kong remains as the primary shopping hub in the PRC.

The PRC

The following chart shows the market sales value estimation for luxury branded handbags in the PRC from 2006 to 2014:

Market Sales Value Estimation for Luxury Branded Handbags in the PRC from 2006 to 2014

CAGR of estimated total market sales value from 2006 to 2010 = 31.0%
CAGR of estimated total market sales value from 2011 to 2014 = 20.0%



Notes:

(1) The terms "new and unused" and "second-hand" used under this paragraph shall have the following meaning:

(a) Definition of new and unused: denoting things that have never been used by anyone before.

(b) Definition of second-hand: denoting things that have been previously owned and used by someone.

(2) The figures above count on boutiques or retail shops of international fashion houses only.

(3) The sales of new and unused luxury branded handbags through luxury branded handbag independent retailers and second-hand handbags are still insignificant for the past five years, from 2006 to 2010.

Sources: Synovate interviews and analysis

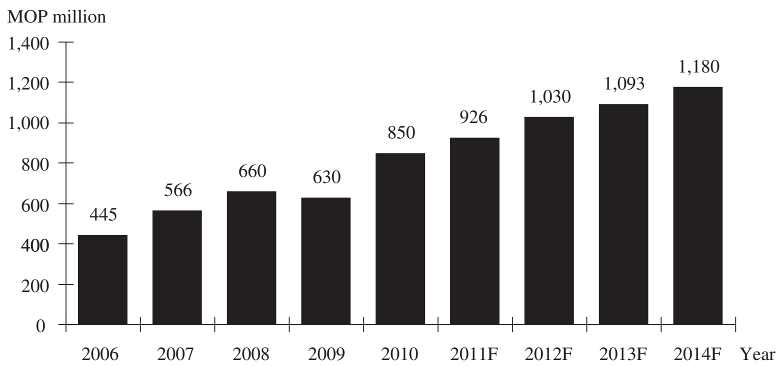
The market sales value for luxury branded handbags in the PRC increased dramatically at the CAGR of about 31.0% from 2006 to 2010, with sales value of about RMB9.0 billion in 2010. The increasing disposable income of the wealthiest 10% of the urban PRC households was the key to drive the sales of luxury branded handbags for the past five years in the PRC. It is estimated that the luxury branded handbag market in the PRC will continue to grow at CAGR of about 20.0% from 2011 to 2014, with the amount about RMB11.1 billion to about RMB19.1 billion. On average, the PRC consumers can spend as much as around 11% to 15% of their annual income on luxury branded handbags alone.

Macau

The following chart shows the market sales value estimation for luxury branded handbags in Macau from 2006 to 2014:

Market Sales Value Estimation for Luxury Branded Handbags in Macau from 2006 to 2014

CAGR of estimated total market sales value from 2006 to 2010 = 17.6%
CAGR of estimated total market sales value from 2011 to 2014 = 8.4%



Notes:

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(a) Definition of new and unused: denoting things that have never been used by anyone before.

(b) Definition of second-hand: denoting things that have been previously owned and used by someone.

(2) The figures above include the new and unused and second-hand luxury branded handbags sold at all types of channels: boutiques or retail shops of international fashion houses, luxury branded handbag, independent retailers etc.

Sources: Statistics and Census, Macau SAR, Synovate interviews and analysis

The estimated market sales value for luxury branded handbags in Macau increased from about MOP445 million in 2006 to about MOP850 million in 2010, with the CAGR of the period at about 17.6%. Coupled by the fast recovery of the PRC and the strengthened spending power of their wealthy group, the luxury branded handbag market sales value has increased to about MOP850 million in 2010, at the growth rate of about 35%. It is expected that the sales value will continue to grow at the CAGR rate of about 8.4% from 2011 to 2014.

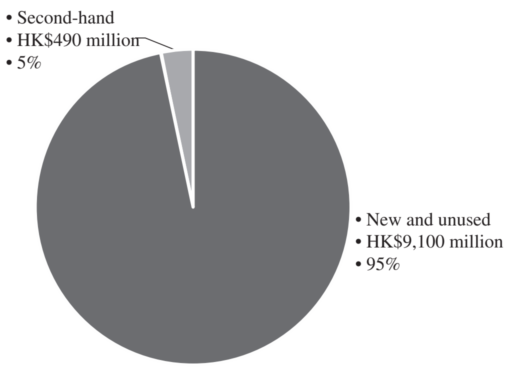
Market segmentation for luxury branded handbags in Hong Kong

By types (new and unused or second-hand)

The following pie chart shows the market segmentation for luxury branded handbags by types (new and unused or second-hand) in Hong Kong for 2009:

Market Segmentation for Luxury Branded Handbags by Types in Hong Kong for 2009

Total market size = HK$9,590 million



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(a) Definition of new and unused: denoting things that have never been used by anyone before.

(b) Definition of second-hand: denoting things that have been previously owned and used by someone.

Sources: Synovate interviews and analysis

New and unused handbags are typically sold at both boutiques or retail shops of international fashion houses and luxury branded handbag independent retailers while second-hand handbags could be purchased through the increasing number of luxury branded handbag independent retailers in Hong Kong. Although second-hand handbags only accounted for about 5% of the total market sales of luxury branded handbags in 2009, it accounted for about 42% of sales at independent retailers in Hong Kong.

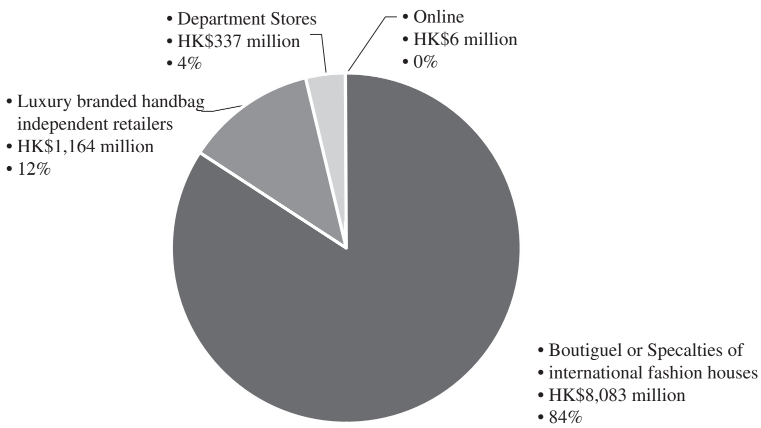
The new, unused and second-hand luxury branded handbags are largely fueled by tourists' spending in Hong Kong. For new and unused luxury branded handbags, local customers accounted for about 45% of handbags sales while the PRC and foreign tourist accounted for about 45% and 10% respectively in 2009. For second-hand luxury branded handbags, the PRC tourists accounted for about 45% of handbags sales while local customers and foreign tourists accounted for about 35% and 15% respectively in 2009.

By channel types

The following pie chart shows the market segmentation for luxury branded handbags by channel types in Hong Kong for 2009:

Market Segmentation for Luxury Branded Handbags by Channel Types in Hong Kong for 2009

Total market size = HK$9,590 million



Source: Synovate interviews and analysis

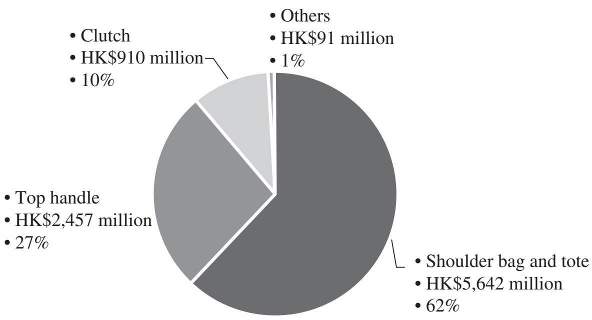
Luxury branded handbags' sales through boutique or retail shops of international fashion houses have increased about 51% from 2006 to about HK$8,083 million in 2009 while sales through luxury branded handbag independent retailers increased about 42% from 2006 to about HK$1,164 million in 2009. Only about 4% of luxury branded handbags are sold through department stores in 2009 as customers perceived the price difference to be small when compared against retail shops of international fashion houses. Online sales of luxury branded handbags in Hong Kong are mainly sold through the online shops of luxury branded handbag independent retailers in Hong Kong in 2009, accounting for less than 1% of the market share.

By product types

The following pie charts show the market segmentation for new and unused and second-hand luxury branded handbags by product types in Hong Kong for 2009:

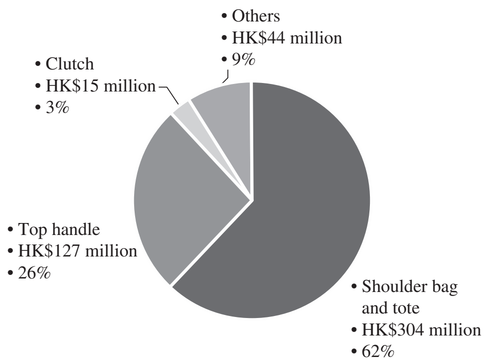
Market Segmentation for New and Unused Luxury Branded Handbags by Product Types in Hong Kong for 2009

Total market size = HK$9,100 million



Market Segmentation for Second-hand Luxury Branded Handbags by Product Types in Hong Kong for 2009

Total market size = HK$490 million



Sources: Synovate interviews and analysis

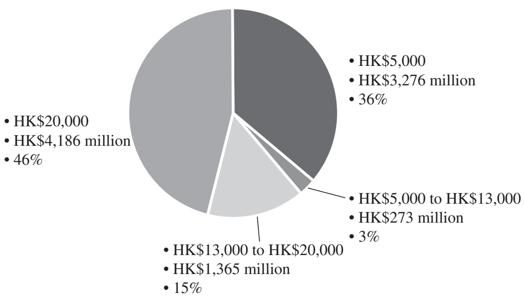
The best selling types of luxury branded handbags are shoulder bags and tote bags, accounting for about 62% of the total market share in 2009, followed by top handle handbags at about 27% and 26% for new and unused and second-hand luxury branded handbags respectively.

By price range

The following pie charts show the market segmentation for new and unused and second-hand luxury branded handbags by price range in Hong Kong for 2009:

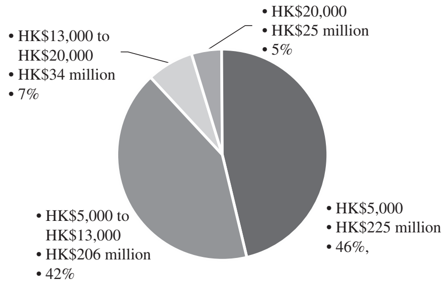
Market Segmentation for New and Unused Luxury Branded Handbags by Price Range in Hong Kong for 2009

Total market size = HK$9,100 million



Market Segmentation for Second-hand Luxury Branded Handbags by Price Range in Hong Kong for 2009

Total market size = HK$490 million



Sources: Synovate interviews and analysis

Handbags priced at HK$20,000 and above dominate the new and unused luxury markets while those priced at below HK$5,000 accounts for the greatest market share for second-hand luxury branded handbags in 2009. As price of goods continue to inflate in the coming years, luxury branded handbags that are priced at above HK$13,000 is expected to take over the market and enlarge the total market value for both new and unused and second-hand handbags.

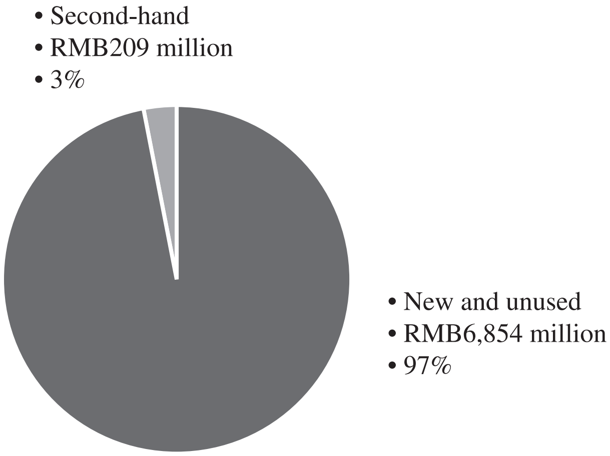
Market segmentation for luxury branded handbags in the PRC

By types (new and unused or second-hand)

The following pie chart shows the market segmentation for luxury branded handbags by types (new and unused or second-hand) in the PRC for 2009:

Market Segmentation for Luxury Branded Handbags by Types in the PRC for 2009

Total market size = RMB 7,063 million



Note:

(1) The terms "new and unused" and "second-hand" used under this paragraph shall have the following meaning:

(a) Definition of new and unused: denoting things that have never been used by anyone before.

(b) Definition of second-hand: denoting things that have been previously owned and used by someone.

Source: Synovate interviews and analysis

New and unused luxury handbags are typically sold at boutiques/retail shops of international fashion houses and luxury branded handbag retailers while second-hand handbags are mainly purchased through independent retailers in the PRC. The second-hand luxury branded handbags only accounted for about 3% of the total market sales of luxury branded handbags in the PRC in 2009.

New and unused luxury branded handbags were typically fueled by the increasing number of middle class and wealthy consumers in the PRC, as well as the white collar who pursued fashion trends and wished to reflect their status. For second-hand luxury branded handbags on the other hand, white collar consumers accounted for about 70% of the total second-hand luxury handbags sales, while wealthy consumers accounted for about 30% in the PRC in 2009.

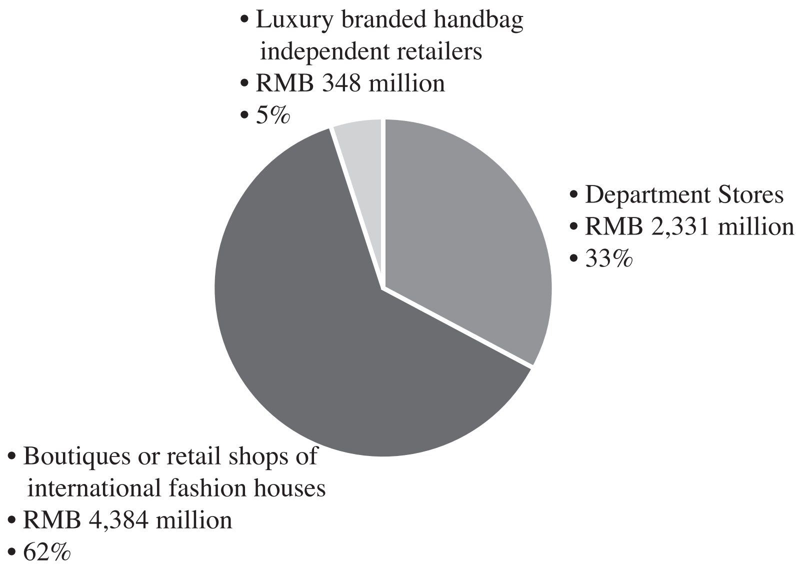
Although new and unused luxury branded handbags currently dominates the PRC market, market for second-hand luxury branded handbags is developing rapidly with the growing demand from white collar consumers, particularly on some of the most luxurious items. The concept of retaining handbags with high store value such as Hermes and Chanel from independent retailers is increasingly popular, however, white collar consumers will fuel future demand for second-hand luxury branded handbags as they grasp the concept of trading in past season handbags for the next season items at high turnaround rate.

By channel types

The following pie chart shows the market segmentation for luxury branded handbags by channel types in the PRC for 2009:

Market Segmentation for Luxury Branded Handbags by Channel Types in the PRC for 2009

Total market size = RMB7,063 million



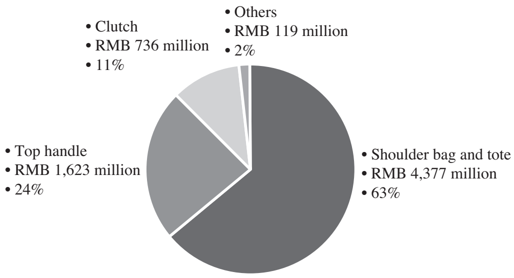
Source: Synovate interviews and analysis

Luxury branded handbags sales through independent retailers was about RMB348 million in 2009, which only accounted for about 5% of total luxury branded handbags market value in 2009 while sales through high-end department store and retail shops of international fashion house together contributed about RMB 6,715 million, about 95% of total market share in 2009. Market for retail shops of international fashion houses is expected to grow faster than department store in the future as more retail shops are expected to open in China to cater for the growing needs in luxury shopping. On the other hand, increasing demand by younger-aged consumer segment will fuel demand for luxury branded handbag independent retailers to fulfilling their needs for acquiring luxury and reputable products at affordable price.

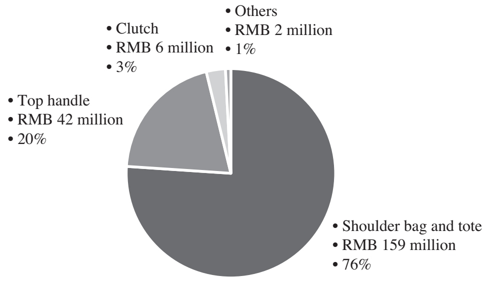
By product types

The following pie charts show the market segmentation for new and unused and second-hand luxury branded handbags by product types in the PRC for 2009:

Market Segmentation for New and Unused Luxury Branded Handbags by Product Types in the PRC for 2009
Total market size = RMB6,854 million



Market Segmentation for Second-hand Luxury Branded Handbags by Product Types in the PRC for 2009
Total market size = RMB209 million



Sources: Synovate interviews and analysis

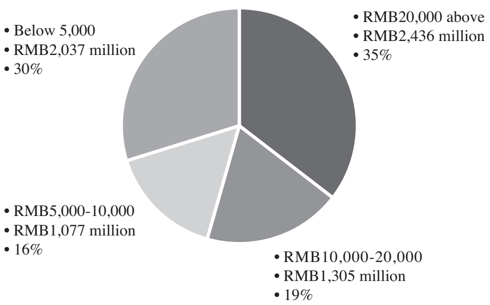
The best selling types of luxury branded handbags were shoulder bag and tote bags, which accounted for about 63% and 76% of the new and unused and second-hand market in 2009 respectively, followed by top handle handbags at about 24% and 20% for new and unused and second-hand market respectively. Other types of bags such as messenger bags, cross and wristlets were less preferred by the PRC consumers who sought after popular versions of handbags.

By price range

The following pie charts show the market segmentation for new and unused and second-hand luxury branded handbags by price range in the PRC for 2009:

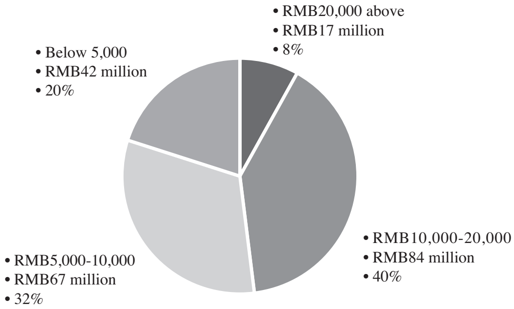
Market Segmentation for New and Unused Luxury Branded Handbags by Price Range in the PRC for 2009

Total market size = RMB6,854 million



Market Segmentation for Second-hand Luxury Branded Handbags by Price Range in the PRC for 2009

Total market size = RMB209 million



Sources: Synovate interviews and analysis

Luxury branded handbags priced at RMB20,000 and above dominated the new and unused luxury markets while those priced at RMB10,000 to RMB20,000 accounted for the greatest market share for second-hand luxury branded handbags in 2009, which reflected consumers' preference for higher store value goods.

Further market information on sale of luxury branded handbags in the PRC

The market information provided below is based on the data contained in the Synovate Report.

Spending Power

The per capita annual disposable incomes of the residents in Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Shanghai, Shenyang and Tianjin were about RMB26,738, RMB18,659, RMB27,610, RMB26,864, RMB25,504, RMB28,837, RMB18,560 and RMB21,430 respectively in 2009 and the numbers of millionaires in Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Shanghai, Shenyang and Tianjin were about 151,000, 13,500, 49,200, 47,300, 22,100, 122,000, 7,660 and 14,500 respectively in 2009.

Spending Pattern

The majority of the consumers in Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Shanghai, Shenyang and Tianjin purchase about one to two luxury branded handbags per year while the more affluent consumers tend to purchase more frequently and may purchase about one to two luxury branded handbags per season.

Sales by Channel

The citizens of Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Shanghai, Shenyang and Tianjin usually purchase luxury branded handbags at upscale shopping area, high-end shopping mall, prime retail district and the department stores.

Price Range

The product priced at above RMB4,500 as well as those in the range of RMB10,000 to RMB100,000 are the most popular selling product in Beijing, Shanghai and Hangzhou. The product priced at above RMB4,500 as well as those in the range of RMB8,000 to RMB60,000 are the most popular selling product in Chengdu, Guangzhou and Shenyang. The product priced at above RMB4,500 as well as those in the range of RMB7,000 to RMB50,000 are the most popular selling product in Nanjing and Tianjin.

COMPETITION

According to the Synovate Report, in respect of the total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers in Hong Kong, the PRC and Macau for each of the two years ended 31 December 2008 and 2009, the Group accounted for (i) 6.5% and 6.3% of the total sales in Hong Kong; (ii) 0.04% and 0.3% of the total sales in the PRC; and (iii) 4.7% and 5.5% of the total sales in Macau respectively. The Group is a market leader and accounted for over 50% of market share of the total sales of luxury branded handbags amongst approximately 174 luxury branded handbags independent retailers in Hong Kong and ranked number one in terms of both sales value and sales volume amongst luxury branded handbag independent retailers in Hong Kong in 2009 according to the Synovate Report. In respect of the market share of the total sales of luxury branded handbags by independent retailers in the PRC and Macau in 2009, the Group accounted for about 5.7% and 77.7% of the total sales in the PRC and Macau respectively *(Note)*.

Note: The total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers and the market share of the total sales of luxury branded handbags by independent retailers in Hong Kong, the PRC and Macau for 2010 are not available. The Group's market share of the total sales of luxury branded handbags amongst all retailers and independent retailers in Hong Kong, the PRC and Macau in 2010 may be different from the above market share in 2009.

SOURCES OF THE INDUSTRY INFORMATION

The Group commissioned Synovate Limited, an Independent Third Party, to conduct an industry analysis of and produce the Synovate Report on, amongst other things, the luxury branded handbag industry for inclusion in this prospectus at an aggregate fixed fee of HK$308,000. According to the business consulting unit of Synovate Limited, Synovate Limited was established in 2003 and is a research institute with approximately 6,000 employees worldwide and coverage in over 100 cities spanning over 62 countries. It is a market research unit of Aegis Group plc, a company listed on the London Stock Exchange plc. Services of the business consulting unit of Synovate Limited include market profiling, market sizing, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The payment of the fee charged by Synovate Limited was not contingent on successful Listing or on any of the results provided by the Synovate Report. The Synovate Report was published on 29 April 2011.

Synovate Limited, on behalf of itself, its subsidiaries and units, confirms that the Synovate Report was prepared in its ordinary course of business, independent of and not influenced by the Group, and has given and not withdrawn its consent for the Group to quote from the Synovate Report and to use information contained in the Synovate Report in this prospectus.

To the best of the Directors' information and belief, the information contained in the Synovate Report is derived by means of data and intelligence gathering methodology which includes desk research, client consultation, primary research by 12 to 16 interviews with key stakeholders and industry experts (i.e. associations and experts, key players and competitors — luxury second-hand and brand new retailers and/or wholesalers, and fashion and trend reporters and analysts). Intelligence gathered by Synovate Limited are analyzed, assessed and validated using in-house analysis models and techniques of Synovate Limited.

This prospectus contains some information extracted from the Synovate Report, and they are in the sections headed "Industry Overview" and "Business" in this prospectus.

The Group is principally engaged in the retail of luxury branded handbags and apparel products in Hong Kong, the PRC and Macau. It operates retail shops under the brand name of "Milan Station" and "France Station". Therefore, certain laws and regulations of Hong Kong, the PRC and Macau are relevant to the Group's operation which are set out below.

HONG KONG LAWS AND REGULATIONS

In respect of the Group's business operation in Hong Kong, the following laws of Hong Kong are relevant:

- Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong);
- Laws of Tort in respect of passing-off, procuring a breach of contract and conversion;
- Copyright Ordinance (Chapter 528 of the laws of Hong Kong);
- Trade Descriptions Ordinance (Chapter 362 of the laws of Hong Kong); and
- Theft Ordinance (Chapter 210 of the laws of Hong Kong).

For details relating to the above laws and regulations relevant to the Group's Hong Kong business operation, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

THE PRC LAWS AND REGULATIONS

Establishment of and carrying on business in relation to sale of second-hand products

The laws and regulations relating to the establishment of and carrying on business in relation to the sale of second-hand products in the PRC include, inter alia:

- "Opinion on Promoting the Development of Used-goods Industries in China" (關於促進我國舊貨行業發展的意見);
- "Notice on Expediting the Development of Second-hand Goods Industry" (關於加快舊貨行業發展的通知);
- "Administration Measures on the Circulation of Second-hand Commodities (Trial Implementation)" (舊貨流通管理辦法(試行)); and
- "Interpretation of the Supreme People's Court on the Application of Laws during the Trial over the Criminal Case of Smuggling" (最高人民法院關於審理走私刑事案件具體應用法律若干問題的解釋).

For details relating to these laws, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Intellectual property laws

The Group's business model also falls under the laws relating to intellectual property in the PRC which include:

- the PRC Copyright Law (中國著作權法);
- the PRC Patent Law (中國專利法);
- the PRC Trademark Law (中國商標法); and
- the PRC Anti-unfair Competition Laws (中國反不正當競爭法)

For details relating to the PRC intellectual property laws and the relevant laws under the PRC anti-unfair competition laws (中國反不正當競爭法), please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Incorporation, operation and management of wholly foreign owned enterprise

The incorporation, operation and management of a company in the PRC shall be subject to the PRC Company Law (中國公司法) (the "PRC Company Law") which was promulgated by the SCNPC on 29 December 1993 and become effective on 1 July 1994 and was afterwards amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The PRC Company Law has mainly stipulated two kinds of corporations i.e. limited liability company and joint stock limited company. Foreign investment company is also subject to the PRC Company Law, unless it is otherwise provided by the foreign investment laws.

Such matters as establishment procedures, approval procedures, registered capital requirements, foreign exchange restrictions, accounting, tax, employment and all other relevant matters of wholly foreign owned enterprise shall be subject to the PRC Law on Wholly Foreign Owned Enterprises (中國外資企業法) promulgated by the SCNPC on 12 April 1986 (which was amended on 31 October 2000) and the Implementation Rules of the PRC Law on Wholly Foreign Owned Enterprises (中國外資企業法實施細則) promulgated by the State Council on 12 December 1990 and revised on 12 April 2001.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄), the latest version of which was promulgated by the Ministry of Commerce of the PRC and the National Development and Reform Commission on 31 October 2007 and came into effect since 1 December 2007. The Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄) was divided into the Encouraged Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries and the industries which are not listed in the Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄) shall be classified as the Permitted Foreign Investment Industries.

The foreign investor who is engaged in trading business within the territory of the PRC shall also be subject to the Measures for the Administration on Foreign Investment in Commercial Field (外商投資商業領域管理辦法) issued by the Ministry of Commerce of the PRC on 16 April 2004 and became effective on 1 June 2004, which provide inter alia the followings:

(1) The "foreign-funded commercial enterprises" shall refer to the enterprises with foreign investment which undertake the following business activities: (a) commission agency, i.e. sale agents, brokers, auctioneers or other wholesalers for goods, which sell goods of other people and provide ancillary services so as to charge fees on a contract base; (b) wholesale, i.e. selling goods to retailers, industrial users, commercial users, organizations or the other wholesalers, and providing ancillary services; (c) retail, i.e. selling goods (which is for the consumption and the use by individuals or groups) and providing ancillary services at fixed premises or through television, telephone, mail order, Internet, and automats; or d) franchising, i.e. authorizing others to use its trademark, corporate name or operating modes. Any foreign company, economic organ or individual who is proposed to conduct the business as mentioned in items (a), (b), (c) and d) shall incorporate a foreign investment company in the PRC to do the business;

(2) foreign-funded commercial enterprise shall meet the following requirements that: (i) the minimum registered capital shall comply with the relevant provisions of the PRC Company Law; (ii) the registered capital and total investment shall comply with the relevant regulations; and (iii) the term of operation of a foreign-funded commercial enterprise shall not exceed 30 years in general, and the term of operation of a foreign-funded commercial enterprise that is to be established in the central and western areas of China shall not exceed 40 years in general; and

(3) a foreign-funded commercial enterprise shall meet the following requirements when opening store: (a) where the application for opening store is submitted along with the application for incorporating a commercial enterprise, it shall satisfy the relevant provisions on city development and urban commercial development; (b) where a foreign-funded commercial enterprise which has been approved for establishment applies for opening additional stores, it shall, in addition to meet the requirements of item (a), satisfy the following conditions that:

    (i) it has duly taken part in the joint annual examination on enterprises with foreign investment and passed the annual examination; and

    (ii) the registered capital of the enterprise has been fully paid.

The PRC Legal Adviser advises that, as the PRC subsidiary of the Group (i.e. MS Beijing) has (i) a registered capital of RMB7,000,000 (which satisfies the minimum registered capital for retail business), MS Beijing is in compliance with the relevant regulations related to registered capital and total investment; (ii) a term of operation that does not exceed 30 years; (iii) obtained the approval certificate and business license; (iv) duly took part in the joint annual examination on enterprises with foreign investment and passed the annual examination; (v) paid up all the registered capital; (vi) the Group's business does not fall under the restricted or prohibited categories of the Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄); and (vii) in addition, the Group has obtained the approval certificate issued by Beijing People's Government and the business license issued by Beijing AIC for its retail shop of MS Beijing located at Jianguo Road, Beijing; the Group has also obtained the approval document issued by Beijing Commercial Committee and the business license issued by Beijing AIC for its branch store of MS Beijing located at Sanlitun, Beijing; such approvals and licences are granted by the proper authorities according to the PRC Law on Wholly Foreign Owned Enterprises and the Measures for the Administration on Foreign Investment in Commercial Field, therefore PRC Legal Adviser confirmed that the Group has complied with all the requirements of the aforesaid PRC laws and regulations.

Online sales business

According to the Notice of MOFCOM on the Approval and Administration on Sales Project by Foreign Investment through Internet and Automat "商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售專案審批管理有關問題的通知"，商資字[2010]272號) issued by MOFCOM on 19 August 2010, the online sales is an extension of an enterprise's sales business on the Internet and thus a foreign invested commercial company, which has been legally approved and registered with the government, can directly conduct online sales business.

According to the consultation made by the PRC Legal Advisor to the Consultation Line for Approval on Operation Permit for Telecommunication (電信業務經營許可證審批諮詢電話) of the Ministry of Industry and Information Technology, it is confirmed that if the company only sells its own products and does not charge extra fee apart from the product price and delivery charges through its Internet platform, the company only needs to process the Filing for Non-business Internet Information Service (非經營性互聯網資訊服務備案).

Consumer rights

The products in the PRC shall be subject to the "Product Quality Law of the PRC" (中國產品質量法) (the "**Product Quality Law**"), the "PRC Law on Protection of the Rights and Interests of Consumers" (中國消費者權益保護法) and other relevant laws and regulations.

According to the Product Quality Law, which was promulgated by SCNPC on 22 February 1993 and amended on 8 July 2000, manufacturers shall be responsible to compensate the personal injury or the property damages caused by the defect of products. Sellers shall be responsible for compensation if the personal injury or the property damages are caused by defects resulting from the fault of sellers. Defects mentioned above refer to the unreasonable danger existing in product which endangers the safety of human life or another person's property, or the products that fall short of the national standards or industrial standards for the protection on body health and safety of person or property (if any).

According to the "PRC Law on Protection of the Rights and Interests of Consumers", which was promulgated by the SCNPC on 31 October 1993 and became effective since 1 January 1994, unless otherwise provided by this Law, a business operator that provides commodities or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a commodity; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the commodity is sold; (iii) where the commodity standards indicated on a commodity or on the package of such commodity are not met; (iv) where the quality condition indicated by way of commodity description or physical sample, etc., is not met; (v) where commodities pronounced obsolete by formal State decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold commodity is not adequate in quantity; (vii) where the service items and charges are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a commodity, refund of a commodity purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by laws and regulations, are harmed.

According to the PRC Law on Tort Liabilities (中國侵權責任法), manufacturers shall bear the tort liabilities if the personal injury or the property damages caused by the defect of products. Sellers shall bear the tort liabilities if the personal injury or the property damages are caused by defects resulting from the fault of sellers. If the seller fails to indicate the manufacturers or the providers of the defective products, the seller shall be responsible for the product liabilities. The customer shall have the right to claim compensation from either the manufacturer or the seller and where the defect is caused by the manufacturer, the seller shall have right to be reimbursed from the manufacturer after the compensation to the customer is being made; and vice versa.

Taxation

Value-added tax

According to the "Provisional Regulations Concerning Value-Added Tax of the PRC" (中國增值稅暫行條例) promulgated by the State Council on 10 November 2008 and implemented as of 1 January 2009:

(A) All units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax, and shall pay value-added tax in accordance with these regulations.

(B) Except as stipulated in these regulations, for taxpayers engaged in the sales of goods or the provision of taxable services (hereinafter referred to as 'selling goods or taxable services'), the tax payable shall be the balance of output tax for the period after deducting the input tax for the period. The formula for computing the tax payable is as follows: Tax payable = Output tax payable for the period - Input tax for the period.

(C) For taxpayers selling goods or taxable services, the output tax shall be the value-added tax payable calculated based on the sales amounts and the tax rates prescribed in these regulations and collected from the purchasers. The formula for computing the output tax is as follows: Output tax = Sales amount x Tax rate.

(D) Value-added tax rates: For taxpayers selling or importing goods, other than those stipulated, the tax rate shall be 17%. For taxpayers exporting goods, the tax rate shall be 0%, except as otherwise stipulated by the State Council. For taxpayer providing processing, repairs and replacement services, the tax rate shall be 17%.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value-Added Tax Rate and the Policies of Summary Collection Measure for Value-Added Tax on Some Goods" (財政部，國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知), taxpayers engaged in the sales of used goods shall be subject to the following policies:

(A) An ordinary taxpayer, who sells fixed assets that have been used by themselves and falls into the catalogue that shall not deduct the input tax and has not been deducted the input tax according to the regulations, shall be subject to the half of value-added tax rate, i.e. 2%, through the summary measure. An ordinary taxpayers who sells other fixed assets used by themselves, they shall be subject to the Article 4 of the "Notice of Financial Ministry and State Administration of Taxation on Several Issues concerning the National Value-Added Tax Transformation and Reformation" (財政部、國家稅務總局關於全國實施增值稅轉型改革若干問題的通知). An ordinary taxpayers who sells goods (other than fixed assets) used by themselves, shall be subject to the applicable rate for value-added tax.

(B) A small-scale taxpayer (other than individuals) which sells fixed assets used by themselves, shall be subject to the deducted value-added tax rate of 2%. A small-scale taxpayer who sells goods (other than fixed assets) used by themselves, shall be subject to the value-added tax rate of 3%.

(C) Where the taxpayer sells second-hand goods, the value-added tax payable shall be subject to the half-deducted rate of 2% in accordance with the summary measure.

The "second-hand goods" mentioned above refer to the goods which maintain use value and enter into the secondary circulation (including second-hand cars or second-hand motorcycle and second-hand yacht), but not including the goods used by the taxpayers.

According to the "Provisional Regulations on Value-Added Tax" (增值稅暫行條例) which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, the sale of goods that have been used by the seller is free from value-added tax. According to the Implementary Rules for the Provisional Regulations on Value-Added Tax (增值稅暫行條例實施細則) promulgated by the State Council on 15 November 2008 and implemented as of 1 January 2009, the "goods that have been used by the sellers" refer to any other goods used by individual.

As advised by the PRC Legal Adviser, according to the "Approval on the Half Deduction of the Value Added Tax Rate of 4% on the Second-hand Goods and Used Automobile Business" (關於舊貨和舊機動車經營業務按4%徵收率減半徵收增值稅的批復，朝國稅批復[2009] 200002號) issued by Beijing Chaoyang District State Taxation Bureau (北京市朝陽區國家稅務局) on 12 January 2009, MS Beijing was approved to enjoy the preferential tax rate of 2% during the period from 1 December 2008 to 31 December 2009 by the Beijing Chaoyang District State Taxation Bureau. On 19 January 2009, the "Notice of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value-Added Tax Rate and the Policies of Summary Collection Measure for Value-Added Tax on Some Goods" (財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法征收增值稅政策的通知) was announced by the PRC government. According to the consultation with the No.9 Taxation Office of Beijing Chaoyang District State Taxation Bureau (北京市朝陽區國家稅務局第九稅務所) made by the PRC Legal Advisor, it is confirmed that the application formalities for half-deducted value added tax was changed from an approval procedure to a filing procedure since 19 January 2009 and since then, the preferential tax treatment shall be filed at the taxation office. As at the Latest Practicable Date, there was no time limit for the filing for a preferential tax rate. According to the ratification dated 27 January 2010 affirmed by No.9 Taxation Office of Beijing Chaoyang District State Taxation Bureau on the "Application Form for Preferential Treatment or Exemption on Value Added Tax", MS Beijing will continue to enjoy the preferential tax treatment at the rate of 2% indefinitely.

It is further advised by the PRC Legal Adviser that since the Group did not sell any unused products in the PRC as at the Latest Practicable Date, the Group shall not be subject to any legal actions taken by the brand owners of the unused products and/or their authorized dealers in the PRC. As advised by the PRC Legal Adviser, there is no restriction or prohibition imposed on the Group which prevented the Group from selling unused goods in the PRC. The Directors confirm that as the value added tax for second-hand products is 2% while the value added tax for unused products is 17%in the PRC, the Group has chosen to focus on selling second-hand products. The Group has no intention of selling unused products in the PRC after Listing.

Enterprise income tax

According to the "PRC Enterprise Income Tax Law" (中國企業所得稅法) promulgated on 16 March 2007 and implemented as of 1 January 2008:

(A) resident enterprises shall pay enterprise income tax for their income generating from both within and outside the PRC. Non-resident enterprise that has set up institutions or premises in the PRC shall pay enterprise income tax for its income generating from the PRC through its institutions or premises and the income which is incurred outside the PRC but has actual relationship with such institutions or premises. Where the non-resident enterprise has not set up institutions or premises in the PRC, or where the institutions or premises are set up but the income has no actual relationship with such institutions or establishments, the non-resident enterprise shall pay enterprise income tax for the income generating from the PRC; and

(B) the rate of enterprise income tax shall be 25%.

Foreign exchange

The foreign exchange control in the PRC is mainly regulated by the Foreign Exchange Control Regulations of the PRC (中國外匯管理條例), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008 respectively. According to the aforesaid regulations, the RMB paying under current accounts (such as the foreign exchange transactions in relation to trading and service and the dividends payment) can be exchanged into foreign currency at liberty, but the exchange under capital accounts shall firstly obtain the approval from the foreign exchange administration.

Import of products

The import and export of goods are mainly subject to the "PRC Foreign Trade Law" (中國對外貿易法) and the "Regulation of the PRC on the Administration of the Import and Export of Goods" (中國貨物進出口管理條例) (the "**Import and Export Regulations**").

According to the PRC Foreign Trade Law, which was promulgated by the SCNPC on 12 May 1994 and revised on 6 April 2004, foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the department of foreign trade under the State Council or its authorized institute, unless otherwise provided by the laws and regulations. The specific method for filing and registration shall be formulated by the department of foreign trade under the State Council. For the foreign trade operators who fail to register in accordance with the provisions of the regulations, Customs will not process the import and export goods declaration and clearance procedure.

According to the Import and Export Regulations, which was promulgated by the State Council on 10 December 2001 and implemented since 1 January 2002, the State can prohibit and restrict the import and export of goods under the circumstances provided by the laws. No goods can be imported and exported when the State prohibits the import and export. The goods under national restriction on import quantity shall be subject to the quota administration. The goods under other import restriction shall be subject to the permit administration. No restriction is imposed on the goods of free import.

If wildlife product is involved in the import and export goods, it shall also be subject to the "PRC Law on Protection of Wildlife" (中華人民共和國野生動物保護法) (the "**Wildlife Protection Law**"). According to the Wildlife Protection Law, which was promulgated by the SCNPC on 8 November 1988 and implemented since 1 March 1989 and revised on 28 August 2004, the exports of wild animals under national priority protection or the relevant products, and the imports and exports of wild animals or the relevant products under the restriction of the international conventions in which the PRC is a contracting state, shall obtain the approval from the State Council or the administrative department of wildlife under the State Council, and the import and export permits issued by the national administrative authority of import and export of endangered species. Customs shall give clearance upon the import and export permits. The import and export of the following products shall be subject to the import (export) certificates issued by the State Import and Export Administration Office on

Endangered Species or its branch office: (i) the wild animals under primary and secondary protection and its products which has been included in the "List of Wild Animals under National Priority Protection" (國家重點保護野生動物名錄); and (ii) the animals, animal products, plants and plants products which have been included in Appendix I, II and III of the "Convention on International Trade in Endangered Species of Wild Fauna and Flora" (瀕危野生動植物國際貿易公約).

According to the "Regulation of the PRC on the Administration of the Import and Export of Endangered Wild Fauna and Flora"(中國瀕危野生動植物進出口管理條例) which was promulgated by the State Council on 29 April 2006 and implemented on 1 September 2006, the import of endangered wild fauna and flora and the relevant products must meet the following conditions: (1) the use of the endangered wild fauna and flora and its products are in accordance with relevant state regulations; (2) there are effective control measures and it satisfies the requirements of ecological safety; (3) the materials provided by the applicant are authentic and valid; and (4) other conditions announced by the administrative department of wild fauna and flora under the State Council.

Property right

According to PRC Property Laws (中國物權法), if a person without the right of disposition transfers the property to a third party, the original owner shall have the right to retrieve the property from the third party, unless the third party is a bona fide transferee without notice, has paid the reasonable price or has occupied the property where the registration is not necessary for possession. If the original owner cannot retrieve the property due to the aforesaid reasons, the original owner shall have the right to claim compensation against the person without the right of disposition.

MACAU LAWS AND REGULATIONS

Carrying on business in relation to sale of luxury branded products in Macau

Carrying on the business of selling luxury branded products in Macau does not require any particular licence or permit. However, regarding importing products in Macau, the relevant legislations under the laws of Macau include Law No. 7/2003 (Law of External Trade) and Law No. 4/99/M (Regulation of the Consumption Tax). For details relating to carrying on business of importing luxury branded products in Macau, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Carrying on business in relation to sale of second-hand products

There is no restriction or provision which specifically regulates the selling of second-hand commodities in Macau or prohibit certain goods such as unknown items and pledged goods to be sold as second-hand commodities. However, the Penal Code of Macau that regulates matters in connection with stolen goods may be relevant to the business of trading second-hand products. For details relating to the Penal Code of Macau and laws relating to the carrying on business in relation to sale of second-hand products, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Laws in relation to franchise contract

Under the Laws of Macau, franchise contract is regulated by the Commercial Code of Macau. The provisions of the Commercial Code of Macau are only applicable to parties to the franchise contract (i.e. the brand owners and/ or their authorized dealers) and cannot be enforced against any other third party.

Intellectual property laws

Intellectual property rights protection in Macau is provided by the Decree-Law no. 97/99/M "Juridical Regime of Industrial Property". For details relating to intellectual property laws in Macau relevant to the Group, please refer to the paragraph headed "Legal and Regulatory" under the section headed "Business" in this prospectus.

Laws in relation to defective products

As advised by the Macau Legal Adviser, under the Commercial Code of Macau (the "**Commercial Code**"), a customer shall have right to claim for compensation resulting from defective products provided that such defective products are "normally destined to private use or consumption and that the injured party has mainly given them such destination".

The Commercial Code states that, "A producer commercial entrepreneur is liable, regardless of fault, for damage caused to third parties by the defects of products that he puts in circulation" and the Group could be considered as a "producer commercial entrepreneur" as a "producer" includes "anyone who, in the exercise of his enterprise, imports products for sale, lease, financial lease or another form of distribution". Under the Commercial Code, a product is considered "defective" if, "at the moment of its entry into circulation, it does not offer the safety that legitimately is to be expected."

Labour laws in Macau

The relevant labour legislation under the laws of Macau are set out as follows:

(1) 18 October — Decree Law No. 58/93/M (approval of social security regime);

(2) 14 August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);

(3) 22 May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);

(4) 18 February — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

(5) 27 July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights);

(6) 2 August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion);

(7) 14 June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);

(8) 18 August — Law No. 7/2008 (Labour Relation Law); and

(9) 15 October — Law No.21/2009 (Law of Hiring non residents workers).

According to the relevant Macau labour legislation, a company, as an employer, should comply with the conditions required under 22 May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for providing a safe and clean working condition for its employees.

According to 18 October — Decree Law No. 58/93/M (approval of social security regime) and 4th of August — Decree Law No. 40/95/M, a company as an employer is required to participate and contribute to the mandatory social security funds and to take out compulsory industrial accident insurance for its employees in Macau.

All employees of a company established in Macau are required to be either a Macau resident (whether permanent or non-permanent) or a holder of a working permit where the employee is not a Macau resident.

Taxation

Under the laws of Macau, companies registered in Macau should comply with the tax laws of Macau. According to the business nature of the Group in Macau, the Group is required to pay profit tax and industrial tax. The Group also has the responsibility of declaring the professional tax of its staffs generally.

Profit tax

Based on the advice of the Macau Legal Adviser, the Group shall declare the annual profit of MS Macau in the previous year to the Macau Finance Department every March of each year and the Macau Finance Department shall assess the profit tax payable by the Group in Macau accordingly. Under the Law no. 21/78/M (Profit Tax), and the Law no. 10/2006, no. 7/2007, and no. 15/2008 (Budget Law of year 2007 and 2009), the profit tax of the first MOP200,000.00 of MS Macau is exempted and the balance will be calculated by the rate from 9% to 12% progressively from year 2008 to 2010.

Industrial tax

Based on the advice of the Macau Legal Adviser, the industrial tax is fixed and is calculated according to the business nature of MS Macau. The applicable taxation for MS Macau is MOP300.00 of each type of the registered business nature, however, the industrial tax was exempted by the Macau Government for the years 2010 and 2011. The Macau Legal Adviser further advises that the Macau Government will decide whether the exemption will be continued in the next year through the Budget law of year 2012.

BUSINESS DEVELOPMENT

The history of the Group can be traced back to 2001 when the first "Milan Station" retail shop selling mainly second-hand luxury branded handbags opened in Tsim Sha Tsui, Hong Kong. In view of the rising demand of public consumers from different market segments, the introduction of second-hand handbags made luxury branded handbags more accessible and available. The establishment of the first "Milan Station" retail shop in 2001 provided public consumers a platform to purchase luxury branded handbags at a price generally lower than the selling price offered by boutiques or retail shops of international fashion houses in Hong Kong and to offer for sale of their second-hand handbags for cash.

Since its establishment, the Group understands the importance of marketing and advertising to the success of its business and the Group has been designing and planning its advertising campaigns tactically so as to tie in with its business strategies.

The Hong Kong economy had gone through a period of economic contraction in 2001. In view of the fact that the wage levels and individual income were affected by the economic downturn, leaving consumers with less money to spend on luxury branded products, the business strategy of the Group was to enable its customers to purchase luxury branded handbags in a more cost-effective way by offering for sale of second-hand and unused handbags they had and purchasing the Group's luxury branded handbags at the retail shops of "Milan Station". Accordingly, the Group designed an advertising slogan of "Good taste also requires economic efficacy (講品味都要講經濟效益)" for its advertising campaign to raise awareness of the business strategy of the Group.

In 2002, the Group entered the second-hand fashion market by the establishment of a new "Milan Station" fashion line shop in Causeway Bay, Hong Kong offering both second-hand luxury branded handbags and apparel products to public consumers. The business model of this fashion line shop was similar to the other "Milan Station" shops except for the pricing strategy for selling and purchasing clothing, accessories, shoes and watches. Due to the fast changing fashion trends, the Group set a lower trade-in price for second-hand and unused branded clothing, accessories, shoes and watches.

The remarkable turnaround for the Hong Kong economy was backed by a strong rebound in visitor arrivals from the PRC after the launch of the individual visit scheme in late 2003. According to the Synovate Report, Hong Kong remains by far the most preferred and attractive destination for mainland Chinese to buy high-end products including luxury branded handbags. In order to capture a greater market share, the Group expanded its retail network in Hong Kong year by year, primarily located at the major shopping areas including Tsim Sha Tsui, Hong Kong and Causeway Bay, Hong Kong.

From 2003, the business strategy of the Group aimed at providing one-stop services to its customers for purchasing luxury branded handbags and apparel products at its retail shops. To achieve this goal, the Group sourced a greater variety of luxury branded handbags and apparel products so that the products offered by the Group were able to appeal to different customers of varying income levels and ages and cooperated with various banks to offer interest-free instalment plans to holders of credit cards to further encourage and facilitate sales by reducing the initial cost of purchasing the Group's products. In order to reinforce and promote the strategy of the Group, the Group designed a new advertising slogan of "Affordability is still subject to availability! You may pursue, you may own. The shopping formula, Milan Station, is redefined (買得起都要買得到! 你可追求，你可擁有。購物方程式，米蘭站，重新演繹)" for its advertising campaigns.

In response to the competition in retail sector, in 2003, the Group opened a retail shop under the brand name "France Station" in Hong Kong offering similar product portfolio and services to "Milan Station" retail shops with a view to achieve a greater overall market share in Hong Kong.

Commencing from 2007, the retail network of the Group was further expanded outside Hong Kong to Macau, Taiwan and the PRC. The Group's "Milan Station" retail shop in Taiwan was operated by MS Taiwan, a wholly-owned subsidiary of Global Fair, which is in turn wholly owned by Fortune Sincere, the then wholly-owned subsidiary of MS HK. The performance of MS Taiwan started to deteriorate in 2008 due to the financial crisis. The revenue in October 2008 dropped approximately 38.2% from the peak occurred in March 2008 and the gross profit in October 2008 dropped approximately 38.9% from the peak occurred in February 2008. Since the sales performance of this retail shop did not meet the expectations of the Directors, the management of the Group decided to re-allocate its resources to expand its retail network in the PRC market, as the Directors consider that the PRC market will be more promising in view of the economic development of the PRC. On 31 October 2008, MS HK sold the entire issued share capital of Fortune Sincere to World Top. As at the Latest Practicable Date, the Group was operating 13 retail shops under the name of "Milan Station", including ten retail shops in Hong Kong, two in Beijing and one in Macau. In addition, the Group has one retail shop in Causeway Bay, Hong Kong which operated under the brand name "France Station".

Luxury fashion brands are now moving forward to enhance their existing luxury branded handbag collection from signature or classic style to more varieties using exotic skins such as crocodile or ostrich and precious materials. In 2010, the Group decided to promote its business strategy of selling unique, premium or limited editions of the luxury branded handbags. For the purpose of promoting the strategy that the Group is determined to search for the handbags that its customers desire most and offer to its customers handbags that are not readily obtainable from the boutiques or retail shops of international fashion houses, the Group designed an advertising slogan of "The most wanted by ladies, I can achieve (女人最想的，我做得到)" for its advertising campaigns.

Currently, the business model of the Group still provides public consumers a platform to purchase luxury branded handbags at a price generally lower than the selling price offered by boutiques or retail shops of international fashion houses except for those popular items, the price of which may be higher than the selling price offered by boutiques or retail shops of international fashion houses.

The following sets out the key business milestones of the Group:

2001	The first "Milan Station" retail shop was opened in Tsim Sha Tsui, Hong Kong.
	The Group launched a marketing campaign that the Group may consider to re-purchase the handbags from its customers which were purchased from the Group's retail shops subject to a maximum price of 70% of the original selling prices within three months from the date of purchase.
2002	Milan Station has been an accredited establishment under the Quality Tourism Services Scheme and has appeared in the Scheme's dedicated shopping directory on the Hong Kong Tourism Board's website. The Quality Tourism Services Scheme is administered by the Hong Kong Tourism Board and designed to promote accredited retail, dining and other establishments to tourists and visitors to Hong Kong alike. Under the Quality Tourism Services Scheme, accredited establishments are subject to annual assessments conducted by the professional consultants of Hong Kong Productivity Council to ensure that they meet high standards of product quality and service.
	The first "Milan Station" fashion line shop was set up in Causeway Bay, Hong Kong.
2003	The Group joined forces with Wing Hang Bank, Limited to launch the Milan Station Visa and MasterCard credit cards in Hong Kong.
	A retail shop under the brand name "France Station" was opened in Causeway Bay, Hong Kong. This retail shop was operated by Union Will Limited, a company indirectly beneficially wholly owned by Mr. Yiu until 2007 when the Group acquired its entire issued share capital.
2006	The Group's commitment to corporate social responsibility was recognised when the "Milan Station" retail shops received a Prime Award for Corporate Social Responsibility for its philanthropic activities in Hong Kong. The Prime Award for Corporate Social Responsibility is administered/ organised by Prime Communications Limited and Hong Kong Institute of Directors.

2007	The private label handbags under the brand name of "MS" were launched in Hong Kong.
	The establishment of MS Macau and MS Taiwan, which operated "Milan Station" retail shops in Macau and Taiwan respectively.
2008	The management of the Group decided to enter the PRC market and opened the first "Milan Station" retail shop at China Central Place, Beijing.
	The Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong awarded the Group's "Milan Station" retail shops with the Hong Kong Top Service Brand Award in recognition of its outstanding service in the Hong Kong retail industry. Winners of the Hong Kong Top Service Brand Award are primarily assessed on criteria including the distinctiveness, innovation, quality and image of their brand, as well as their reputation in Hong Kong, the PRC and overseas, and their environmental performance and social responsibility.
	The Group disposed the entire issued share capital of Fortune Sincere, an indirect holding company of MS Taiwan to World Top, a company wholly owned by Mr. Yiu.
2009	MS HK fulfilled the assessment criteria of Hong Kong Top Brand Mark Scheme and has been conferred the right to use Hong Kong Top Brand Mark (Top Mark).
2010	The Group's "Milan Station" and "France Station" retail shops in Hong Kong became members of the "No Fakes Pledge" Scheme. The "No Fakes Pledge" Scheme was launched in 1998 by the Hong Kong Intellectual Property Department, a governmental body, as a means of, among other things, promoting intellectual property protection in Hong Kong and distinguishing trustworthy retail merchants *(Note 1)*. Under the scheme, interested retail merchants may apply for free membership on an annual basis and, if successful, are required to abide by a code of ethics, sell only genuine goods and pledge not to sell or deal in counterfeit products *(Note 2)*.
2011	MS HK has been conferred the right to use the Caring Company Logo 2010/11 under the Caring Company Scheme for its demonstration of good corporate citizenship in the year 2010 to 2011.

Notes:

1. In order to be a member of the "No Fakes Pledge" Scheme, participants have to apply to one of the issuing bodies of the scheme, to which they have to be a member of. The Group became a full member of the Hong Kong Retail Management Association (the "**HKRMA**"), one of the issuing bodies of the "No Fakes Pledge" Scheme, on 16 December 2009. As part of qualifying as a member of the HKRMA, applicants must not have any records of trading in counterfeit goods and must declare, amongst other things, (i) that it will only sell genuine products; (ii) whether it has any established consumer complaint case(s) with the Consumer Council within the previous 12 months prior to the date of the application; and (iii) whether it has any claimed record(s) of trademark infringement. Subsequent to becoming a full member of the HKRMA, the Group became a member of the "No Fakes Pledge" Scheme in 2010.

2. Upon submitting an application to be a member of the "No Fakes Pledge" Scheme, participants are required to abide by the code of ethics of the scheme, including but not limited to (i) refraining from selling or dealing in counterfeit and pirated goods; (ii) imposing discipline in protecting intellectual property rights among company management and staff; and (iii) allowing customs officers to visit their premises during trading hours for the purpose of monitoring compliance.

   If there were reasons to believe that any of the participants have failed to comply with the code of ethics, the issuing body (in the case of the Group, the HKRMA) may terminate the scheme membership of the suspected member with immediate effect and the member shall immediately cease using the "No Fakes" stickers and tent cards and shall return all such stickers and tent cards.

   To ensure continuous compliance, the management of the Group issued an internal circular on 5 January 2010 to its staff after the Group applied for membership of the "No Fakes Pledge" Scheme on 4 January 2010. The Board considers that becoming a member of the HKRMA and a participant of the "No Fakes Pledge" Scheme raises its employees' awareness on the importance of not to sell or deal in counterfeit and pirated goods.

CORPORATE DEVELOPMENT AND REORGANIZATION

MS HK was incorporated in Hong Kong on 27 June 2001 and has been controlled by Mr. Yiu since 2001. Immediately prior to the Reorganisation, the entire issued share capital of MS HK was beneficially owned by World Top, a company incorporated in the BVI and legally and beneficially owned by Mr. Yiu. MS HK is principally engaged in investment holding.

Milan Station Fashion (Causeway Bay) Limited was incorporated in Hong Kong on 12 July 2002 and its entire issued share capital is beneficially owned by MS HK. Milan Station Fashion (Causeway Bay) Limited is currently the registrant of the five domain names of the Group.

Milan Station (Tsuen Wan) Limited was incorporated in Hong Kong on 18 December 2002 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Tsuen Wan) Limited is principally engaged in the retail business under the brand name "Milan Station" in Tsuen Wan, Hong Kong.

Milan Station (Shatin) Limited was incorporated in Hong Kong on 29 January 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Shatin) Limited is principally engaged in the retail business under the brand name "Milan Station" in Shatin, Hong Kong.

Union Will Limited was incorporated in Hong Kong on 5 March 2003 and its entire issued share capital was indirectly beneficially wholly owned by Mr. Yiu until 30 November 2007, on which date its entire issued share capital was sold to MS HK at a total consideration of approximately HK$20 million which was determined with reference to the net asset value of Union Will Limited at the relevant time. On 30 December 2010, the consideration for the aforesaid disposal of the entire issued share capital of Union Will was settled by way of setting off against the indebtedness owed by Mr. Yiu to MS HK. Union Will Limited is principally engaged in the retail business in Causeway Bay, Hong Kong under the brand name "France Station" at Russell Street, Causeway Bay, Hong Kong.

Milan Station (TST) Limited was incorporated in Hong Kong on 10 March 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station (TST) Limited is principally engaged in the retail business under the brand name "Milan Station" at Chatham Road South, Tsim Sha Tsui, Hong Kong.

Milan Station (Causeway Bay) Limited was incorporated in Hong Kong on 12 March 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Causeway Bay) Limited is principally engaged in the retail business under the brand name "Milan Station" at Percival Street, Causeway Bay, Hong Kong.

Milan Station (Central) Limited was incorporated in Hong Kong on 19 March 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Central) Limited is principally engaged in the retail business under the brand name "Milan Station" in Central, Hong Kong.

Milan Station Trading Limited was incorporated in Hong Kong on 26 March 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station Trading Limited is principally engaged in the wholesale business within the Group to supply products to the retail shops of the Group.

Profit Power Limited was incorporated in Hong Kong on 15 September 2003 and its entire issued share capital is beneficially owned by MS HK. As at the Latest Practicable Date, Profit Power Limited was engaged in property investment and had not carried on any business since November 2007. As property investment is not the core business of the Group and Profit Power Limited has ceased to have any operation since November 2007, as part of the Reorganisation, the Directors decided to deregister it. It is currently under the process of deregistration and assuming that there is no objection, it is expected that the deregistration process will be completed in the first half of 2011.

Milan Station (Mongkok) Limited was incorporated in Hong Kong on 17 October 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Mongkok) Limited is principally engaged in the retail business under the brand name "Milan Station" in Mongkok, Hong Kong.

Milan Station Fashion (TST) Limited was incorporated in Hong Kong on 17 October 2003 and its entire issued share capital is beneficially owned by MS HK. Milan Station Fashion (TST) Limited is principally engaged in the retail business under the brand name "Milan Station" at Haiphong Road, Tsim Sha Tsui, Hong Kong.

Trilink was incorporated in the BVI on 18 May 2005 and immediately prior to the Reorganisation, its entire issued share capital was beneficially owned by World Top. Trilink is the intermediate holding company of MS Macau.

Milan Station (Asia) Limited was incorporated in Hong Kong on 9 June 2005 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Asia) Limited had been principally engaged in the retail business under the brand name "Milan Station" in Cheung Sha Wan, Kowloon West, Hong Kong until November 2009. As the management of the Group considered that the performance of Cheung Sha Wan shop could not meet their expectation and due to limited resources, the management of the Group decided to close down the Cheung Sha Wan shop in November 2009. After the closure of the Kowloon West retail shop, Milan Station (Asia) Limited does not carry on any business.

Milan Station Fashion (Hong Kong) Limited was incorporated in Hong Kong on 8 March 2007 and its entire issued share capital is beneficially owned by MS HK. Milan Station Fashion (Hong Kong) Limited is principally engaged in the retail business under the brand name "Milan Station" at Jaffe Road, Causeway Bay, Hong Kong.

MS Macau was incorporated in Macau on 28 May 2007 and was owned as to 50% by Mr. Yiu and 50% by an Independent Third Party[(Note)]. MS Macau is principally engaged in the retail business in Macau under the brand name "Milan Station". On 28 November 2007, each of Mr. Yiu and the Independent Third Party sold their respective 50% equity interest in MS Macau at a consideration of MOP15,000 to Trilink, a wholly-owned subsidiary of the Company and Fortune Sincere, the then wholly-owned subsidiary of the Company respectively. On 31 October 2008, the entire issued share capital of Fortune Sincere was sold to World Top, details of which are set out below in this section. Subsequently on 21 November 2008, Fortune Sincere entered into a sale and purchase agreement with Trilink, pursuant to which Fortune Sincere sold to Trilink the 50% equity interest in MS Macau at a consideration of approximately HK$1,252,000 (calculated on the basis of 50% of the net asset value of MS Macau as at 30 September 2008) which has been settled by way of offsetting against the indebtedness owed by MS HK to Mr. Yiu and his related companies prior to the date of this prospectus. Immediately after completion of the aforesaid transfers, MS Macau became a wholly-owned subsidiary of Trilink.

Note: By a Declaration of Trust executed by an Independent Third Party and Mr. Yiu on 28 May 2007 and a Confirmation and Undertaking executed by the Independent Third Party on 3 November 2008, the Independent Third Party undertook to transfer his 50% equity interest in MS Macau to Mr. Yiu in accordance with the direction of Mr. Yiu and confirmed that he had been (since the day of his becoming the shareholder of MS Macau) exercising the rights of his 50% equity interest in MS Macau in accordance with the instructions of Mr. Yiu. It is stated in Note 2.3 of the Accountants' Report set out in Appendix I to this prospectus that the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. Since MS Macau is under the control of Mr. Yiu since its incorporation, it is accounted for using the merger method of accounting and the combined income statements include the results of MS Macau since the date of its incorporation.

MS BVI was incorporated in the BVI on 28 September 2007 to act as the intermediate holding company of the Group. Immediately prior to the Reorganisation, the entire issued share capital of MS BVI was beneficially owned by World Top.

Milan Station (E-Business) Limited was incorporated in Hong Kong on 23 October 2007 and its entire issued share capital is beneficially owned by MS HK. Milan Station (E-Business) Limited was established for the purpose of the Group's business development on the Internet.

Milan Station (D & M) Limited was incorporated in Hong Kong on 25 October 2007 and its entire issued share capital is beneficially owned by MS HK. Milan Station (D & M) Limited is principally engaged in the design and merchandising business.

MS PRC (BVI) was incorporated in the BVI on 28 September 2007 and immediately prior to the Reorganisation, its entire issued share capital was beneficially owned by World Top. MS PRC (BVI) is the holding company of MS PRC (HK).

MS PRC (HK) was incorporated in Hong Kong on 2 November 2007 and its entire issued capital is beneficially owned by MS PRC (BVI). MS PRC (HK) is the holding company of MS Beijing.

MS Beijing was established under the laws of the PRC on 30 July 2008 and its entire equity interests is beneficially owned by MS PRC (HK). MS Beijing is principally engaged in the retail business under the brand name "Milan Station" at China Central Place, Beijing. In furtherance of the Group's business development in Beijing, a branch office of MS Beijing, namely Milan Station Asia Pacific Retail (Beijing) Co., Ltd. Sanlitun Road Branch (米蘭站亞太零售(北京)有限公司三里屯分公司), was established on 21 May 2010. Milan Station Asia Pacific Retail (Beijing) Co., Ltd. Sanlitun Road Branch (米蘭站亞太零售(北京)有限公司三里屯分公司) is principally engaged in the retail business under the brand name "Milan Station" at Sanlitun Road, Beijing.

Milan Station (Yuen Long) Limited was incorporated in Hong Kong on 13 October 2008 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Yuen Long) Limited is principally engaged in the retail business under the brand name "Milan Station" in Yuen Long, Hong Kong.

Milan Station (Woodhouse) Limited was incorporated in Hong Kong on 27 March 2009 and its entire issued share capital is beneficially owned by MS HK. Milan Station (Woodhouse) Limited is principally engaged in the retail business under the brand name "Milan Station" at Woodhouse, Tsim Sha Tsui, Hong Kong.

Fortune Sincere was incorporated in the BVI on 18 January 2006 and its entire issued share capital is beneficially owned by World Top. It is the holding company of Global Fair.

Global Fair was incorporated in Hong Kong on 6 July 2007 and its entire issued share capital is beneficially owned by Fortune Sincere. It is the holding company of MS Taiwan.

MS Taiwan was established under the laws of Taiwan on 4 September 2007 and its entire paid-up capital is beneficially owned by Global Fair which is a wholly-owned subsidiary of Fortune Sincere. MS Taiwan had been principally engaged in the retail business under the brand name "Milan Station" in Taipei, Taiwan until 2010 and has been dissolved and is undergoing the liquidation process. As confirmed by Mr. Yiu, a director of MS Taiwan, save as MS Taiwan which has been dissolved and is undergoing the liquidation process, he and/or its associates are not currently interested in any business which is principally engaged in any retail of luxury branded products business in Taiwan through any entities. Mr. Yiu further confirms that the remaining inventory of MS Taiwan after its dissolution were sold to the Group, and the exportation from Taiwan and importation to Hong Kong by the Group of such remaining inventory did not attract any customs duty under the laws of Taiwan and Hong Kong.

On 31 October 2008, MS HK sold the entire issued share capital of Fortune Sincere to World Top at a consideration of approximately HK$4,580,000. The Directors represent that the consideration agreement was determined with reference to the net asset value of Fortune Sincere and its subsidiaries. As at the date of transfer, Fortune Sincere held 50% of equity interest in MS Macau and the entire issued share capital of Global Fair, which held the entire paid-up capital of MS Taiwan. The consideration was settled by way of offsetting against the indebtedness owed by MS HK to Mr. Yiu and his related companies prior to the date of this prospectus.

On 1 November 2007, the Company was incorporated in the Cayman Islands. One Share has been allotted and issued fully paid to Codan Trust Company (Cayman) Limited on incorporation, and had subsequently been transferred to World Top on the same day. On 21 September 2010, World Top transferred the one Share to Perfect One at par value. It became the holding company of the Group as a result of the Reorganisation.

On 28 April 2011, Perfect One acquired the entire issued share capital of MS BVI from World Top at the nominal consideration of US$1.00.

On 28 April 2011, MS BVI acquired the entire issued share capital of MS HK, Trilink and MS PRC (BVI) from World Top in consideration of which MS BVI will allot and issue an aggregate of three shares of US$1.00 each in its share capital to Perfect One, at the direction of World Top.

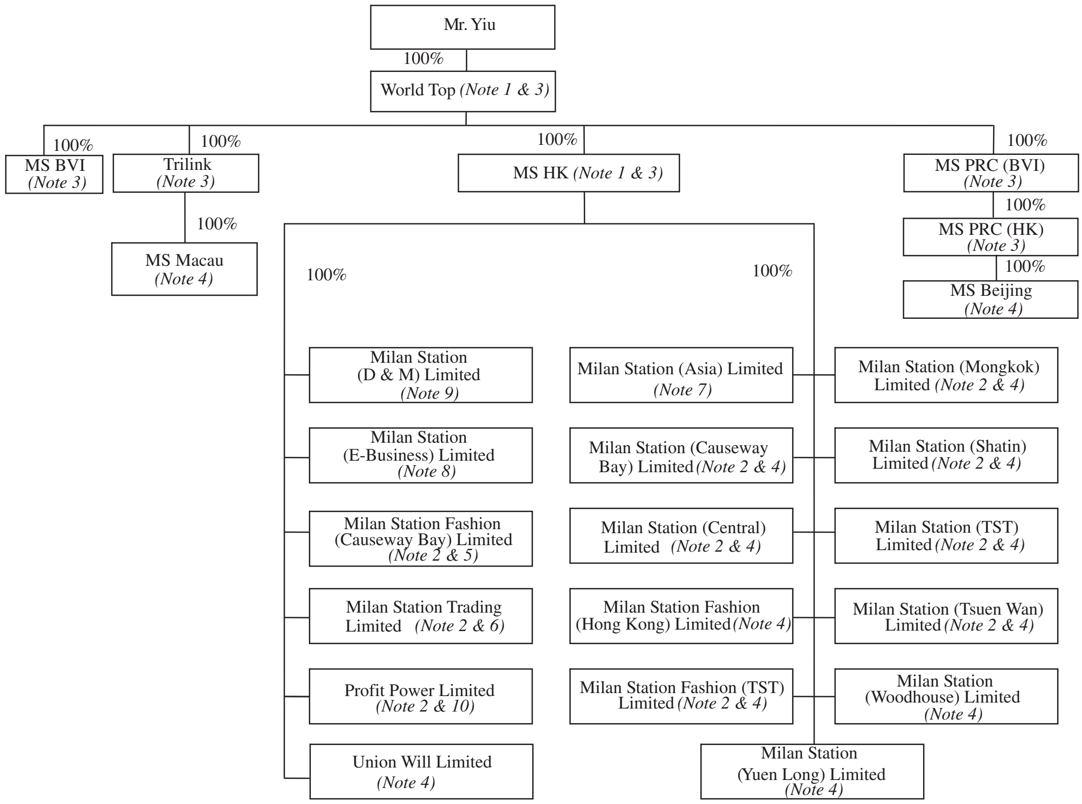
On 28 April 2011, the Company increased its authorised share capital from HK$380,000 to HK$20,000,000 by creation of an additional 1,962,000,000 Shares.

On 28 April 2011, the Company acquired the entire issued share capital of MS BVI from Perfect One, in consideration of the allotment and issue of 999,999 Shares, all credited as fully paid up, to Perfect One.

Further details of the Reorganisation are also set out in the paragraph headed "Corporate Reorganisation" in the section headed "Statutory and general information" in the Appendix V to this prospectus.

GROUP STRUCTURE

The following chart sets out the structure of the Group immediately before the completion of the Reorganisation, the Capitalisation Issue and the Global Offering:



Notes:

1. 99.99% of the issued share capital of MS HK was registered in the name of World Top while 0.01% of the share capital of MS HK was registered in the name of Win Hero International Ltd. which held such share capital on trust in favour of World Top.

2. 99.99% of the issued share capital of each of these companies was registered in the name of MS HK while 0.01% of the share capital of each of these companies was registered in the name of Mr. Yiu who held such share capital on trust in favour of MS HK.

3. The company is principally engaged in investment holding.

4. The company is principally engaged in retail business.

5. The company is currently the registrant of the five domain names of the Group.

6. The company is principally engaged in the wholesale business within the Group to supply products to the retail shops of the Group.

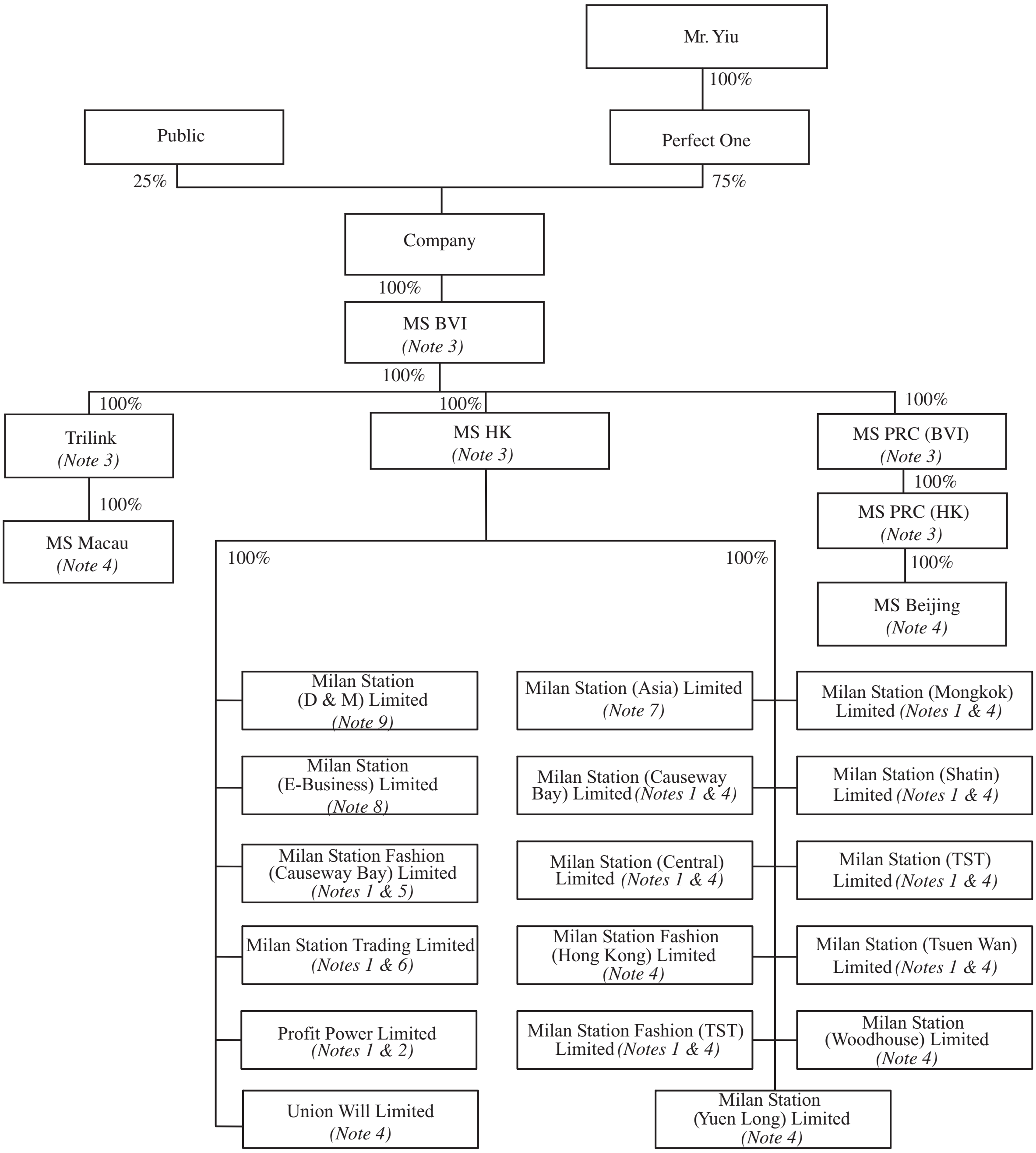
7. The company does not carry on any business.

8. The company is established for the purpose of the Group's business development on the Internet.

9. The company is principally engaged in the design and merchandising business.

10. As at the Latest Practicable Date, Profit Power Limited was under the process of deregistration.

The following chart sets out the structure of the Group immediately following completion of the Reorganisation, the Capitalisation Issue and the Global Offering assuming that the Over-allotment Option is not exercised and that no Share has been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme:



Notes:

1. 99.99% of the issued share capital of each of these companies was registered in the name of MS HK while 0.01% of the share capital of each of these companies was registered in the name of Mr. Yiu who held such share capital on trust in favour of MS HK.

2. As at the Latest Practicable Date, Profit Power Limited was under the process of deregistration.

3. The company is principally engaged in investment holding.

4. The company is principally engaged in retail business.

5. The company is currently the registrant of the five domain names of the Group.

6. The company is principally engaged in the wholesale business within the Group to supply products to the retail shops of the Group.

7. The company does not carry on any business.

8. The company is established for the purpose of the Group's business development on the Internet.

9. The company is principally engaged in the design and merchandising business.

OVERVIEW

The Group is principally engaged in the retail of unused and second-hand luxury branded handbags and apparel products in Hong Kong, the PRC and Macau by operating a total of 14 retail shops under the brand names of "Milan Station" and "France Station". According to the Synovate Report, in respect of the total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers in Hong Kong, the PRC and Macau for each of the two years ended 31 December 2008 and 2009, the Group accounted for (i) 6.5% and 6.3% of the total sales in Hong Kong; (ii) 0.04% and 0.3% of the total sales in the PRC; and (iii) 4.7% and 5.5% of the total sales in Macau respectively. The Group is a market leader and accounted for over 50% of market share of the total sales of luxury branded handbags amongst approximately 174 luxury branded handbags independent retailers in Hong Kong and ranked number one in terms of both sales value and sales volume amongst luxury branded handbag independent retailers in Hong Kong in 2009 according to the Synovate Report. In respect of the market share of the total sales of luxury branded handbags by independent retailers in the PRC and Macau in 2009, the Group accounted for about 5.7% and 77.7% of the total sales in the PRC and Macau respectively *(Note)*.

The Group has nearly ten years of operating history. Since the opening of its first "Milan Station" retail shop in 2001 in Tsim Sha Tsui, Hong Kong, the Group has established a retail network in Hong Kong and expanded its operation to Macau in 2007 and the PRC in 2008. As at the Latest Practicable Date, the Group has been operating 13 retail shops under the brand name "Milan Station" with ten retail shops in Hong Kong, two retail shops in Beijing and one retail shop in Macau. The Group was also operating a retail shop in Causeway Bay, Hong Kong under the brand name "France Station". In view of the escalating consumer spending on luxury products in the PRC and the satisfactory performance of its first retail shop in Beijing, the management of the Group plans to further expand its retail network to other major cities in the PRC.

Focusing on retail sales of second-hand luxury branded handbags since its establishment, the Group expanded its product range to include other luxury branded products. The products offered by the Group include unused and second-hand handbags, clothing, shoes, watches and other accessories. As at the Latest Practicable Date, the Group carried over 20 brands of handbag products and over 30 brands of other products from international luxury fashion houses including Balenciaga, Bottega Veneta, Céline, Chanel, Chloé, Dior, Fendi, Goyard, Gucci, Hermès, Louis Vuitton, Miu Miu, Prada and Yves Saint Laurent.

In 2007, the Group has developed its own collection of private label handbags under the brand name of "MS". The Group is also an authorised dealer of "Chouette" watches. Since 2008, the Group has been selling fur garments during winter period by way of consignment.

Note: The total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers and the market share of the total sales of luxury branded handbags by independent retailers in Hong Kong, the PRC and Macau for 2010 are not available. The Group's market share of the total sales of luxury branded handbags amongst all retailers and independent retailers in Hong Kong, the PRC and Macau in 2010 may be different from the above market share in 2009.

The Group achieved a sustaining growth in the past years. Its total revenue increased from HK$512.0 million in 2008 to HK$730.3 million in 2010, representing a CAGR of 19.4%. The profit of the Group increased from HK$46.0 million in 2008 to HK$54.3 million in 2010, representing a CAGR of approximately 8.6%.

BUSINESS MODEL

The business of the Group focuses on the sale of second-hand and unused luxury branded products, in particular, handbags, from international fashion houses. The Group's retail shops in Hong Kong and Macau sell both second-hand and unused products whilst the retail shops of the Group in the PRC only sell second-hand products. The business model of the Group makes luxury branded handbags more accessible and available. This business model is designed to aim at providing a platform for its customers to purchase second-hand and unused luxury branded products at its retail shops and sell such products to the Group thereafter for cash. The general public may also sell luxury branded products not being purchased from the Group's retail shops to the Group. All these products sold to the Group shall become the inventories of the Group.

As early as its establishment, the Group implements an instant cash settlement strategy to purchase second-hand or unused luxury branded products from public consumers. This concept allows the Group's customers to purchase luxury branded products as well as to shift brands and product styles to suit one's need at a lower cost. The customers may offer for sale of their second-hand products and purchase the Group's luxury branded products at the retail shops of the Group. The Directors believe that the business model of the Group helps to induce repeated purchases of the Group's products and to broaden the Group's customer base. As at the Latest Practicable Date, there were about 8,500 registered members under the loyalty membership scheme of the Group and all of the registered traders are registered members.

The Group cooperates with various banks to offer interest-free instalment plans to holders of credit cards to further encourage and facilitate sales by reducing the initial cost of purchasing the Group's products and to boost the sales of the Group.

Most of the executive Directors and the chief marketing officer have joined the Group for around ten years. The executive Directors have acquired the relevant experience and knowledge in local and international fashion trend and second-hand market for luxury branded products mainly through their experience in managing the operation of the Group and the chief marketing officer has acquired the relevant experience and knowledge through his experience working with international fashion houses for over two years as well as with the Group for around ten years. Their experience and knowledge enable the Group to identify "popular items" in accordance with the changing market trends and customers' needs.

"Popular items" may include limited edition luxury branded products and products that are shortage in supply in open market or are not readily obtainable from the boutiques or retail shops of international fashion houses. Luxury fashion brands are now moving forward to provide "premium" versions of the handbags such as using exotic skins including crocodile or ostrich and precious materials. The premium price of these "popular items" allows the Group to yield a higher revenue but lower profit margin. The sales of the Group's premium priced products has been increasing during the Track Record Period. In order to source these "popular items", the Group may set a comparatively higher trade-in price to the selling prices listed by the boutiques or retail shops of international fashion houses to attract public consumers to offer for sale of their second-hand or unused "popular items".

As a value added service, the Group set up a customer service hotline for public consumers by which the Group provides services to collect luxury branded products at the place designated by the customers.

PRINCIPAL STRENGTHS

The Directors consider the Group's historical success and future prospects to be underpinned by a number of principal strengths, which include the following:

Market leader in retailing of luxury branded handbags by independent retailers in Hong Kong in 2009

According to the Synovate Report, the Group is a market leader and ranked number one in terms of both sales value and sales volume amongst the top five luxury branded handbag independent retailers in Hong Kong in 2009. The Group has the longest history of establishment amongst the top five luxury branded handbags independent retailers in Hong Kong. The Group is also the top of the mind luxury branded handbag retailers ranked by many Hong Kong and foreign consumers benefited from its mass press coverage in the region. Since the launch of the first "Milan Station" retail shop in Hong Kong nearly ten years ago, the Group has engaged in a sustained brand-building effort in Hong Kong, being its principal market. This is reflected in the media advertising and press coverage in Hong Kong about the Group's retail shops and products, which include television commercials, television, radio, and press interviews, print advertisements and advertorial articles. The Group from time to time sponsors television programs, concerts and movies to enhance brand awareness. The sponsorship in charity events also helps to create goodwill of the Group in the community of Hong Kong.

In 2008, the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong awarded the Group's "Milan Station" retail shops with the Hong Kong Top Service Brand Award in recognition of its outstanding service in the Hong Kong retail industry. Winners of the Hong Kong Top Service Brand Award are primarily assessed on criteria including but not limited to the distinctiveness, innovation, quality and image of their brands, as well as their reputation in Hong Kong, the PRC and overseas, and their environmental performance and social responsibility.

Broad variety of international brands to target different customers and provide one-stop services to customers

The Group sells a variety of second-hand and unused luxury branded products of over 20 brands of handbag products and over 30 brands of other products from international fashion houses covering most of the popular brands with selling prices ranging from a few thousands to a few hundred thousands. The Group's brand image is also built from the sales of its luxurious featured products. The products offered by the Group also include limited edition products and products that are not readily obtainable from the boutiques or retail shops of the international fashion houses. The diversity of brands and products and the broad price range of handbags on offer appeal to a wide spectrum of customers of varying income levels and ages and enable the Group to provide one-stop services to its customers for purchasing luxury branded handbags at its retail shops.

The expertise of sales and management enables the Group to successfully identify domestic and international trends

The Group's sales and management team recognises the need for the Group to identify and respond swiftly to fashion trends in order to adapt its business and product inventory accordingly. The Group maintains an experienced and stable senior management team, most of whom have been working for the Group since its establishment. As confirmed by the Directors, the Group has not suffered from any unanticipated departure of any key management and senior sales personnel with significant knowledge and experience in luxury branded products retail sector in Hong Kong, the PRC and Macau during the Track Record Period. To the best knowledge of the Directors, the Group does not anticipate that there will be any departure of such key management and senior sales personnel in the near future. The senior management team comprise the executive Directors, the chief marketing officer and the district managers with experience in operating retail business and international luxury fashion industry. Their experience and knowledge in retail operation and international fashion trend enable the Group to source those "popular items" and luxury branded products that are in great demand, closely monitor the inventory level and adjust the pricing of the Group's products according to the fashion trends and the market demand and, in turn to enhance the profitability of the Group.

Strong retail presence in prime shopping areas

From a geographical perspective, the Group has market presence in Hong Kong with 11 retail shops (including ten "Milan Station" retail shops and one "France Station" retail shop) located in prime shopping areas like Central, Causeway Bay, Tsim Sha Tsui and Mongkok. In Macau, the shop is located at Rue De S. Domigos, a prime shopping area of Macau. In Beijing, the PRC, the Group currently has two "Milan Station" retail shops, both of which are located in prime shopping locations at China Central Place and Sanlitun Road, Beijing. The Directors believe that, as the Group plans to expand its network of shops in prime shopping areas in Beijing as well as in other major cities in the PRC, the visibility and retail presence of the Group will become increasingly stronger.

BUSINESS STRATEGIES

The Group's principal business objectives are to maintain a continuous growth and achieve a sustainable competitive advantage in order to maintain its market leading position in luxury branded handbag retailing industry. The Group intends to adopt the following strategies to further develop its existing retail network and reputation in Hong Kong, the PRC and Macau, to develop its position as a leading retailer of luxury branded products in the wider PRC market.

Expansion of retail network in the PRC market, relocating and opening of new retail shops and refurbishment of existing retail shops in Hong Kong, the PRC and Macau

In tandem with the rapid economic growth and the increasing of brand-conscious consumers in the PRC, the Group intends to further expand its retail network in the PRC market. The Group plans to strengthen its presence and further expand its retail network in the PRC by opening 24 new retail shops under the brand name "Milan Station" in (i) certain major cities, such as Beijing, Chengdu, Guangzhou, Hangzhou and Shanghai; and (ii) other affluent cities in the PRC from 2011 to 2013 so as to increase the degree of market penetration and coverage in the PRC as well as to enhance the brand name awareness and customer loyalty of the "Milan Station" brand in the PRC. Out of these 24 shops, the setting up of 11 such new shops will be financed by the proceeds from the Global Offering. The Group also plans to refurbish and relocate the existing retail shops in Hong Kong, the PRC and Macau.

In 2008 and 2010, the Group established its first and second "Milan Station" shops at China Central Place, Beijing and Sanlitun, Beijing, the Group recorded a total revenue generated from the PRC segment of approximately HK$2.5 million, HK$22.6 million and HK$46.0 million for the two months ended 31 December 2008 and each of the two years ended 31 December 2009 and 31 December 2010, respectively, representing a period to period growth of approximately 8.1 times and 103.5%, respectively. The gross profit generated from the PRC segment also increased sharply from approximately HK$0.9 million to HK$8.0 million and further to HK$14.0 million for the two months ended 31 December 2008 and each of the two years ended 31 December 2009 and 31 December 2010, respectively.

In addition, the value added tax imposed on the sale of second-hand products is 2% while the value added tax for the sale of unused products is 17%. Taking into account of the differences in the tax rates in the PRC, it is the business strategy of the Group to focus on the sale of second-hand products only in the PRC to enjoy the tax advantage.

Furthermore, the Directors believe that there is a huge room for the Group to develop in second-hand luxury branded handbag market in the PRC. According to the Synovate Report, the Group only accounted for about 5.7% of the market share of the total sales of luxury branded handbags by independent retailers in the PRC in 2009 and the majority of the competitors of the Group in the second-hand luxury branded handbag market in the PRC are small size independent retailers running about one to two shops in major cities such as Beijing and Shanghai. The key competitive factors for the second-hand luxury branded handbag market in the PRC are product quality, customer relationship and brand reputation. Capitalized on the Group's history, reputation and market leading position of the Group in Hong Kong markets, the Directors believe that the Group is able to increase its market share among the independent retailers in the PRC upon opening new retail shops in the PRC.

In view of the above-mentioned proven track records of the Group in the PRC, the tax advantage enjoying by the Group to sell second-hand products in the PRC, the history, reputation and market leading position of the Group in Hong Kong market, the Directors believe that the business model of the Group to sell second-hand products in the PRC has business potential which is viable for the future business development of the Group.

Taking into account of (i) the internal control procedures adopted by the Group in respect of purchasing and product examinations to prevent the sale of counterfeit or stolen products; (ii) the experience of staff responsible for product examination and training provided to its staff; (iii) history and reputation of the Group; and (iv) being a member of "No Fakes Pledge Scheme" since 2010 under which the Group shall abide by a code of ethics to sell only genuine goods and pledge not to sell or deal in counterfeit products, the Directors believe that the PRC tourists and local citizens of the PRC have the confidence to purchase products from the Group.

Continuing its marketing strategies and campaigns

Parallel to the expansion of retail network of "Milan Station" retail shops in the PRC and the exploration of online sales channels, the Group will implement marketing strategies to enhance image of "Milan Station" in Hong Kong and Macau as well as the PRC. The Group will continue to carry out advertising and promotion campaigns and other corporate image enhancement programs to strengthen its brand image and promote its products. The Group will continue to promote its products through different types of media, including traditional media such as newspapers, magazines, television or outdoor as well as new media such as websites and Internet sales platform and smartphone applications. The Group also intends to cooperate with a website owner or operator to provide information on luxury branded handbags. The Group will also continue to selectively participate in and sponsor promotional events such as movies and concerts when opportunities arise. The Group will continue to invite celebrities to participate in its sponsorship or promotional events in order to raise publicity and press coverage for the "Milan Station" brand, its retail shops and its products.

The Directors believe that the above marketing strategies and participation in various market campaigns will enhance, reinforce and promote "Milan Station" brand, which in turns will increase market shares and sales of the Group.

Development of private label "MS" brand products

The Group intends to establish its private label design team for the development of products under the brand name of "MS" within the first half of 2011. The Group will also look for experienced designers and appropriate subcontractors for manufacturing of the Group's private label products. The Group would also broaden its existing product portfolio of "MS" collection by extending product lines to small leather goods. The Group will also cooperate with artistes and celebrities to jointly develop crossover products to reinforce the "MS" brand.

Exploration of online sales channel

The Directors are conscious of the increasing importance of e-commerce and are exploring ways to expand its business online. As revealed by the Synovate Report, online shopping has already been proven to be a future sales channel for luxury branded handbags. When conducting proactive searches for luxury branded handbag information, the Internet is by far the most significant and easiest way to obtain information for consumers, so brand visibility in search engines is crucial in the future sales channel trend.

The Group intends to explore Internet sales channel by cooperating with independent Internet service providers who provide online platform for the sale of the Group's products as well as online payments services in or about the second quarter of 2011.

The Group will set up a special team comprising experienced sales personnel specializing in selection of products that are suitable for online sales, personnel with professional photography knowledge and technical personnel with professional information technology knowledge to compile and upload product photos and other information to the Internet sales platform. The Group will also establish an Internet sales database that allows the Group to store its sales data in web database program which directly links to the Internet sales platform and online payments platform.

The Directors believe that offering the Group's products to customers on the Internet will increase the access to its brands and products and generate sales at locations where the Group currently do not have a strong presence at a lower operation cost.

As confirmed by the Directors, the Group plans to conduct Internet sales in Hong Kong, the PRC and Macau. Based on the advise of the Hong Kong Legal Counsel and the Macau Legal Adviser, as at the Latest Practicable Date, there were no laws in Hong Kong and Macau that require the Group to obtain any licence or approval for conducting Internet sales in Hong Kong and Macau respectively. As advised by the PRC Legal Adviser, according to the Notice of MOFCOM on the Approval and Administration on Sales Project by Foreign Investment through Internet and Automat ("商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售專案審批管理有關問題的通知"，商資字[2010]272號) issued by MOFCOM on 19 August 2010, the online sales is an extension of an enterprise's sales business on the Internet and thus a foreign invested commercial company, which has been legally approved and registered with the government, can directly conduct online sales business. Nevertheless, if a foreign investment company uses its Internet platform to provide Internet service for any other transaction parties, it shall apply for the Operation Permit for Value-added Telecommunications (增值電信業務經營許可證) to the Ministry of Industry and Information Technology (工業和信息化部). Where the company uses its Internet platform to conduct direct sales of products, it shall apply for filing with the telecommunication departments.

According to the consultation made by the PRC Legal Advisor through the Consultation Line for Approval on Operation Permit for Telecommunication (電信業務經營許可證審批諮詢電話) of the Ministry of Industry and Information Technology (工業和信息化部), it is confirmed that if a company only sells its own products and does not charge extra fee apart from the product price and the delivery charges through its Internet platform, the Operation Permit for Value-added Telecommunications is not required and the company only needs to process the Filing for Non-business Internet Information Service (非經營性互聯網資訊服務備案).

As the Group has already registered its PRC subsidiary as foreign invested commercial company, should the Group decides to enter the online sales market in the PRC, the Group may do so through the PRC subsidiary without the need of obtaining any other additional permits. Moreover, as advised by the PRC Legal Adviser, according to the consultation made by the PRC Legal Advisor through the Consultation Line for Approval on Operation Permit for Telecommunication (電信業務經營許可證審批諮詢電話) of the Ministry of Industry and Information Technology, it is confirmed that there is no specific definition concerning "extra fee" in the relevant laws and regulations of the PRC whilst the delivery charges of the products shall not be regarded as "extra fee" of the online sales.

As confirmed by the Directors, the Group has not yet commenced its online sales business in the PRC nor has it started to process the relevant filing procedure. Before commencing the online sales through its subsidiary in the PRC, the Group shall process the Filing for Non-business Internet Information Service with the Ministry of Industry and Information Technology. As advised by the PRC Legal Adviser, there is no legal obstacle for the Group to obtain the Filing for Non-business Internet Information Service (非經營性互聯網資訊服務備案) provided that the Group uses its Internet platform to conduct direct sales of products in the PRC.

As confirmed by the Directors, the Group will not provide chargeable Internet service through its Internet platform and thus it shall not be subject to the Operation Permit for Value-added Telecommunications, which is not available for the wholly foreign owned enterprise according to the Administrative Regulations on the Foreign Investment Telecommunication Enterprise (外商投資電信企業管理規定).

Enhancement of staff training

In order to cope with the future expansion of the retail network of "Milan Station", the Group will need to have more staff equipped with the knowledge of luxury branded products and in particular, the technique for performing product examination and the skill of distinguishing between genuine and counterfeit luxury branded handbags.

In this regard, the Group intends to increase the frequency of its training courses and design and develop more comprehensive course contents and materials. Since the Group plans to expand its retail network in the PRC, the Group intends to arrange eight to 12 training courses for its PRC staff for each of the years 2011, 2012 and 2013. In addition, the Group intends to arrange at least three training courses for its Hong Kong and Macau staff each year. The Group plans to co-organize comprehensive training courses with local and overseas professional training and development organizations, which specialize in providing professional training, to enhance the knowledge of its staff in various aspects (including sales technique, retail management, customer service and product examination). The aspects relating to sales technique, retail management and customer service will be presented by the professional of such organisation and the aspect concerning product examination will be provided by chief marketing officer and district managers. The frontline staff will be required to pass examinations designed by such organizations and the Group and obtain certificates for qualifications of different skills relating to the aforesaid aspects of the business of the Group issued by such organizations before they are promoted. The Group will also engage institutions specialized in management training to provide courses to the senior management and shop managers of the Group.

Upgrade the Group's information technology system

To meet the future requirement for the Group's expansion of retail network and online sales channel the Directors consider that it is important to upgrade the Group's existing information technology system including both software and hardware in order to increase the effectiveness and efficiency of all departments of the Group to perform their jobs. The Group plans to enhance its information technology system from the existing retail operation and accounting systems to a comprehensive enterprise information technology system, with customizable application solutions designed to meet the Group's needs. The system will be designed on the basis that it is easily accessible by all team members of the Group with a view to increase team collaboration and improve team efficiency and communications. The system will also generate designated reports and necessary data for the management of the Group.

The Group plans to recruit additional information technology and system development personnel in the first and second quarter in 2011 in order to establish a comprehensive supporting and system development team with the assistance of professional consulting firm. Along with the expansion of sales network in varying cities in the PRC, the Group will further develop its computer infrastructure that includes computer hardware, operating system, application software, data storage, data analysis and reporting, for communications between the retail shops by sharing the resources in different regions.

BUSINESS OPERATION

Product categories

Through its retail network in Hong Kong, the PRC and Macau, the Group offers with over 20 brands of handbag products and over 30 brands of other products from different international luxury fashion houses.

Handbags and other products

Focusing on selling luxury branded handbags in the past years, the sales of handbags accounted for 97.1%, 98.2% and 99.0% of the total revenue of the Group for each of the three years ended 31 December 2008, 2009 and 2010 respectively. The Group offers a broad portfolio of handbags from over 20 international luxury fashion houses including Balenciaga, Bottega Veneta, Céline, Chanel, Chloé, Dior, Fendi, Goyard, Gucci, Hermès, Louis Vuitton, Miu Miu, Prada and Yves Saint Laurent. Its retail shops also offer the Group's own private label handbags under the brand name of "MS". Further information about the "MS" products is set out in the sub-section headed "Private label products" in this section.

The selling prices of the Group's handbags are ranging from a few thousands to a few hundred thousands depending on factors such as consumer demand, brand, style, condition, availability and inventory level of the handbags.

The following table shows a breakdown of the Group's revenue of various price ranges of handbags and the approximate percentage thereof in relation to the total revenue in respect of handbags sold by the Group for each of the three years ended 31 December 2008, 2009 and 2010 respectively:

	Year ended 31 December					
	2008		**2009**		**2010**	
	HK$' million	*(%)*	*HK$' million*	*(%)*	*HK$' million*	*(%)*
Within HK$10,000	230.4	45.0	237.7	38.9	231.9	31.7
HK$10,001-HK$30,000	110.4	21.5	111.4	18.2	153.0	21.0
HK$30,001-HK$50,000	9.0	1.8	11.7	1.9	22.4	3.1
Over HK$50,000	147.3	28.8	239.6	39.2	315.5	43.2
Total	497.1	97.1	600.4	98.2	722.8	99.0

The revenue generated from the sales of the premium priced handbag products of over HK$50,000, majority of which were unused products, increased from 28.8% of the total revenue of the Group in respect of handbags sold by the Group for the year ended 31 December 2008 to 43.2% of the total revenue of the Group for the year ended 31 December 2010. The Directors believe that the revenue generated from the sales of the premium priced handbag products will increase due to the increasing demand from the PRC tourists towards such products in future and such trend is expected to result in a higher revenue but a lower gross profit margin for the Group.

In order to broaden the Group's product portfolio, the Group carried out its business of selling other second-hand apparel products by the establishment of "Milan Station" fashion line shop in Causeway Bay, Hong Kong. These products contain high-end fashion products including fashion labels of Balenciaga, Bottega Veneta, Chanel, Chloé, Dior, Dolce & Gabbana, Fendi, Gucci, Hermes, Louis Vuitton, Marc Jacobs, Marni, Miu Miu, Prada and Yves Saint Laurent. The sales of these products (other than handbags) were approximately HK$13.4 million, HK$9.0 million and HK$5.0 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively which accounted for 2.6%, 1.5% and 0.7% of the total revenue of the Group for the respective period.

Within the Hong Kong market, the Group is also an authorised dealer of "Chouette" watches since 2009. Pursuant to a cooperation memorandum entered into between MS HK and a supplier of "Chouette" watches, the supplier authorised MS HK as its authorized dealer of the "Chouette" brand with effect from 29 September 2009. The co-operation memorandum does not contain any clauses stipulating the minimum sales target of the "Chouette" watches, the termination and the expiry date of the memorandum. The sales of the "Chouette" watches were approximately HK$205,000 and HK$455,000 for each of the two years ended 31 December 2009 and 2010 respectively. As confirmed by the Directors, the Group does not have present plan to expand its dealership business.

Second-hand and unused products

The products of the Group include both second-hand and unused products. The second-hand products are sourced from public consumers who sell their products to the Group's retail shops. The Group's unused products are sourced from traders as well as general public.

The following table shows a breakdown of the Group's revenue and the approximate percentage of the total revenue for second-hand and unused products for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		**2009**		**2010**	
	HK$' million	*(%)*	*HK$' million*	*(%)*	*HK$' million*	*(%)*
Unused products	111.9	21.9	229.0	37.5	339.6	46.5
Second-hand products	400.1	78.1	382.3	62.5	390.7	53.5
Total	512.0	100.0	611.3	100.0	730.3	100.0

As shown by the above table, the selling of unused products increased significantly during the Track Record Period. The revenue generated from unused products increased from 21.9% of the total revenue of the Group for the year ended 31 December 2008 to 46.5% of the total revenue of the Group for the year ended 31 December 2010. The Directors conclude that the increase in the sale of unused products was attributable to the increasing demand from the PRC tourists of the premium priced and unused premium priced products.

Private label products

Launched in 2007, the Group's private label products, "MS" handbags for women, are marketed and sold in both "Milan Station" and "France Station" retail shops. The selling price of "MS" handbags ranges from a few hundreds to a few thousands. The design team of the Group comprise two members including the Group's managing director and chief marketing officer is responsible for the development of products under "MS" brand. Both of them have about 10 years of experience in the fashion retail industry and they have been responsible for the development of the "MS" brand products since 2007.

Given the design team's exposure to luxury branded products in the fashion retail industry, the Directors believe that they have developed a fashion sense which enables them to design "MS" products according to the latest fashion trend. The Group engages independent contractors for the manufacturing of the "MS" handbags. Finished products will be sent to the warehouse of the Group for final inspection before acceptance.

The first generation of "MS" brand handbags was marketed under the registered mark of "MS". In 2008, the Group launched its second generation of "MS" brand under the mark of "M". The Group's private label products comprise different series of products with different styles and concepts. "MS" "Animal Print" series handbags with two sub-series of "Chocolate" and "Rose" and the "Ice Cream" series of "MS" handbags were marketed under "MS" brand in 2010. The Directors confirm that, as at the Latest Practicable Date, the Group has not faced any legal claims from other brand owners as a result of similarity of design of the "MS" brand.

For each of the three years ended 31 December 2008, 2009 and 2010, the sales of the products under the brand name of "MS" were approximately HK$529,000, HK$1.7 million and HK$1.0 million respectively, the cost of sale of the products under the brand name of "MS" were approximately HK$215,000, HK$1,002,000 and HK$377,000 respectively and the gross profit for these products were approximately HK$314,000, HK$733,000 and HK$671,000 respectively.

Consignment business

Starting from 2008, the Group has been selling fur garments during winter period by way of consignment. The Group has entered into three consignment agreements with an independent supplier for consignment sale, the terms of which are from 17 November 2008 to 31 January 2009, from 1 October 2009 to 28 February 2010 and from 17 November 2010 to 28 February 2011 respectively. Under the terms of the consignment agreements, the Group has the right to select fur garments of the independent supplier to be sold in "Milan Station" fashion line shop in Causeway Bay, Hong Kong. As confirmed by the Directors, the Group will continue to sell fur garments during winter period by way of consignment in future.

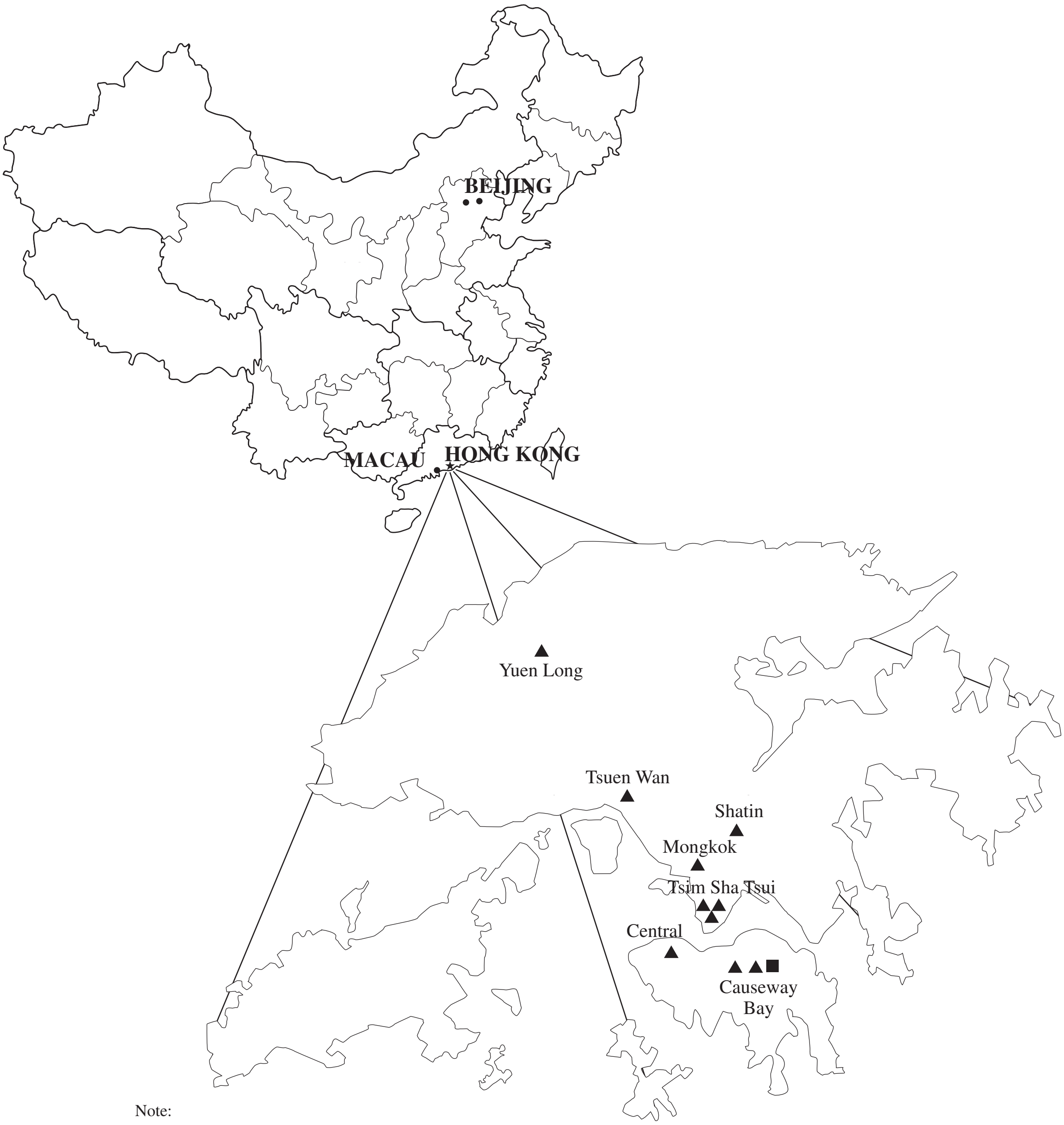
For each of the three years ended 31 December 2008, 2009 and 2010, the sales of the consignment business were approximately HK$49,000, HK$70,000 and HK$71,000 respectively.

Retail networks and geographical locations of retail shops

The Groups retail business involves the sale of its products to retail customers through its retail shops under the name of "Milan Station" and "France Station". It is the Group's strategy to locate its retail shops in prime shopping areas. Since the opening of the first "Milan Station" retail shop in 2001 at Chatham Road South in Tsim Sha Tsui, Hong Kong, the Group has been gradually increasing its presence in prime shopping areas including Central, Causeway Bay, Tsim Sha Tsui and Mongkok in Hong Kong by opening retail shops. The Group further expanded its retail network to Macau and Taiwan in 2007 and the PRC in 2008.

As at the Latest Practicable Date, the Group was operating 13 retail shops under the brand name "Milan Station", including ten retail shops in Hong Kong, two in Beijing, and one in Macau. In addition, it has one retail shop in Causeway Bay, Hong Kong which operates under the brand name "France Station".

The map below sets out the locations of the Group's "Milan Station" and "France Station" retail shops in operation as at the Latest Practicable Date:



Note:
- • "Milan Station" retail shops in Beijing and Macau
- ▲ "Milan Station" retail shops in Hong Kong
- ■ "France Station" retail shop in Hong Kong

The locations and other information of the Group's "Milan Station" and "France Station" retail shops in Hong Kong, the PRC and Macau operated by the Group as at the Latest Practicable Date are set out as follows:

Shop	Address	Saleable Area/Gross Floor Area (sq.ft.)	Duration of Tenancy	Option to Renew	Rent: Calculation Basis for Rent	Rent: Turnover Rent Component
	Hong Kong Island, Hong Kong:					
1.	G/F., Chic Corner, No. 26 Wellington Street, Central Hong Kong	Approximately 320 *(Note 3)*	2 years (from 12 July 2009 to 11 July 2011) *(Note 8)*	No option to renew	Monthly basic rent at HK$230,000 per month (exclusive of government rates, management fees and other outgoings)	No
2. *(Note 9)*	Shops E&F, G/F., Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	Approximately 251 *(Note 3)*	25 months (from 1 December 2010 to 31 December 2012)	3 years	from 1 December 2010 to 31 December 2011, monthly basic rent at HK$278,000 per calendar month (inclusive of government rates, and government rent and management fees) from 1 January 2012 to 31 December 2012, monthly basic rent at HK$308,000 per calendar month (inclusive of government rates, and government rent and management fees)	No
	Shop K, G/F., Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	Approximately 192 *(Note 3)*	5 years (from 15 April 2009 to 14 April 2014)	No option to renew	from 15 April 2009 to 14 April 2012, monthly basic rent at HK$160,000 per month (exclusive of rates, management fee and air-conditioning charge (if any)) from 15 April 2012 to 14 April 2014, monthly basic rent at HK$180,000 per month (exclusive of rates, management fee and air-conditioning charge (if any))	No

Shop	Address	Saleable Area/Gross Floor Area (sq.ft.)	Duration of Tenancy	Option to Renew	Rent Calculation Basis for Rent	Rent Turnover Rent Component
3.	Units Nos. 4-6, G/F., Cigna Tower, Nos. 470-484 Jaffe Road, Causeway Bay, Hong Kong	Approximately 1,170 *(Note 3)*	2 years (from 1 May 2010 to 30 April 2012)	No option to renew	Monthly basic rent at HK$198,000 per month (exclusive of rates, management fees and air-conditioning fee)	No
4.	Left Portion of Ground Floor of No. 60 Russell Street, and the Portion of Rear Portion of Ground Floor of No. 74 Percival Street, Causeway Bay, Hong Kong	Approximately 335 *(Note 3)*	1 year (from 23 March 2010 to 22 March 2012)	1 year	from 23 March 2010 to 22 March 2011 monthly basic rent at HK$540,000 per month (exclusive of rates, management fees and all other outgoings) from 23 March 2011 to 22 March 2012 monthly basic rent at $820,000 (exclusive of rates, management fees and all other outgoings	No
	Kowloon, Hong Kong:					
5.	Shops F-H, G/F., South Sea Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong *(Note 5)*	Approximately 414 *(Note 3)*	1 year 10 months (from 1 March 2011 to 31 December 2012)	3 years	from 1 March 2011 to 31 December 2011, monthly basic rent at HK$95,000 per month (inclusive of rates and management fees) from 1 January 2012 to 31 December 2012 monthly basic rent at HK$105,000 per month (inclusive of rates and management fees)	No
6.	Shops B-D, G/F., Parmanand House, Nos. 51-52 Haiphong Road, Tsim Sha Tsui, Kowloon, Hong Kong	Approximately 854 *(Note 3)*	3 years (from 1 May 2010 to 30 April 2013)	No option to renew	from 1 May 2010 to 30 April 2012, monthly basic rent at HK$900,000 per month, or 5% turnover rent, whichever the higher (exclusive of rates, government rents and management fees) from 1 May 2012 to 30 April 2013, monthly basic rent at HK$1,000,000 per month, or 5% turnover rent, whichever the higher (exclusive of rates, government rents and management fees)	Yes *(Note 10)*

Shop	Address	Saleable Area/Gross Floor Area (sq.ft.)	Duration of Tenancy	Option to Renew	Rent: Calculation Basis for Rent	Rent: Turnover Rent Component
7.	Shop No.13 Basement level, Chungking Mansion, Nos. 36-44 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	Approximately 598 *(Note 3)*	2 years (from 1 October 2010 to 30 September 2012)	1 year	Monthly basic rent at HK$28,000 per month (exclusive of rates, management fees and air-conditioning charges)	No
8. *(Notes 9 and 10)*	Shop No. 13 on Ground Floor, Pakpolee Commercial Centre, No. 1A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Approximately 379 *(Note 3)*	5 years (from 1 May 2009 to 30 April 2014)	No option to renew	from 1 May 2009 to 30 April 2012, monthly basic rent at HK$166,000 per month (exclusive of rates and management charges) from 1 May 2012 to 30 April 2014, monthly basic rent at HK$190,900 per month (exclusive of rates and management charges)	No
	Shops Nos. 14-15 on Ground Floor, Pakpolee Commercial Centre, No. 1A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	Approximately 685 *(Note 3)*	5 years (from 1 May 2009 to 30 April 2014)	No option to renew	from 1 May 2009 to 30 April 2012, monthly basic rent at at HK$334,000 per month (exclusive of rates and management charges) from 1 May 2012 to 30 April 2014, monthly basic rent at HK$384,100 per month (exclusive of rates and management charges)	No
	New Territories, Hong Kong					
9.	Shop No. 15B, 3/F., Shatin Plaza, Nos. 21-27 Shatin Centre Street, Shatin, New Territories, Hong Kong	Approximately 190 *(Note 3)*	2 years (from 27 May 2010 to 26 May 2012)	No option to renew	Monthly basic rent at HK$83,000 or turnover rent at 5% per month, whichever is higher (also excluding rates, management fees, air-conditioning charges and promotional levy)	Yes *(Note 11)*
10.	Shop No. 24A, 1/F., Nan Fung Centre, Nos. 264-298, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	Approximately 140 *(Note 3)*	3 years (from 1 February 2010 to 31 January 2013)	No option to renew	Monthly basic rent at HK$71,000 per month (inclusive of government rents, rates and exclusive of management fees)	No

Shop	Address	Saleable Area/Gross Floor Area (sq.ft.)	Duration of Tenancy	Option to Renew	Rent: Calculation Basis for Rent	Rent: Turnover Rent Component
11.	Shop No. G003, G/F., Kar Shing Building, Nos. 15 and 19 Kau Yuk Road, Yuen Long, New Territories, Hong Kong	Approximately 380 *(Note 3)*	3 years (from 1 October 2008 to 30 September 2011) *(Note 8)*	2 years	Monthly basic rent at HK$128,000 per month (exclusive of government rents, rates and management fees)	No
	***The PRC** (Notes 6 and 7)*					
12.	Levels 1-2, Unit No. L08B of Commercial Street, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing	Approximately 1,941 *(Note 4)*	5 years (from 1 January 2008 to 31 December 2012)	No option to renew	from 1 June 2008 to 31 December 2009, monthly basic rent at RMB 90,871.20 per month (exclusive of management fees, water and electricity, telephone rates etc)(April and July of 2009 are exempted from the rental) from 1 January 2010 to 31 December 2011, monthly basic rent at RMB 98,083.20 per month (exclusive of management fees, water and electricity, telephone rates etc) from 1 January 2012 to 31 December 2012, monthly basic rent at RMB 105,295.20 (exclusive of management fees, water and electricity, telephone rates etc.)	No
13.	Unit Nos. 1-16 on Level 1, Yard No. 19, Sanlitun Road, Chaoyang District, Beijing	Approximately 1,313 *(Note 4)*	3 years (from 15 April 2010 to 14 April 2013)	No option to renew	from 14 June 2010 or the grand opening (whichever earlier) to the 12th month, monthly basic rent at RMB 80,000 or turnover rental at 5% in the relevant calendar month, whichever is higher (exclusive of management fees, water and electricity, telephone rates etc.)	Yes *(Note 10)*

Shop	Address	Saleable Area/Gross Floor Area (sq.ft.)	Duration of Tenancy	Option to Renew	Rent: Calculation Basis for Rent	Rent: Turnover Rent Component
					from the 13th month to the 24th month, monthly basic rent at RMB 92,900 or turnover rental at 5% in the relevant calendar month, whichever is higher (exclusive of management fees, water and electricity, telephone rates etc.) from the 25th month to the 36th month, monthly basic rent at RMB 105,100 or turnover rental at 5% in the relevant calendar month, whichever is higher (exclusive of management fees, water and electricity, telephone rates etc.)	
	Macau					
14.	No.6A, Rue De S. Doimgos, Macau	Approximately 1,690 *(Note 3)*	6 years (from 30 June 2007 to 29 June 2013)	No option to renew	from 30 June 2007 to 29 June 2009, monthly basic rent at HKD250,000 per month (exclusive of other charges) from 30 June 2009 to 29 June 2011, monthly basic rent at HK$287,500 per month (exclusive of other charges) from 30 June 2011 to 29 June 2013, monthly basic rent at HK$385,000 per month (exclusive of other charges)	No

Notes:

1. Milan Station (Asia) Limited, an indirect wholly-owned subsidiary of the Company, entered into a lease contract with a landlord in relation to its retail shop located at Nos. 226-242 Cheung Sha Wan Road, Hong Kong with an original term of two years in May 2009. The retail shop was closed down in November 2009. For details, please refer to note 34 to the Accountants' Report set out in Appendix I to this prospectus.

2. Milan Station Fashion (TST) Limited ("MS Fashion TST"), an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement on 9 February 2011 with a landlord in respect of a shop located at No. 41 Haiphong Road, Hong Kong with a fixed term of two years commencing on 1 January 2011 with an option to renew of one year. The shop was originally intended to be used as a shop under the name of "France Station" and was expected to be opened in December 2010. However, due to the delay in delivering the vacant possession of the shop by the landlord to MS Fashion TST, the opening date of the shop would be further postponed. Since it would be unlikely that the shop could be opened during

the higher sales months of the Group between the period from October to February, the Directors subsequently decided to sublet the shop to a third party. As a result, MS Fashion TST entered into a tenancy agreement with Tak Hing Medicine Limited ("Tak Hing") on 14 March 2011 for a term of two years commencing from 1 January 2011 in respect of the shop and sublet the shop to Tak Hing.

3. Saleable area

4. Gross floor area

5. Excel Win Limited, an indirect wholly-owned company of Mr. Yiu, entered into a sale and purchase agreement with a landlord on 17 November 2010 under which Excel Win Limited agrees to purchase and the landlord agrees to sell six shops (including shops F-H) located at G/F, South Sea Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.

6. MS PRC (HK) entered into a lease contract on 12 November 2010 with a landlord in respect of a shop located at Room 103, North Wing, Shanghai Exhibition Center Commercial Building, No. 1333 Nanjing West Road, Jingan District, Shanghai (the "SH Shop") with a fixed term of five years commencing on 1 December 2010. MS PRC (HK) is in the process of setting up a wholly foreign owned enterprise to run the SH Shop and as at the Latest Practicable Date, the wholly foreign owned enterprise has not been set up.

7. MS PRC (HK) entered into a tenancy agreement on 7 April 2011 with a landlord in respect of a shop located at Left Portion of Ground Floor, No.3-3, Backalley of Yulin West Street, Wuhou District, Chengdu City, Sichuan Province, the PRC (the "CD Shop") and entered into a Contract for Transfer of Lease Rights of Retail Shop (商鋪租賃權轉讓合同) (the "Transfer Contract") on 7 April 2011 with an Independent Third Party (the "Original Lessee") who was a lessee of the CD Shop. Pursuant to the tenancy agreement and the Transfer Contract, the Original Lessee has agreed to vacate the property and the MS PRC (HK) will continue to lease the property in place of the Original Lessee with the same tenure of four years commencing on 17 June 2008 and rentals since the date of the Transfer Contract. MS PRC (HK) is in the process of setting up a wholly foreign owned enterprise to run the CD Shop and as at the Latest Practicable Date, the wholly foreign owned enterprise has not been set up.

8. The Group is in the course of negotiation with landlord regarding the renewal of tenancy agreement.

9. These retail shops are operated under two separate tenancy agreements.

10. The Group did not pay the turnover rent at 5% to the landlord during the Track Record Period because the monthly turnover rent at 5% during the Track Record Period was lower than the monthly basic rent.

11. The Group paid turnover rent at 5% to the landlord of HK$66,612.9, HK$80,084.0, HK$77,225.0, HK$76,548.5, HK$89,611.0, HK$90,944.0, HK$85,804.0, HK$95,087.5, HK$86,155.5, HK$97,357.0 and HK$96,063.7 in May and October 2008, July, November and December 2009, January to April, October and December 2010 respectively. Save as the aforementioned months, the Group paid the monthly basic rent for the remaining months during the Track Record Period because the relevant turnover rent at 5% for each of the aforesaid months was lower than the monthly basic rent during the Track Record Period.

The following table shows the number (and the proportion out of the total number) of shops of the Group with rental payment (containing or not containing turnover rent component):—

	Rental payment with turnover rent component	Rental payment without turnover rent component
Number (and the proportion out of the total number) of shops	3 (21.4%)	11 (78.6%)

Properties leased by the Group

The Group's operation is carried out on leased premises and have entered into lease agreements with tenure ranging from one year to five years. Further details of the terms of the leases are set out in Appendix III to this prospectus.

The retail shops are leased from Independent Third Parties at market rates except for the two retail shops located at Percival Street, Causeway Bay, Hong Kong and Chatham Road South, Tsim Sha Tsui, Hong Kong, which are leased from companies owned by Mr. Yiu. Details of the aforementioned leases are set out in the section headed "Connected Transactions" to this prospectus.

The Group has adopted a policy in managing the tenancy agreements of the Group's shops. The managing director will be responsible for negotiating with the landlords in relation to the renewal of the existing tenancy agreements three to six months before their respective expiry dates. The managing director will at the same time search for new locations as substitutes. In case renewal of the existing tenancy agreements cannot be secured two months before their respective expiry dates, the Group will consider relocating their shops to other suitable locations.

The following table shows a breakdown of the Group's revenue and the approximate percentage of the total revenue of the Group for each geographical locations for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
Locations	**2008**		**2009**		**2010**	
	HK$' million	**(%)**	**HK$' million**	**(%)**	**HK$' million**	**(%)**
Hong Kong						
Causeway Bay	205.4	40.1	236.6	38.7	265.2	36.3
Tsim Sha Tsui	99.0	19.4	134.5	22.0	168.0	23.0
Central	58.1	11.4	75.0	12.3	102.7	14.1
Mongkok	37.0	7.2	48.1	7.9	62.9	8.6
Others	56.6	11.0	61.3	10.0	46.6	6.4
	456.1	89.1	555.5	90.9	645.4	88.4
The PRC						
Beijing	2.5	0.5	22.6	3.7	46.0	6.3
Macau	29.7	5.8	33.2	5.4	38.9	5.3
Taiwan *(Note)*	23.7	4.6	—	—	—	—
Total	512.0	100.0	611.3	100.0	730.3	100.0

Note: On 31 October 2008, MS HK sold the entire issued share capital of Fortune Sincere to World Top.

Rental expenses of the Group is one of the principal components of the Group's selling expenses. For the breakdown of the Group's rental expenses and average rental per sq.ft. for retail shops of the Group for each of the geographical locations and the analysis of the Group's rental expenses for each of three years ended 31 December 2008, 2009 and 2010, please refer to the paragraph headed "Selling expenses" under the section headed "Financial Information".

Failing of registration and obtaining mortgagee consents

There is one tenancy in respect of the Group's leased properties located at Chungking Mansion, Hong Kong, which is registrable and registration formalities have not yet been completed. The relevant lease agreement has been lodged to the Land Registry for registration and it is still pending the Land Registry's processing and completion of registration procedure.

The supplemental tenancy of Chungking Mansion, Hong Kong was tendered for registration on 28 February 2011. However, based on the land search results, it is understood that the head lease of the relevant tenancy has not been registered as at the Latest Practicable Date and therefore, it is not anticipated that the sub-tenancy will succeed in being registered.

The leased property located at Chungking Mansion, Hong Kong is used by the Group as its retail shop. For the year ended 31 December 2010, the revenue generated by the retail shops located at Chungking Mansion, Hong Kong was HK$18.8 million and accounted for approximately 2.6% of the total revenue of the Group.

As at the Latest Practicable Date, the Group has not received any notification from the Land Registry that tenancy for Chungking Mansion, Hong Kong will be prevented from successful registration. Nevertheless, it is unlikely that it will succeed in registration since as at the Latest Practicable Date, the head lease for Chungking Mansion, Hong Kong has not been registered.

There is a tenancy in respect of one retail shop of the Group located at Percival House, Hong Kong which is subject to mortgage and mortgagee consent has not been obtained. For the year ended 31 December 2010, the revenue generated by the retail shop located at Percival House, Hong Kong was HK$138.4 million, which accounted for approximately 18.9% of the total revenue of the Group.

The Directors also consider that it is unlikely that the relevant members of the Group would be asked to vacate the properties by reason of absence of written consent being granted by the mortgagee. This is because the relevant assignment of rentals of the property for these properties, have already been registered at the Land Registry in favour of the relevant mortgagee as an additional security to the relevant mortgagee allowing the relevant mortgagee to collect the rents from the relevant tenant in case the relevant landlord defaults in payment of the loan. The assignment of rentals for the shop at Percival House, Hong Kong was registered on 5 August 2009. The assignment of rentals was executed by reason of providing additional security to and at the request of the relevant mortgagees. As such, by agreeing to be the ultimate recipient of the rental proceeds under the assignment of rentals, the mortgagee acknowledges its rights and interests under the tenancy. Therefore, it would be unjust for the mortgagee to not recognize the relevant tenancy on the one hand but to be willing to receive such proceeds on the other. Therefore, in the event that the mortgagee chooses to challenge the validity of the tenancy it would be unlikely that the mortgagee would succeed in doing so. Moreover, the retail shop of the Group located at Percival House Hong Kong is currently occupying shops E, F and K on ground floor of Percival House, therefore, even if the Group is required to vacate shop K due to lack of mortgagee consents, the Group can merely reduce the total size of the Percival House retail shop and continue its business in shops E and F. Accordingly, the Directors do not consider that will have material adverse impact to the operation and business of the Group.

The above mentioned failing of registration and obtaining mortgagee consent may result in the sub-tenancy/tenancy being unenforceable against third parties and the Group to vacate the relevant leased properties forthwith, which is estimated to incur additional costs of around HK$804,000 in relocating the retail shops to other suitable locations. The Directors consider and the Sole Sponsor concurs that business operation and financial performance of the Group may be affected if the relevant members of the Group is required to vacate the relevant leased properties and relocate the retail shops and/or warehouse due to failing of registration and/or lack of mortgagee consent. Nevertheless, the Directors consider and the Sole Sponsor concurs that it will not have material adverse impact on the financial performance of the Group as the total sum of relocation costs are not material compared to the total revenue of the Group for the year ended 31 December 2010 and the Directors, by reference to their previous experience, consider that it is not very difficult to find other properties in similar locations for leasing purpose to relocate its retail shops and the Group is able to reduce the total size of the Percival House retail shop and continue its business in its existing location.

Shop operation

The Group adopted a set of internal control guidelines for its operation, which covers different aspects for shop operation, including purchasing procedures, products examination, inventory management and cash management for its retail shops in Hong Kong, the PRC and Macau.

The managing director is responsible for the management of the Group's retail shops. Each retail shop has at least one shop manager or supervisor who is principally responsible for the operation of such retail shop under the supervision of a district manager. Each district manager is responsible for supervising a number of retail shops in different districts and all of them are required to report to the managing director. The number of frontline staff at each retail shop varies from three to 12 depending on the size and location of such retail shop. As at the Latest Practicable Date, the Group had 106 frontline staff in total. Each of the shop managers is required to submit a daily report to the senior management and accounting department in respect of the sales amount and cash receipt of the day. According to the Group's policy, only sales transactions effected on the same day can be voided.

Staff training

The Group engages independent training and consulting company to provide training courses and consultation services. The training courses aim to align the customer service and selling technique of new joiners to the Group, which include lecture, group discussion, role play, exercise and case study. These training courses will be arranged at least once per year. Assessment report on the service quality of frontline staff will be provided by the consulting company to assist the Group to monitor the performance of its staff. Service quality issues will also be stated on the monthly report submitted by the retail shops to the relevant district manager.

The Group also organises in-house training sessions to those senior sales recommended by the shop managers and district managers in order to educate them on product knowledge and the techniques to distinguish unused products from second-hand products and genuine products from counterfeit products and the skill and procedures of checking the specific features (including anti-counterfeit features) of the products as set out in the guidelines. These training sessions are arranged when necessary after receipt of recommendation from shop managers and district managers. Such senior sales will be trained to identify the anti-counterfeit features on handles, linings, buckles and zippers and the serial numbers imprinted on the products. These in-house training sessions are given by the chief marketing officer and district managers. The chief marketing officer has acquired the relevant knowledge and techniques through his experience working with international fashion houses for over two years and with the Group for around ten years and the district managers have acquired their knowledge and techniques mainly through their experience in examining luxury branded products after joining the Group. From time to time, those frontline staff recommended by the shop managers and district managers will attend these training sessions. The Group will require its staff who have attended such training sessions to complete written tests so as to assess their knowledge and techniques for product examination. Only those staff who pass the written tests are designated to perform product examination in the Group's retail shops.

In dealing with legal risks including infringement of the intellectual property rights of the third parties and infringement of trademark laws, the Group will organise in-house training concerning the daily operation of the retail shops including the compliance of the internal control guidelines and trademark laws for all the staff of the Group at least once a year. The training contents on the compliance of internal guidelines include the internal control measures implemented by the Group. For details of such measures, please refer to the paragraph headed "Internal control measures relating to the operation of the Group" below. The training content on the trademark laws of Hong Kong, the PRC and Macau will cover the issues as to the definition of trademark and the situations under which the trademark should or should not be used pursuant to the laws of these jurisdictions.

The frontline staff are encouraged to participate in other job-related training courses, for instance, they are also given opportunities to attend Putonghua language courses so that they can serve and communicate effectively with the Group's Putonghua-speaking customers.

Security system

The losses incurred by the Group due to shoplifting were HK$75,000, HK$209,000 and HK$150,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively. In order to prevent shoplifting, the Group engages independent service company to provide security system for the retail shops of the Group. The independent service company supplies an electronic article surveillance system for the Group's retail shops. Surveillance cameras are installed in each of the retail shops to monitor the activities inside the retail shops (in particular, activities around cashier counters) and uniform security guards are arranged in some of the retail shops (including shops in Causeway Bay, Hong Kong and Tsim Sha Tsui, Hong Kong) to ensure security.

Complaint handling procedures

The Group has implemented complaint handling procedures. All of the complaints received by the Group will be recorded by its human resources department and will be passed on to the district managers, the relevant department head and/or the shop manager for their investigation. The relevant shop manager is required to provide a written investigation report setting out the details of the incident to the responsible district manager. The district manager or the relevant department head of the Group will then contact the customer to follow up on the complaints.

The district manager is also required to comment on the investigation report and make recommendation for any necessary actions that should be taken by the Group. The investigation report will be submitted to the complaint handling committee that comprise members of managing director, district managers and the head of the human resources department for their adjudication. The Group will then take the necessary actions pursuant to the investigation report.

During the Track Record Period, less than five complaints were received by the Group in which the customers were unsatisfied about the service attitude of the frontline staff and the product prices charged by the retail shops of the Group.

PRICING STRATEGY

The Group adopted a set of guidelines for trade-in prices and retail prices to control and monitor the costs and the retail prices of the Group's products. Each of the staff is required to abide by the pricing guidelines. The guidelines are set by the chief marketing officer and will be reviewed and made available to each retail shop on a weekly basis. The guidelines are set out with regard to numerous considerations including:

- brand and style of each product;
- market price of each product;
- the latest market trends;
- the popularity and demand of each product;
- the inventory level of each product; and
- the sales record of each product.

The trade-in prices and retail prices for the Group's retail shops in the PRC and Macau may be adjusted by the general manager for the PRC region and chief marketing officer respectively according to the local market price in the PRC and Macau taking into account of the exchange rates and the tax payable in the PRC. For details of the tax payable by the Group in the PRC, please refer to the paragraph headed "The PRC laws and regulations" under the section headed "Regulations" in this prospectus. The Directors confirm that as the value added tax for second-hand products is 2% while the value added tax for unused products is 17% in the PRC, it is the business strategy of the Group to focus on selling second-hand products. The Group has no intention of selling unused products in the PRC after Listing.

Trade-in prices

Actual trade-in prices are normally determined by the shop managers or supervisors after examination of the trade-in products at the retail shops. For bulk purchases from major suppliers, the trade-in prices will be determined by the chief marketing officer of the Group. The trade-in prices are determined based on the overall condition, the market price and demand of the products and shall fall within the allowable price ranges set out in the pricing guidelines subject to maximum amounts. Prior approval from the district managers or the chief marketing officer shall be obtained for any trade-in price over such maximum amount.

The Group adopted several internal control measures in order to prevent collusion or manipulation of the purchase price by its staff for the benefit of his/her related parties, friends, staff or traders, or embezzling cash by reporting a higher than actual purchase price while retaining the difference. The measures include requiring at least two designated staff of the Group to inspect the product offered by a supplier at the Group's retail shops and both designated staff are required to sign on the purchase invoice of such product which will then be kept by the Group for record purposes. This procedure is taken to ensure that no single staff is able to manipulate the purchase by himself/herself only.

The Group also implements daily reconciliation of the purchases and the actual cash payments and such daily reports shall be sent to the Group's accounting department for checking at the close of business. It is also the policy of the Group that its accounting department shall review the daily report submitted by each retail shop to identify all sales transactions the gross profit margin of which are below ten per cent. and ensure that reasons for such low profit margin are stated on the relevant sales invoice. For further details of the measures, please refer to paragraph headed "Measures taken by the Group to prevent embezzlement and collusion" under the subsection headed "Internal control measures relating to the operation of the Group" in this section.

The Directors consider that the aforesaid measures are effective to prevent any manipulating of the purchase price by its staff. Moreover, it is clearly stated in the employee handbook that all the staff of the Group are prohibited to accept any bribery from any other person. Further, the Directors confirm that, up to the Latest Practicable Date, the Group has not experienced any collusion among its staff at shop or encountered any loss arising from cash embezzlement.

Retail prices

The retail prices are also determined based on the overall condition of the products within the allowed price ranges set out in the pricing guidelines. Except for the "popular items", the retail prices of the Group's products are generally lower than the relevant market prices of brand new products offered by boutiques or retail shops of international fashion houses. "Popular items" may include limited edition luxury branded products and products that are shortage in supply in open market or are not readily obtainable from the boutiques or retail shops of the international fashion houses, which may be sold at premium prices compared to the market prices of brand new products offered by boutiques or retail shops of international fashion houses.

Shop managers and supervisors are authorized to offer sales discounts to customers at their own discretion in accordance with the allowed price ranges set out in the pricing guidelines and provided that the final retail price of a product will not result in the gross profit margin of such product falling below ten per cent., otherwise, the relevant shop manager or supervisor shall explain the reasons to justify such a low retail price. In order to monitor and control the sales discounts offered to the customers, it is the policy of the Group that its accounting department shall review the daily reports submitted by each retail shop to identify the sales transactions the gross profit of which are below ten per cent. The district managers will check with the relevant retail shops in respect of their reasons stated on the relevant sales invoices justifying such low gross profit margin and every month, such sales transactions will be reviewed by the managing director, the chief financial officer and the internal auditor of the Group. As confirmed by the Directors, there has not been any occurrence of any incidence in relation to price manipulation during the Track Record Period and in case there is any incidence of price manipulation being identified, the Group will consider taking legal actions against the relevant employees. In order to facilitate selling activities, the Group participated in joint promotion programs organised by a variety of banks, shopping mall, hotels and karaoke outlets to offer special discounts or special prices for selected items to the credit card holders and customers.

In light of the above, the Directors believe that the Group has effective control over the trade-in prices and the retail prices of its products by using the pricing guidelines and is able to increase its retail prices if there is any increase in the trade-in prices. Accordingly, the Directors are of the view that the Group has been able to pass on the increased costs to its customers during the Track Record Period.

SUPPLIERS

There are two main channels for the Group to source its products. One is from public consumers who sold their unused or second-hand products to the Group. The other channel is from local or overseas traders who, to the best knowledge of the Directors, directly purchase the products from either overseas or local boutiques or retail shops of international fashion houses or other dealers and then sell such products as unused products to the Group in Hong Kong. In most cases, as advised by the Directors, it was the traders who approach the Group for supplying their products to the Group by way of attending to the Group's retail shops or through making telephone or email enquiries. While some of the traders were introduced to the Group through business connection of the management.

The Group's five largest transactions with the suppliers accounted for less than 2.2% of the total purchase of the Group for each of the three years ended 31 December 2008, 2009 and 2010. Since the implementation of the trader registration policy by the Group in 2009, the Group started to record the purchase amount from local or overseas traders. For details relating to the trader registration policy, please refer to the paragraph headed "Purchasing procedures" under the subsection headed "Purchasing and product examination" in this section. To the best knowledge of the Directors, during the Track Record Period, the five largest suppliers of the Group mainly engaged in the sale of luxury branded products business and sourced products from overseas but they did not carry on retail business or otherwise in competition with the business of the Group. They were willing to sell their products to the Group because of the reputation of the Group and the purchase price offered by the Group. The five largest suppliers supply the luxury branded handbags and small leather products to the Group during the Track Record Period and they accounted for less than 14.3% and 12.2% of the total purchase of the Group for the period from 1 February 2009 to 31 December 2009 and year ended 31 December 2010 respectively.

So far as is known to the Directors, none of the Directors, their associates, or any of the Shareholders (who to the knowledge of the Directors own more than 5% of the share capital of the Company) immediately following completion of the Global Offering had any interests in any of the Group's five largest suppliers since the implementation of the trader registration policy.

The Group has not entered into any long-term contract with any supplier during the Track Record Period. The Directors consider the handbags are fast-moving fashion items and may become obsolete within a short period of time. In line with the industry practice, the Group did not and does not intend to enter into any long term supply agreements with its suppliers to specify the products it intends to purchase, so as to minimize its cash outlays and the risk of obsolesce of its inventories

In order to enable the Group to have a steady supply of products, the Group will:

1. encourage the existing members of loyalty membership scheme and the general public to supply their products by increasing the purchase price or conducting other marketing and promotion activities. Any person including existing and potential customers and suppliers can register as a member of the loyalty membership scheme no matter whether he or she has had any transaction with the Group. As at the Latest Practicable Date, there were about 8,500 registered members under the loyalty membership scheme and all of the registered traders are registered members;

2. engage new traders by increasing the purchase prices of such products, if necessary. As at the Latest Practicable Date, 66 traders have been registered under the trader registration policy and the Group has been approached by more than ten potential suppliers for developing a business relationship with the Group, who have approached the Group through emails or phone calls from time to time seeking to supply more than two unused products to the Group;

3. broaden its product portfolio by sourcing more variety of international brands and products;

4. alliance with other overseas second-hand products retailers to expand its network of suppliers; and

5. formulate additional marketing activities to reach a wider base of suppliers such as developing smartphone applications.

The Group's total revenue was mainly generated from the sale of products sourced from the public consumers during the Track Record Period. The following table shows the breakdown of total revenue generated from the sales of (i) all products; (ii) the unused products of the Group; and (iii) the premium priced handbag products of over HK$50,000 which sourced from the traders and public consumers for the period from 1 February 2009, being the first month to implement the trader registration policy, to 31 December 2009 and for the year ended 31 December 2010:

	Period from 1 February 2009 to 31 December 2009 *(Note)*		**Year ended 31 December 2010**	
	HK$' million	*%*	*HK$' million*	*%*
For all products				
Traders	69.4	12.2	103.8	14.2
Public consumers	498.5	87.8	626.5	85.8
Total	567.9	100.0	730.3	100.0
For unused products				
Traders	47.6	21.7	82.6	24.3
Public consumers	172.1	78.3	257.0	75.7
Total	219.7	100.0	339.6	100.0
For premium priced handbag products of over HK$50,000				
Traders	29.6	13.0	45.4	14.4
Public consumers	198.7	87.0	270.1	85.6
Total	228.3	100.0	315.5	100.0

Note: The trader registration policy of the Group was launched in February 2009 and therefore, there was no record of revenue generated from the products sourced from the traders before February 2009.

Most of the products of the Group, including the premium priced handbag products of over HK$50,000 and the unused products, were sourced from the public consumers. The following table shows the breakdown of the total cost of sales of (i) all products; (ii) the unused products purchased by the Group; and (iii) the premium priced handbag products of over HK$50,000 which sourced from the traders and the public consumers for the period from 1 February 2009, being the first month to implement the trader registration policy, to 31 December 2009 and for the year ended 31 December 2010:

	Period from 1 February 2009 to 31 December 2009 *(Note 1)*		**Year ended 31 December 2010**	
	HK$' million	*%*	*HK$' million*	*%*
For all products				
Traders	57.4	13.2	84.4	15.2
Public consumers	376.4	86.8	469.2	84.8
Total *(Note 2)*	433.8	100.0	553.6	100.0
For unused products				
Traders	39.0	20.4	66.7	24.0
Public consumers	152.2	79.6	210.8	76.0
Total *(Note 2)*	191.2	100.0	277.5	100.0
For premium priced handbag products of over HK$50,000				
Traders	26.0	13.2	37.2	14.4
Public consumers	171.3	86.8	220.5	85.6
Total *(Note 2)*	197.3	100.0	257.7	100.0

Notes:

1. The trader registration policy of the Group was launched in February 2009 and therefore, there was no record of revenue generated from the products sourced from the traders before February 2009.

2. The total cost of sales does not include the provision for slow-moving inventories, inventories written off and other costs.

The Group has 45, 60 and 66 registered traders as at the years ended 31 December 2009 and 2010 and the Latest Practicable Date respectively. The traders are natural persons and trading companies who supply products to the Group and, to the best knowledge of the Directors, all of the traders engaged by the Group during the Track Record Period are Independent Third Parties. The top five suppliers of the Group were different for each year of the Track Record Period and such suppliers include both natural persons and trading companies. There are a total of seven different top five suppliers for the Track Record Period. Among them, all of the four natural person suppliers and the three corporate suppliers have more than two years business relationship with the Group as at the Latest Practicable Date.

Since November 2010, all of the traders engaged by the Group are required to provide written confirmation to the Group confirming that the products they sold to the Group are genuine and are obtained legally. Save and except for some largest traders of the Group, the Group has only recorded business relationship with the traders starting from the implementation of the trader registration policy in February 2009. Prior to February 2009, the Group did not have any trader registration policy. The Group adopted the same purchasing procedures towards the traders (except for a few largest traders who supplied their products directly to the central warehouse of the Group) and public consumers prior to the trader registration policy in February 2009. During the Track Record Period, the transactions between the Group and the traders were mainly settled by cash and for the bulk purchase of products, the Group would also settle the transactions by cheques.

As confirmed by the Directors, the Group does sometimes make informal enquiries with the traders about the latest supply market and tell them the types and/or style of luxury branded handbags that the Group is interested in sourcing. However, the Group does not make any formal orders to the traders and did not enter into any agreement with the traders because the Group considers that such arrangement and agreement will affect the flexibility and bargaining power of the Group to choose its purchasing items. Moreover, the Group does not directly engage its staff to purchase the products in Europe because the Directors noted that those traders have better networking in Europe and they usually source various luxury branded items (including items that are not purchased and sold by the Group) in bulk purchase so that they are able to bargain for a more favourable price and therefore the Directors consider that it would be in the interest of the Group and its Shareholders as a whole to purchase the items from those traders instead of incurring costs to engage its own staff to purchase items directly in Europe.

In addition to the traders and the public consumers, the Group also purchases second-hand luxury branded handbags or apparel products from Yes Lady, a company which is principally engaged in money lending. When Yes Lady advances a loan to a borrower, the borrower sometimes would deposit luxury branded handbags or apparel products with Yes Lady as security for the loan. If the borrower defaults in repayment of monies due in accordance with the loan documentation, Yes Lady will take possession of the luxury branded handbags or apparel products and sell the same to the Group. For details of such arrangement please refer to the paragraph headed "Purchase of second-hand luxury branded handbags or apparel products from Yes Lady" under the section headed "Connected Transactions" in this prospectus. The approximate percentage of the total amount of the products purchased by the Group from Yes Lady to the total purchase of the Group was nil, 0.0014% and 0.0447% for each of the three years ended 31 December 2008, 2009 and 2010 respectively.

Since January 2011, all staff who wish to supply products to the Group, should fill in an application form and submit the same to the chief marketing officer or the district managers for approval before the Group will process such transaction. As at the Latest Practicable Date, the Group has received four applications from its staff for supplying products to the Group and the total amount of the purchase costs of the Group was approximately HK$40,000. Prior to the implementation of this policy, the Group does not have any record about the amount of purchases of second-hand or unused products purchased from its staff.

Prepayment arrangement with Rainbow Grace Limited

During the Track Record Period, the sole director and shareholder of Rainbow Grace Limited, the largest supplier of the Group, was a former employee of the Group from January 2002 to August 2008 and his last position with the Group was a shop manager. The Group commenced to have transactions with Rainbow Grace Limited only after the owner of Rainbow Grace Limited ceased to be an employee of the Group. The sole director and shareholder of Rainbow Grace Limited is an Independent Third Party.

There was a prepayment arrangement reached between the Group and Rainbow Grace Limited which commenced in around October 2008. No written supply agreement has been signed by the Group and Rainbow Grace Limited. Pursuant to the arrangement, MS HK would usually pay Rainbow Grace Limited in advance (each time not exceeding HK$3 million) in return for a supply of luxury branded handbags requested by the Group in Europe. The prepayment was usually made by cheque immediately before Rainbow Grace Limited sent its personnel to Europe to purchase goods, after obtaining oral approval from the chairman followed by the written approval from chief financial officer and the chief marketing officer of the Group. The Group did not request for collaterals, and in return the Group was at a liberty to select only the products that it wants upon the personnel's return and to negotiate the settlement sum only then. If there is surplus cash after settlement with Rainbow Grace Limited, Rainbow Grace Limited will refund the surplus cash to the Group and if the prepayment is insufficient for settlement, the Group will pay the deficient amount to Rainbow Grace Limited by cheque. The Group's total amount of purchase from Rainbow Grace Limited for the year ended 31 December 2008 was approximately HK$3.9 million, or 1.0% of the Group's total purchase; for the year ended 31 December 2009 was approximately HK$30.4 million, or 6.2% of the Group's total purchase; for the year ended 31 December 2010 was approximately HK$39.3 million, or 6.8% of the Group's total purchase.

The Directors are of the view that although the prepayment arrangement with Rainbow Grace Limited was not on normal commercial terms, it was in the interest of the Group by having such prepayment arrangement in 2008, as the Group could establish better relationship with Rainbow Grace Limited and could have greater say in the types of luxury items to be sourced from Europe and as to the prices of such items. Since the owner of Rainbow Grace Limited was a former shop manager of France Station, and accordingly, he is more sensitive to the wants and tastes of the Group's clientele and the Directors consider that having a better relationship with Rainbow Grace Limited is beneficial to the business of the Group. However, after around two years of trading and considering the advice given by the Sole Sponsor, the Directors considered that a relatively good and stable relationship with Rainbow Grace Limited has been established and although no loss has ever been suffered by the Group due to such prepayment arrangement, in order to minimize the credit risk and have a better internal control, the Directors confirmed that the Group has terminated such prepayment arrangement in August 2010. Even though the prepayment arrangement with Rainbow Grace Limited has been terminated in August 2010, Rainbow Grace Limited continued to supply handbag products to the Group without prepayment arrangement as at the Latest Practicable Date and will do so after Listing and, as confirmed by the Directors, the settlement terms for the products sourced from Rainbow Grace Limited are same as the terms for products sourced from the other traders of the Group.

Legal risks in engaging traders

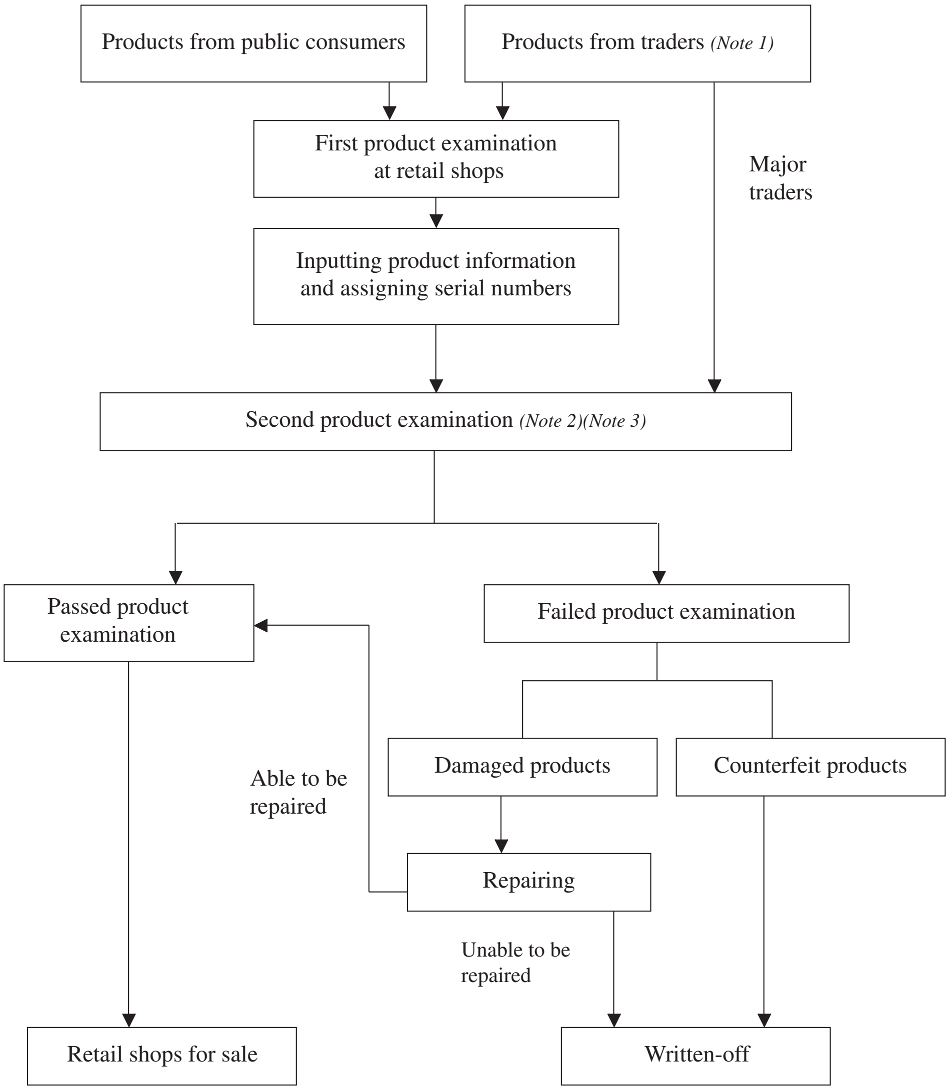
As advised by the Hong Kong Legal Counsel, the legal risk of being challenged by brand owners or their authorised dealers is not materially increased by the fact that a trader is actively directed by the Group to purchase products outside Hong Kong for resale in Hong Kong.

As has been seen, no legal liability attaches in respect of registered trademark infringement to parallel importation of genuine luxury branded products into Hong Kong unless the condition of the goods has been changed or impaired after they have been put on the market, and the use of the registered trademark in relation to those goods is detrimental to the distinctive character or repute of the trademark. Based on the Directors' confirmation that no such change or impairment takes place, no question of liability arises. The fact that the goods are brought in from another country at the Group's direction does not alter this conclusion.

On the other hand, liability for copyright infringement depends on proof that the Group knows or has reason to believe that the goods are infringing copies. If the Group specifically orders a product to be brought in from another country, it must necessarily know that it is a parallel import. But this does not mean that the Group knows or has reason to believe that the product is an "infringing copy". In addition, as advised by the Hong Kong Legal Counsel, there are some uncertainties as to the meaning of "infringing copies" and it is unclear to what extent it covers parallel imports. Thus, the Hong Kong Legal Counsel is of the view that the knowledge that the product was imported at the Group's direction would merely confirm what it already knows and would not materially increase the risk of infringement.

PURCHASING AND PRODUCT EXAMINATION

The following diagram illustrates the procedures for purchasing and product examination:



Notes:

1. The retail shops of the Group in the PRC will only purchase second-hand handbags from public consumers and not purchase unused products from traders.

2. For products that are delivered by traders to central warehouse directly, the staff at central warehouse will enter the information of such products to the EPOS system and such products will be assigned a serial number that will be imprinted on the bar code tag to be attached to the products.

3. The procedures for the second product examination at central warehouse are not applicable to the products purchased by the Group at its retail shops in the PRC and Macau. For details of the second product examination performed in the PRC and Macau, please refer to the paragraph headed "The second product examination" under this section.

Purchasing procedures

Purchasing from public consumers and traders

The Group purchases products from two main sources, namely the public consumers and the traders. The retail shops of the Group in the PRC will only purchase second-hand handbags from public consumers in the PRC and not purchase unused products from the traders. Moreover, the retail shops of the Group in Hong Kong and Macau will not supply products to the retail shops in the PRC. Each of the retail shops of the Group in Hong Kong, the PRC and Macau has a shop manager or supervisor who will monitor the whole purchasing procedures and most of the staff of the Group have received trainings about the purchasing procedures and how to differentiate second-hand and unused products (e.g. by examining the colour, buckles, material, seams, handles, original packaging and price tags).

1. Obtaining information from suppliers

Before the Group purchases any product from suppliers, commencing from January 2010, the Group has requested its staff of the retail shops in Hong Kong, the PRC and Macau to ask all suppliers to provide (i) the original receipts of the relevant products; (ii) the first four digits of the identification card number (except for the supplier in the PRC who is required to provide a complete copy of the identification card) of the relevant individual supplier; and (iii) the contact details of the relevant supplier to the staff for record. These information could be used by the Group to show that the Group is a bona fide purchaser of such goods for value without notice and did not knowingly acquire such illegal goods. Once proven to be innocent, the Group will be free from any criminal or civil liabilities in the PRC and may be able to claim for compensation against the respective suppliers involved in the transaction in Macau.

In respect of the Group's operation in the PRC, pursuant to the relevant laws of the PRC, the Group will refuse to accept any products from the suppliers in the PRC if the suppliers could not provide the aforesaid information (ii) and (iii) to the Group. In respect of the Group's operation in Hong Kong and Macau, commencing from March 2011, the Group will also refuse to accept any products from the suppliers in Hong Kong and Macau if the suppliers could not provide the aforesaid information (ii) and (iii). However, the Group will not insist on requiring the suppliers to provide the original receipts of the relevant products since according to the experience of the Group, the suppliers may not keep the original receipts and will be unable to provide such document to the Group when selling the products to the Group. In response to this deficiency, the Group has adopted other measures for its purchasing procedures. For details of such measures, please refer to the internal control measures No. 9 in the paragraph headed "Internal control measures relating to the operation of the Group" below.

2. Trader registration policy

Any person or company who intends to offer for sale of more than two items of their unused products to the Group will be regarded by the Group as a trader since February 2009. In the event that any designated staff of the Group who is responsible for purchasing products finds out that any supplier offers more than twice in one day or offers more than three times for every seven days, such frontline staff will ask such supplier to complete the trader registration form so as to be registered as a trader. Each of the traders is required to complete a trader registration form prescribed by the Group under the internal control guidelines and provide their identification information and documents to the Group. Since the retail shops of the Group in the PRC will only purchase second-hand handbags from public consumers in the PRC, the Group does not have any traders in the PRC.

It is the policy of the Group that approval from any four members of the special committee which comprises (i) the senior management (i.e. the chairman and chief executive officer, managing director, chief financial officer, chief marketing officer and district managers) and (ii) one of the members of the internal audit team is required prior to the first transaction with a trader. The special committee will take into account of the following factors in assessing an application for becoming a trader of the Group:

(i) the quality and the style of the products offered by the relevant applicant and whether such products are fit to be sold in the retail shops of the Group; and

(ii) the price offered by the relevant applicant.

For corporate traders, they are required to provide to the Group the identification cards/passports of their authorised representatives and their business registration certificates for verification. If necessary, the Group will conduct company search in respect of the corporate traders. For natural person traders, they are required to provide to the Group their identification cards/passports for verification.

As at the Latest Practicable Date, the Group had 66 registered traders in total, all of which sell their unused products to the Group in Hong Kong only.

3. Suppliers confirmation

Confirmation for all suppliers

Commencing from March 2011, the Group requires all of its suppliers to sign on the invoice of the Group which will be imprinted with a confirmation statement stating that the products supplied by the supplier are genuine and are obtained legally and the staff of the retail shops will verbally explain the content of such confirmation statement to the suppliers. All invoices will be kept by the Group for record.

Confirmation for all traders

Commencing from November 2010, each of the registered traders is required to sign a confirmation once only prior to their first transaction with the Group to confirm that, among other matters, the products such trader sold to the Group (i) are obtained legally; (ii) are not tampered with, such as by removing certain bar code or obliterating the original labels; and (iii) to their knowledge and belief, are not infringing copy of any work, and that such trader does not have any contractual arrangement with the trademark owners in relation to the products sold to the Group for restricting such trader from reselling such products into the Hong Kong market and/or markets that the Group is carrying on its business.

Based on the advice of the Hong Kong Legal Counsel, as the furnishing of confirmation letters by the traders prior to their first transaction with the Group is one of the many safeguards taken by the Group against the risk of such traders selling counterfeit products, and taking into consideration of the various other precautionary measures of the Group, the Directors are of the view that it is unnecessary to request its traders to sign other similar confirmation for each single transaction or make any annual declaration as it is considered that the concept of "all reasonable precautions" under section 26(1) of the Trade Descriptions Ordinance does not impose such a requirement and the standard terms of the confirmation letter are stated to apply to all goods sold and to be sold by the particular trader to the Group.

Purchasing from Yes Lady

In addition to the traders and the public consumers, the Group also purchases used luxury branded handbags or apparel products from Yes Lady. The product examination procedure for products sourced from Yes Lady is the same as those sourced from the public consumers in Hong Kong. Yes Lady is a company incorporated in Hong Kong on 10 March 2009. For details of the transactions entered into between Yes Lady and the Group, please refer to the paragraph headed "Purchase of second-hand luxury-branded handbags or apparel products from Yes Lady" under the section headed "Connected Transactions" of this prospectus.

Confirmation for Yes Lady

Although Yes Lady is a connected person, it has its own decision-making body, working staff and independent internal control system, the Group is not in a position and is unable to ensure whether Yes Lady has implemented a complete and adequate internal control system to prevent the sale of stolen goods to the Group. However, same as the other suppliers, the Group will require Yes Lady to sign on the invoice of the Group which will be imprinted with a confirmation statement stating that the products supplied by Yes Lady are genuine and are obtained legally. The Group has also required the responsible staff of the Group to highlight such confirmation statements to Yes Lady verbally since March 2011. All invoices will be sent to and kept by the accounting department for record keeping purpose. Moreover, the Group has already obtained warranties from Yes Lady so that if the Group is civilly liable for an action of tort of conversion and suffers any damages, the Group should be entitled to be indemnified by Yes Lady. Accordingly, the Directors are of the view that the Group's position is, to a larger extent, protected. Further, the amount of products purchased from Yes Lady is relatively small compared to the other suppliers and as confirmed by the Directors, the Group has not received any counterfeit products or stolen goods from Yes Lady in the past. In light of the aforesaid circumstances, the Directors consider that the risk that the Group may suffer any damages due to any illegal products provided by Yes Lady is not high.

Product examination

The Group implements a set of procedures to (i) distinguish whether the products supplied by its suppliers are unused or second-hand products; and (ii) prevent the Group from purchasing counterfeit products from its suppliers in order to ensure the products sold and distributed through the Group's retail shops are genuine and authentic products. The Group prepares a set of product examination guidelines setting out the specific features of most international luxury brands that the Group carries. The guidelines are set based on the experience of the executive Directors and the chief marketing officer of the Group, most of them have joined the Group for around ten years. The executive Directors have acquired the relevant experience in examining the specific features of international luxury branded products mainly through their experience in examining luxury branded products since joining the Group and the chief marketing officer has acquired the relevant knowledge through his experience working with international fashion houses for over two years as well as with the Group for around ten years.

In-house trainings are given by the chief marketing officer and district managers to those senior sales recommended by the shop managers and district managers in order to educate them on product knowledge and the techniques to distinguish unused products from second-hand products and genuine products from counterfeit ones and the skill and procedures of checking specific features (including anti-counterfeit features) of the products as set out in the guidelines. These training sessions are arranged when necessary after receipt of recommendation from shop managers and district managers.

As at the Latest Practicable Date, there were 63 designated staff of the Group who have knowledge in product examination to identify counterfeit products and are responsible for purchasing products from suppliers. These designated staff include chief marketing officer, district managers, central warehouse staff, shop managers and those senior sales recommended by the shop managers and district managers. Among them, 49 designated staff work in Hong Kong, ten designated staff work in the PRC and four designated staff work in Macau. Most of the designated staff members who are responsible for purchasing products from suppliers have over three years of experience in the Group. During the product examination process, two designated staff are responsible for first product examination of which at least one of them shall have been employed by the Group for over three years and received training in product examiniation.

The first product examination

Whenever a supplier offers to sell a product at any of the Group's retail shops in Hong Kong, the PRC and Macau, the designated staff of the Group who is responsible for purchasing products shall comply with the guidelines to ensure the product conforms to the specific features as set out in the guidelines before making any purchase from the suppliers and only the designated staff of the Group is authorized to purchase from the suppliers.

The designated staff of the Group in Hong Kong, the PRC and Macau who is responsible for the first product examination is required to check various parts of the products including assessing (i) whether the products are unused or second-hand products by checking the specific features (including the original price tag and brand label); and (ii) the genuineness of products by checking the anti-counterfeit features on handles, linings, buckles and zippers and the serial numbers imprinted on the products to determine whether the products are counterfeit. Both designated staff are also required to mark and sign on a product checklist to show that they have performed the first product examination.

Inputting product information and assigning serial numbers

Pursuant to the internal control guidelines adopted by the Group, once a product is purchased from a supplier, the staff will enter the information of the products to the EPOS system and such product will be assigned a serial number that will be imprinted on the bar code tag to be attached to the product. When a product is to be transferred from one location to the other, the staff shall enter the new location of the product to the EPOS system to ensure that the Group can trace the location of each product whenever it requires.

The second product examination

Only those products that passed the second product examination will be sold at the Group's retail shops. The designated staff of the Group in Hong Kong, the PRC and Macau who is responsible for the second product examination is required to mark and sign on the same product checklist used for the first product examination to show that he/she has completed the second product examination. Such checklist will be delivered to the office of the Group for record.

Hong Kong

Under the internal control guidelines, all products purchased at the retail shops in Hong Kong will be delivered to the central warehouse of the Group where the central warehouse staff will conduct the second product examination process. The designated staff of the Group including senior management and the shop manager will perform the second product examination, who shall comply with the guidelines to ensure the products conforming to the specific features as set out in the guidelines. All of the products of the Group (e.g. clothing, accessories and shoes as well as the handbags) are required to go through the same purchasing and product examination procedures.

The PRC

The Group does not have central warehouse in the PRC. Under the internal control guidelines, commencing from September 2010, the Group designates the shop managers or supervisors of any one shop in Beijing or the senior management to perform the second product examination of the products purchased by the other shop once a week before the products are sold by the other shop. The designated staff of the Group adopt the same guidelines used in Hong Kong for the purpose of the second product examination in the PRC.

Macau

The Group does not have central warehouse in Macau. Under the internal control guidelines, the Group designates the shop managers or supervisors of the retail shops in Hong Kong or the senior management to perform the second product examination of the products purchased by the retail shop in Macau twice a month before the products are sold by such shop. The designated staff of the Group adopt the same guidelines used in Hong Kong for the purpose of the second product examination in Macau.

Repairing of damaged products

If the products are damaged, the central warehouse staff (and for the shops in the PRC and Macau, the staff of the shop) will arrange for repairing the products and deliver them to retail shops for sale after they are properly repaired. During the Track Record Period, the Group delivered the damaged products mainly to the relevant boutiques/retail shops of international fashion houses for repair. However, as confirmed by the Directors, the Group delivered the damaged products to some other shops for repair occasionally prior to December 2010 and the purpose of such repairs were to restore the products (such as fixing a buckle on a handbag) as nearly as possible to their original unused condition.

The Group has sought legal opinion in respect of the trademark laws in Hong Kong. According to the opinion of the Hong Kong Legal Counsel, pursuant to section 20 of the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong) (the "**Trade Marks Ordinance**"), once a piece of goods bearing a registered trade mark has been put on the market anywhere in the world by the owner or with his consent, the registered trade mark in respect of such goods is not infringed unless (a) the condition of such goods has been changed or impaired after they have been put on the market, and (b) the use of the registered trade mark in relation to such good is detrimental to the distinctive character or repute of such trade marks. As advised by the Hong Kong Legal Counsel, since the repairs mentioned above were to restore the products as nearly as possible to their original unused condition, barring poor workmanship, such repairs are unlikely to result in an "impairment" in the condition of the goods, but rather an improvement. However the repairs can still be regarded as effecting a "change" in the condition of the goods within the meaning of section 20(2) of the Trade Marks Ordinance of Hong Kong, albeit a change for the better. But in such cases, it is unlikely that the use of the registered trade mark in relation to those goods will be considered to be "detrimental to the distinctive character or repute of the trade mark". Hence, as advised by the Hong Kong Legal Counsel, it is unlikely for liability to attach to the sale of such repaired items.

As advised by the PRC Legal Adviser, the Group did not breach any trademark laws and regulations in the PRC by its engagement of shops other than the relevant international luxury fashion houses for product repairing services occasionally prior to December 2010.

In order to minimize the risk of changing or impairing the original products, the internal control guidelines stipulate that all damaged products shall only be delivered to the retail shops of international fashion houses for repair. The amount of the cost of the counterfeit products which are found in all of the retail shops of the Group in Hong Kong, Macau and the PRC or products which are unable to be repaired will be fully written off by the Group.

The amount written off for damaged products for each of the three years ended 31 December 2008, 2009 and 2010 amounted to approximately HK$125,000, HK$85,000 and HK$93,000, respectively.

Preventive measures for the sale of counterfeit products and stolen goods

Counterfeit products

During the Track Record Period, certain counterfeit products were found during the second product examination. The Group has previously shown such counterfeit products to employees as internal training materials for its internal training purpose during the Track Record Period. As a measure of risk control, the Group will destroy and dispose of such counterfeit products and adopt other methods such as showing photographs for internal training purpose. No counterfeit products was found for the year ended 31 December 2010. For each of the two years ended 31 December 2008 and 2009, the amount of counterfeit products written off by the Group was HK$6,000 and HK$14,000 respectively.

In 2010, the Group's "Milan Station" retail shops and the "France Station" retail shop in Hong Kong became members of the "No Fakes Pledge" scheme launched by the Hong Kong Intellectual Property Department. Under the scheme, the Group is required to sell only genuine goods and pledge not to sell or deal in counterfeit products.

Alleged stolen goods

The Group has experienced incidents for which some products purchased by the Group were alleged to be stolen goods. To the best of Director's knowledge after making reasonable enquiries, during the Track Record Period, there were a total of six incidents in Hong Kong and two incidents in Macau.

One of the incidents that occurred in December 2009 (the "Incident") attracted the attention of the press in Hong Kong. The Incident was about a luxury branded handbag displayed for sale at a shop of the Group in Hong Kong which was alleged to be a stolen goods. However, there was no evidence that the handbag was a stolen goods and no charge was made against the Group in relation to the Incident. Nevertheless, the Group realized that the Incident might harm the reputation of the Group and therefore considered that it would be in the interest of the Group to settle the Incident as soon as practicable. Accordingly, in March 2010, the person who claimed to be the owner of the handbag and the Group reached a settlement agreement under which the claimant agreed to purchase the handbag from the Group and waive her right to claim against the Group further. As confirmed by the Directors, the Group is not currently subject to any investigations, claims or legal proceedings in relation to such Incident.

Fully co-operation with the police has been the policy of the Group in handling these incidents. The products in question may be detained or forfeited by the police and the result of each incident will depend on a case by case basis. Up to the Latest Practicable Date, most of these incidents did not incur any material financial loss to the Group because these incidents were either settled by selling the handbag in question to the claimant or the products detained by the police being returned due to insufficient evidence to support that those goods were in fact stolen goods. As at the Latest Practicable Date, three handbags were still detained by the police and subject to investigation and one handbag in question was forfeited by the police. The total amount of the purchase prices of the handbags which were still detained by the police for their investigations was less than HK$25,000. No provision was made for those goods detained by the police. The loss incurred by the Group arising from the incidents during the Track Record Period was amounted to approximately HK$20,500, which was related to the incident and the goods forfeited in another incident. As the Directors have confirmed that the Group has not purchased any goods knowing or believing them to be stolen goods, including the handbags involved in the incidents under investigation in Hong Kong, the Hong Kong Legal Counsel, based on the Directors' confirmation, opined that the incidents give rise to no criminal liability.

Although these incidents may have some adverse effect to the reputation of the Group, the Group's total revenue for the year ended 31 December 2010 was HK$730.3 million, whereas the total revenue of the Group for the year ended 31 December 2009 was HK$611.3 million, representing a growth of 19.5%. Further, there was not sufficient evidence supporting that those goods were in fact stolen goods for each incident and the Group has never been subject to any charge and/or legal proceedings in relation to any of the above incidents. The Directors are of the view that the incidents have no actual effect to the financial condition, business and operation of the Group.

In order to prevent the above incidents from happening again in the future, the Group has implemented the following internal control measures:

1. since January 2010, the Group has requested its staff of all retail shops in Hong Kong, the PRC and Macau to request all suppliers to provide (i) the original receipts of the relevant products; (ii) the first four digits of the identification card number (except for the supplier in the PRC who is required to provide a complete copy of identification card) of the relevant individual supplier; and (iii) the contact details of the relevant supplier to the staff for record before purchasing any product from suppliers;

2. in respect of the Group's operation in the PRC, pursuant to the relevant laws of the PRC, the Group will refuse to accept any product from a supplier in the PRC if the supplier could not provide a complete copy of identification card and his/her contact details to the Group;

3. in respect of the Group's operation in Hong Kong and Macau, commencing from March 2011, the Group will refuse to accept any product from a supplier in Hong Kong and Macau if the supplier could not provide the first four digits of the identification card number and his/her contact details to the Group;

4. according to the experience of the Group, suppliers may not keep original receipts of products and will be unable to provide such receipts to the Group, the Group will not insist on requiring the suppliers to provide original receipts. In response to this deficiency, the Group has adopted other measures for its purchasing procedures. Since March 2011, all suppliers are required to sign on the invoice of the Group which will be imprinted with a confirmation statement stating that the products supplied by the suppliers are genuine and are obtained legally and the staff is required to verbally explain the content of such confirmation statement to the suppliers. All invoices will be sent to and kept by the accounting department for record keeping purpose;

5. throughout the Track Record Period, surveillance cameras are installed in each of the retail shops to monitor the activities inside the retail shops (in particular, activities around cashier counters) to assist in identifying the suppliers. The Directors believe that the installation of surveillance cameras may have a threatening effect to the suppliers who plan to sell stolen goods to the Group at the retail shops;

6. throughout the Track Record Period, whenever the Group received from the police in Hong Kong particulars of luxury stolen goods, the Group will circulate such particulars to its staff for checking whether any of those stolen goods has been purchased by the Group and alerting its staff not to purchase such items in future. The Group has cooperated and will continue to cooperate with the police in Hong Kong; and

7. throughout the Track Record Period, the Group has an online reporting system where its retail staff could communicate with each other when products that are suspected to be counterfeit products or stolen goods are offered to be sold to the Group by a supplier.

The Directors further confirmed that the Group's internal control measures relating to purchasing of products adopted during the Track Record Period might have deficiencies, however, the Directors consider that they have already used their best endeavours to prevent similar incidents to happen with the resources available to the Group at the relevant time. As advised by the Directors, with the increased resources (including capital and manpower), the Group has enhanced its internal control measures as mentioned above in order to minimise the risk of having similar incidents and provide further protection to the Group.

The Sole Sponsor concurs with the view of the Directors that considering other similar incidents had occurred during the Track Record Period, the Group's internal control measures adopted during the Track Record Period might have deficiencies. However, given that the Group has engaged an independent internal control consultant to assist the Sole Sponsor with matters requiring technical advices in relation to internal control of the Group by identifying the deficiencies and making recommendations to improve the internal control system of the Group, including the measures on purchasing of products by the Group, prior to Listing and the Group has enhanced its internal control measures accordingly, the Sole Sponsor is of the view that the Directors have already used their best endeavour to prevent similar incidents from happening with the resources available to the Group at the relevant time.

The Group has also adopted other internal control measures to prevent purchasing of any counterfeit or stolen products such as requesting the staff of the Group who is responsible for the second product examination to mark and sign on an inspection checklist that includes criteria to identify counterfeit products.

Although the Incident may have some adverse effect to the reputation of the Group, the total revenue of the Group for the year ended 31 December 2010 was HK$730.3 million, whereas the total revenue of the Group for the year ended 31 December 2009 was HK$611.3 million, representing a growth of 19.5%. The Directors are of the view that the Incident has no actual effect to the financial condition, business and operation of the Group.

Inventory management

Through its inventory management policy, the Group aims to maintain sufficient inventory level at each of its retail shops having regard to various considerations, including general market trends, international and local fashion trends, consumer demand and pricing. As confirmed by the Directors, the Group has not experienced any inadequate supply of inventory with major source of products coming from the public consumers during the Track Record Period. However, in order to minimise the risk regarding shortage of product supply, the Group regularly monitors its inventory level, raises its purchase price for designated products when needed and explores new source of supply. In addition, as advised by the Directors, the suppliers to supply unused and second-hand products are widely available in the market apart from the existing suppliers, the Group has been approached by potential traders (including natural person and corporate traders) from time to time for developing a long term business relationship with the Group. Therefore, in case the Group encounters a shortage in supply of inventory, the Group will consider engaging these potential traders to supply products to the Group.

As confirmed by the Directors, the Group does not set any amount as the optimal value of the inventories that should be kept by the Group as the amount of inventories will change according to the change in sales turnover and number of retail shops of the Group. However, the total amount of inventories of the Group is reviewed regularly by the senior management of the Group so as to avoid the situation that most of the cash of the Group being tied up for purchasing of inventories. The Group will conduct the clearance sales to promote the sales of slow-moving inventories of the Group, usually conducting within the two days before the Chinese lunar new year. As confirmed by the Directors, during the Track Record Period, the senior accounting manager of the Group prepared balance sheet, income statement and also the cash flow statement listing the bank and cash movement on a monthly basis. Mr. Yiu and the other senior management of the Group review the cash flow statement to monitor the cash position.

The Group installed an EPOS system in its warehouse and retail shops, which enables the inventory level to be updated when the sale of a product is registered at the cashier. The information generated from the system assists the management of the Group to closely monitor the inventory level. The management of the Group reviews and analyses the inventory report extracted from the EPOS system periodically and decides appropriate actions to be taken against accumulation of slow-moving inventories, such as offering special discount and, if necessary, conducting stock clearance sale to promote sales or temporarily suspending further intake of slow-moving items. Any decision made by the management would be timely communicated with the frontline staff for implementation.

The Group had one recorded case of theft by its employee involving a handbag with the cost around HK$55,000 during the Track Record Period. Upon discovery, the Group reported the case to the local authorities and terminated his employment. The incident of theft happened in the retail shop located at Jaffe Road, Causeway Bay, Hong Kong in 2009 where an employee of the Group stole a luxury branded handbag displayed for sale in that shop. After the incident, several rectification measures were adopted by the Group including requesting its frontline staff of each shop to inspect the rubbish bag of the shop and to cross check the handbags of each staff after the close of business of the shop every day. The shop manager of each shop is also required to fill in a form confirming that such inspection has been performed daily. To the best knowledge of the Directors, during the Track Record Period, the Group has no record of theft of any products of the Group by any employee of the Group other than the aforesaid incident.

Policy for slow-moving inventories

The Group recognized handbag products aged over 90 days and other products aged over 45 days as slow-moving inventories. At the end of each year, the Group would make 10% provision on the carrying value of handbags and other products that are aged over 90 days and 45 days, respectively. Additional 10% provision on the carrying value of the inventories will be made if another 90 days and 45 days passed for the handbags and other products respectively and so on.

In order to avoid overstocking, the Group sets a target level of slow-moving inventories for handbag products and other products which aged over 90 days and 45 days, respectively to be kept by the Group at below 15% of total inventories since October 2010. Before the implementation of the aforesaid threshold since October 2010, the Group did not set any threshold for maintaining the value of the slow-moving inventories but the Group took into account of the expected sales volume and cash position to determine the inventory level. When the expected sales volume increased, the Group would accordingly keep additional inventories to meet the demand. In addition, the Group would also consider the cash position of the Group to determine the optimal inventory level and normally, the Group would maintain sufficient cash flow to cover its total expenses for the next four months.

The Directors determined the threshold at 15% by reference to the historical percentage of slow-moving inventories to total inventories of approximately 16.8% and 20.1% as at 31 December 2009 and 31 December 2010, respectively. In order to strictly implement the Group's control on the inventory level so as to avoid overstocking, the management of the Group sets the threshold at 15%, which is slightly below the aforesaid lowest historical rate. Once the percentage of slow-moving to total inventories is above 15%, the management of the Group would take abovementioned actions to sell the slow-moving inventories as soon as practicable. However, the Directors would allow deviation from the threshold after taking into account of factors including the expected demand for inventories to support its expansion plan and seasonality.

In order to ensure the number of actual physical inventories is consistent with those recorded in the EPOS system, all of the Group's retail shops carry out monthly stock-taking and prepare monthly report thereof, and the Group's district managers, internal auditor and accounting staff would visit the shops at random intervals to monitor and supervise the stock-taking. An independent stock-taking is performed once a year during the external audit. The frontline staff or warehouse staff count the inventories with the accounting staff in certain retail shops before external auditor performs sample checking on the inventories in the retail shops. By compiling and analysing the results of each stock-taking, the Group may closely monitor the performance of all its retail shops and identify market trends. Accordingly, this information is used for managing and allocating the Group's inventories to the appropriate retail shops as well as to regularly review and adjust the Group's pricing strategies and guidelines for the purpose of maintaining a steady inventory turnover. For each of the three years ended 31 December 2008, 2009 and 2010, the inventory turnover days of the Group are 43.3 days, 45.2 days and 51.9 days respectively.

The Group has a policy of making provision for slow-moving inventories. At the end of each year, the Group will make provision for the handbag products and the other products that are aged over 90 days and 45 days respectively on the carrying value of the inventories. The slow-moving inventories amounted to approximately HK$10.2 million, HK$11.6 million and HK$17.9 million, representing approximately 21.8%, 16.8% and 20.1% of the total inventories as at 31 December 2008, 2009 and 2010 respectively. The value of the slow-moving inventories as at 31 December 2010 was approximately 20.1% of total inventories, which was mainly caused by the Group intentionally to increase its inventory level before the Christmas and New Year holidays to ensure sufficient supplies to meet the expected demand from the customers during the holidays. The subsequent sales of those inventories up to 31 March 2011 were approximately HK$59.8 million, representing approximately 67.2% of total inventories as at 31 December 2010. The provisions made as at 31 December 2008, 2009 and 2010 amounted to approximately HK$2.4 million, HK$2.8 million and HK$4.3 million, representing an increase of approximately HK$0.4 million or 16.7% and HK$1.5 million or 53.6% for each of the year ended 31 December 2009 and 2010 respectively.

According to the Group's policy, the Group writes off the carrying value of the inventories if the items belong to counterfeit products, products of the Group being stolen, damaged or gift or other products (such as the special edition items and not for sale items). The amounts of inventories written off by the Group were HK$216,000, HK$382,000 and HK$531,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively of which (i) the amounts of goods being stolen from and were written off by the Group were HK$75,000, HK$209,000 and HK$150,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively and (ii) the amounts of damaged and counterfeit products written off by the Group were HK$131,000, HK$99,000 and HK$93,000 for each of the three years ended 31 December 2008, 2009 and 2010 respectively. The damaged and counterfeit products will be written off by the Group when the products are confirmed as damaged and counterfeit.

Cash Management

Products purchased by the Group at the retail shops are mainly settled by cash. Cheques are used for settling bulk purchase of products and the rental and other expenses of the Group. A cheque issued by the Group is effected by any two of four authorized signatories with the Company chop. The accounting department will keep records of the details of all issued and used cheques of the Group.

The Group requires its retail customers to pay for merchandise at the time of purchase. A majority of the Group's sales are settled through non-cash payments including payments by bank debit and credit cards, with the remainder settled by cash payments. During the Track Record Period, the approximate percentage of sales settled by cash payments and non-cash payments are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	(%)	*(%)*	*(%)*
Cash payments	31.5	26.7	27.5
Non-cash payments[1]	68.5	73.3	72.5
Total	100.0	100.0	100.0

Note:

1 Non-cash payments include payments by bank debit and credit cards.

Internal Control Procedures on Cash Management

The Group handles a significant amount of cash from sales receipts and for purchase payments every day. Therefore, internal control procedures for cash management have been adopted by the Group.

Hong Kong and Macau

First of all, separate cash registers are used for handling sales receipts and purchase payments and it is prohibited to mix-up the cash kept in these cash registers. Accordingly, cash from sales receipts and for purchase payments are required to be bank-in and withdrawn from separate bank accounts. Only designated staff of the Group including the shop managers and supervisors are authorised to withdraw cash from the Group's bank accounts. Cash in every shop shall be locked in a safety box at the close of business.

The management of the Group designates a specific amount of daily cash-on-hand for each retail shop for purchase payments depending on its size and location. In the event that additional cash is requested for product purchase, such request shall be submitted to senior management for approval.

The shop manager or supervisor of each retail shops shall deposit the cash receipts into a designated bank account and withdraw from another designated bank account of the Group the amount spent for purchasing the customers' products on the previous day on a daily basis (except on public holidays).

Other procedures for cash management include daily and monthly reconciliation of the sales and the actual cash receipts as well as the purchases and the actual cash payments. Daily reports shall be sent to the Group's accounting department for checking at the close of business. Each of the authorized cashier, usually the shop managers and supervisors, is given a unique user identification code and the Group's EPOS system records all transactions undertaken by such user. The accounting department verifies the figures reported by each retail shop against the results generated from the EPOS system every day. Any discrepancy in reconciliation or non-compliance of the cash management procedures is required to be reported to the chief financial officer.

The PRC

Similar to the Group's Hong Kong and Macau retail shops, separate cash registers are used for handling sales receipts and purchase payments during the operation. After recording the total amount of cash receipts and cash spent in purchasing products at the close of business, the cash receipts is used for purchasing of products in the next day. Only designated staff of the Group are authorised to bank-in and withdraw cash from the Group's bank accounts. Cash in every shop shall be locked in a safety box at the close of business.

Instead of a specific amount of daily cash-on-hand, a specific level of cash on hand shall be maintained at the Group's PRC retail shops. In the event that additional cash is requested for product purchase, such request shall be submitted to senior management for approval. Since the commencement of business of the retail shops in the PRC, less than 37.2% of sales were settled in cash.

The Group's bankers in the PRC will charge additional handling fee for each RMB10,000 cash withdrawal if the total withdrawal amount exceeds RMB50,000. To minimize the handling fees charged by banks in the PRC, the Group's retail shops in the PRC do not withdraw cash from the banks on a daily basis. Instead, the retail shops in the PRC use the cash from sales receipts for purchasing the customers' products. Therefore, the retail shops in the PRC do not bank-in cash receipts on a daily basis.

In order to track the daily record and monitor the cash position, the shop manager of each retail shop in the PRC is required to record the total amount of cash receipts and the total amount of cash spent in purchasing the products from the suppliers by the relevant retail shop every day and provide a written report containing these figures to the senior management and accounting department of the Group on a daily basis. Each of the authorized cashier, usually the shop managers and supervisors, is given a unique user identification code and the Group's EPOS system records all transactions undertaken by such user. The accounting department verifies the figures reported by each retail shop against the results generated from the EPOS system every day. Any discrepancy in reconciliation or non-compliance of the cash management procedures is required to be reported to the chief financial officer.

Loss arising from cash embezzlement and payment of credit card

As confirmed by the Directors, during the Track Record Period, the Group did not suffer any loss resulted from the handling of the cash receipt by the frontline staff since cash count is performed by shop manager or supervisor at the end of each business day. In addition, cash count will also be performed during monthly stock-taking and no cash loss has ever been reported. For credit card transactions, some mistakes were found which related to over-charging the clients and refunds were made to the clients once such mistakes were identified and accordingly, the Group did not suffer any loss from credit card transactions.

The Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has never encountered any loss arising from cash embezzlement or payments by credit card. The Group's policy in dealing with embezzlement cases and other forms of theft is to terminate the employment of the individual or individuals involved and to report the matter to the relevant law enforcement agent.

Cash flow management policy

It is the policy of the Group to adopt a conservative approach in cash flow management with an objective to maintain sufficient cashflow to cover its total expenses in the next four months and not to engage in any highly leveraged or speculative derivative products.

CUSTOMERS

The customers of the Group are mainly public consumers. The Group's five largest transactions with customers, who were not registered under the loyalty membership scheme of the Group, together accounted for less than 1.3% of the total revenue of the Group for each of the three years ended 31 December 2008, 2009 and 2010. Since the launch of the loyalty membership scheme in February 2009, the Group's five largest customers account for less than 0.2% of the total revenue of the Group for the period from February 2009 to 31 December 2009 and for the year ended 31 December 2010. All of the retail sales of the Group at its retail shops are settled in cash or by bank debit and credit cards.

So far as is known to the Directors, none of the Directors, their associates, or any of the Shareholders (who to the knowledge of the Directors own more than 5% of the Company's share capital of the Company) immediately following completion of the Global Offering had any interests in any of the Group's five largest customers registered under the loyalty membership scheme for the period from 1 February 2009 to 31 December 2009 and for the year ended 31 December 2010.

MARKETING, ADVERTISING AND PROMOTION

The principal objectives of the Group's marketing strategies are to increase brand awareness and to increase sales and to achieve a sustainable competitive advantage. Over the years, the Group has implemented various advertising and promotional activities for brand building. The Directors believe that focusing on brand building can broaden its customer base and raise market dominance.

The Group engaged independent marketing consultants to provide logo design, marketing advice, advertisement placement services and other related support for its advertising and promotional activities. The Group from time to time allocates considerable marketing budget for its advertising and promotional activities. For each of the three years ended 31 December 2008, 2009 and 2010, the Group's advertising and promotional expenses together accounted for approximately HK$1.1 million, HK$2.8 million and HK$4.5 million respectively.

Media Advertising

In the past years the Group utilized various types of media to advertise and promote the brand image of "Milan Station" and its products. From time to time, the Group invited celebrities including Ms. Yu An An, Ms. Niki Chow Lai Ki, Ms. Kathy Chow Man Ki and Ms. Kong Yan Yin in its advertising campaigns. The major types of advertising used by the Group are summaried as follows:

Television, radio and press advertising

The Group used television and press advertising as part of its advertising campaign. The Group launched television commercials and sponsored short television programs, such as "Daily Info-service (米蘭每日小資訊)", "One From the Heart (霎時感動)", "Mr. Tsang 28 Show (曾Sir 28 Show)", "The Secret of Success (成功秘笈)", "Fashion Flagship Shop (潮流旗艦店)" and "Fashionable Lifestyle Workshop (時尚生活坊)" to advertise the Group's image. The Group also sponsored a radio programme "AiShiTeRu" broadcast by Hong Kong Commercial Broadcasting Company Limited. Press advertising encompassed placing print advertisements in a variety of publications including newspapers as well as different types of magazines, such as weekly magazines and fashion magazines. To induce purchase from tourists, the Group also advertised in Hong Kong tourist map and placed its advertisements in the PRC magazines.

The Group's success in developing and promoting its retail business under the brand name of "Milan Station" has also caught the attention of the international media and press, including a review of the Hong Kong-based "Milan Station" shops on the renowned Fodor's travel guide website online at www.fodors.com; and a write-up in the publication "Time Out Beijing" about the "Milan Station" shops in Beijing.

Billboard and outdoor advertising

The Group placed billboards in high traffic area, such as Landmark Tramsmart, Central and Tesbury Centre, Admiralty, Hong Kong, which display advertisements of the Group to pedestrians and motorists. Advertisements were also displayed on the outdoor televisions located at the external walls of buildings in Causeway Bay and Tsim Sha Tsui, Hong Kong and the Group's retail shops windows.

Online advertising

The Group's website, www.milanstation.com.hk, was established in June 2009 and is used, among other things, to introduce and promote the Group and its "Milan Station" shops. The Group engaged independent consultant to design and develop the website. The Group also made use of the Internet search engine to promote its business.

The Group also intends to cooperate with a website owner or operator to provide information of luxury branded handbags.

Promotion

The Group participated and launched various promotional activities in order to raise brand awareness. Major promotional activities are highlighted as follows:

Television programs, movies, concerts and magazines sponsorship

The Group sponsored television programs by lending the Group's handbags to the artistes for use in the production of episode drama series and situation comedies produced by television station in Hong Kong in return of a closing credit of "Milan Station" at the end of the drama series. These drama series and situation comedies include "Wax and Wanne (團圓)", "Beauty Knows No Pain (女人最痛)", "Chong Wai Kin's Drama (魚躍在花見之朝)", "Off Pedder (畢打自己人)", "Suspects in Love (搜下留情)", "Links To Temptation (誘情轉駁)", "OL Supreme (女王辦公室)", "The Stew Of Life (有營煮婦)", "Root Of Evil (金錢誘罪)", "Pages Of Treasures (新網中人), "Beauty Of Game (美麗高解像)", "When Heaven Burns (天與地)", "Moonlight Resonance (家好月圓)", "A Journey Called Life (金石良緣)", "The Gem Of Life (珠光寶氣)" and "Best Selling Secrets (嫲辣甜孫)".

The Group also allows its retail shops to be featured in episode drama series including "Colourful World of Sister Fa (花花世界花家姐)", "Fury Street Corner (怒火街頭)" and "Beauty Knows No Pain (女人最痛)" produced by Television Broadcasts Limited and "婚姻保衛戰" broadcasted by television channels in the PRC.

The Group also sponsored a number of movies including "House of 72 Tenants (72家租客)", "Perfect Wedding (抱抱俏佳人)" and "All's Well End's Well Too 2010 (花田囍事2010)". Through these movies sponsorship, the Company was entitled to have its retail shops and products exposed in the movie scenes and its logo displayed at the end roller of the movies and the promotional materials.

Through the sponsorship in local singers' concerts including "Get A Life Eason Chan Concert", "古巨基演唱會 Eye Fever 09", "超級巨聲 Super Voice 演唱會" and "吳雨霏 Kary on Live 2011", "Milan Station" logo was displayed in the advertising and promotional materials of the concerts.

The Group also sponsored some music videos in return for its logo, its retail shop and products being featured in such music videos. Moreover, the Group lent handbags to magazines for the shooting and publication of the products by the magazines.

Interest-free credit card installment plans

To encourage and facilitate product sales in "Milan Station" retail shops, the Group cooperates with various banks to offer interest-free installment plans ranging from three months up to 24 months on purchases to holders of credit cards. The Directors believe that these interest-free installment plans enable the Group to target a larger customer base for its second-hand and unused luxury branded products.

Milan Station Visa and MasterCard credit cards and joint promotion programs

In 2003, the Group joined forces with Wing Hang Bank, Limited to launch the Milan Station Visa and MasterCard credit cards in Hong Kong. The Directors believe that through circulating direct mailings to the cardholders regarding promotions in the Group's Hong Kong-based "Milan Station" retail shops will help increase sales. The Group also participated in joint promotion programs organised by a variety of banks, financial institutions in Hong Kong and Macau, shopping mall, hotels and karaoke outlets to offer special discounts or special prices for selected items to the credit card holders of these organizing banks or customers of shopping mall, hotels and karaoke outlets.

Loyalty Membership Scheme

Relationship building with the customers are crucial and seen as effective especially in the Asian culture. In February 2009, the Group launched a membership scheme to promote loyalty of its customers and suppliers. Any person including existing and potential customers and suppliers can register as a member of the loyalty membership scheme no matter whether he or she has had any transaction with the Group. A new member including existing and potential customers and suppliers was entitled to a cash voucher valued at HK$500 as welcoming gift upon becoming a member of the loyalty membership scheme during the period from April 2010 to November 2010. The members will receive privilege premium gifts (including umbrella, movie and concert tickets and restaurant cash coupons) from the Group from time to time. The members will also receive regular updates on the latest fashion trend prepared by the Group. The members who applied for "Milan Station" credit card were also given a cash voucher as welcoming gift. Upon the utilization of the cash vouchers, the Group recorded the amount of the cash vouchers as one of the items in the other selling expenses recorded in the income statement in accordance with the applicable accounting standards. As confirmed by the Directors, save for the aforesaid financial treatment, no other financial treatments is required to be performed in respect of the loyalty membership scheme and no material impact on the financial information of the Group arising out of the loyalty membership scheme was noted. As at the Latest Practicable Date, there were about 8,500 registered members of the Group and all of the registered traders are registered members.

Charity Events

The Group attaches great importance to corporate social responsibility (or CSR as it is sometimes known) and is actively involved in sponsoring charity events and making a positive contribution to society for creating goodwill in the community. Highlights of the Group's charitable activities and efforts are as follows:

2006	The Group was a corporate sponsor of the Wing Hang Bank Charity Walk 2006 in aid of Brightens Children's Lives Charity Project, which was jointly organised by Wing Hang Bank, Limited and St. James' Settlement.
	The Group made donation to MercyCorps Pre-disaster Relief Fund.
2008	The Group made donation to the charity UNICEF for the Sichuan earthquake relief campaign, which was raised by the Group from the sale proceeds of a collection of handbags which was sold in "Milan Station" retail shops in Hong Kong.
	The Group made donation to Sichuan Earthquake Relief Fund for the Sichuan earthquake relief campaign.
2008 and 2009	The Group sponsored the "2008 the Fourth CFCF Tug-of-War Cup 2008第四屆福幼慈善大纜盃" and the "2009 The Fifth CFCF Tug-of-War Cup 2009 第五屆福幼慈善大纜盃" organized by Caring For Children Foundation.
2009	The Group sponsored "Gala Spectacular Charity Concert (星光熠熠耀保良)".
	The Group sponsored the Chinese National Diving and Synchronized Swimming Team Charity Show.
	The Group sponsored "'All That Glitters' Student Charity Ball" organized by *JUST LOVE* Student Charity Fundraiser for UNICEF.
	The Group sponsored "The Chinese Badminton Team Charity Show 2009" organized by The Chinese Athletes Educational Foundation
2009 and 2010	The Group sponsored several charity events organized by Yan Chai Hospital.
	The Group participated in the Race to Feed fundraising event organised by Heifer International Hong Kong to alleviate rural poverty in Tibet, Sichuan and Yunnan, the PRC.

2010	The Group sponsored "Jade Solid Gold for the Chest 2009 十大勁歌金曲為公益" organized by The Community Chest. The Group sponsored a fundraising event organised by the Joyful (Mental Health) Foundation Limited. The Group sponsored "Li Ning Company Limited presents - The Chinese Gymnastics Team Charity Extravaganza 國家體操名將慈善匯演". The Group sponsored Wai Yin Charity Ball 2010.

AWARDS AND RECOGNITION

The "Milan Station" retail shops has won and obtained several awards and recognitions, which the Directors believe is intrinsically linked to the Group's reputation in the retail market of Hong Kong. The following table sets out some of our major awards and recognition:

Year	Awards/Recognition	Issued or organized by
Since 2002	Certification Mark upon "Retail Shops" Category under the Quality Tourism Services Scheme	The Hong Kong Tourism Board
2003	The Hong Kong & Macau Merchants of Integrity Award	Guangzhou Daily, which is a PRC-based, Chinese-language newspaper
2006	Prime Award for Corporate Social Responsibility	Prime magazine and The Hong Kong Insititute of Directors
2008	Hong Kong Top Service Brand Award	The Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong
Since 2009	Having fulfilled the assessment criteria of Hong Kong Top Brand Mark Scheme and has been conferred the right to use Hong Kong Top Brand Mark (Top Mark)	The Hong Kong Brand Development Council and The Chinese Manufacturer's Association of Hong Kong
Since 2010	Member of the "No Fakes Pledge" Scheme	The Hong Kong Intellectual Property Department
2011	Having been conferred the right to use the Caring Company Logo 2010/11 under the Caring Company Scheme	The Hong Kong Council of Social Service

The "France Station" is also a member of the "No Fakes Pledge" scheme organized by the Hong Kong Intellectual Property Department in 2010.

INSURANCE

The Group has taken out insurance policies which cover, amongst other things, the assets in its offices, warehouse and retail shops, including all the inventories of the Group. The Group also has taken out insurance with coverage for risks and liabilities arising in or in relation to its retail shops, or in respect of its employees, through all risks of physical loss or damage to properties (which is extended to cover the loss caused by purchasing any counterfeit products and stolen goods), business interruption, and employee compensation.

As confirmed by the Directors, the Group did not make any material insurance claims during the Track Record Period. The Directors believe that the insurance coverage taken out by the Group over its assets, properties, employees and products is adequate and sufficient for its operation.

INFORMATION TECHNOLOGY SYSTEMS

The Group's information technology systems for daily sales operation include the EPOS system and an accounting and finance system. The EPOS system enables the inventory level of particular items to be updated as soon as the sale of that item incurred at the cashier. Sales report and other useful information can be extracted from the EPOS system which allow the senior management to closely monitor the Group's sales performance and inventory level.

COMPETITION

According to the Synovate Report, in respect of the total sale of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers in Hong Kong, the PRC and Macau for each of the two years ended 31 December 2008 and 2009, the Group accounted for (i) 6.5% and 6.3% of the total sales in Hong Kong; (ii) 0.04% and 0.3% of the total sales in the PRC; and (iii) 4.7% and 5.5% of the total sales in Macau respectively. The Group is a market leader and accounted for over 50% of market share of the total sales of luxury branded handbags amongst approximately 174 luxury branded handbags independent retailers in Hong Kong and ranked number one in terms of both sales value and sales volume amongst luxury branded handbag independent retailers in Hong Kong in 2009 according to the Synovate Report. In respect of the market share of the total sales of luxury branded handbags by independent retailers in the PRC and Macau in 2009, the Group accounted for about 5.7% and 77.7% of the total sales in the PRC and Macau respectively (*Note*).

Note: The total sales of the overall market for new, unused and second-hand luxury branded handbags by all retailers including boutiques or retail shops of international fashion houses and independent retailers and the market share of the total sales of luxury branded handbags by independent retailers in Hong Kong, the PRC and Macau for 2010 are not available. The Group's market share of the total sales of luxury branded handbags amongst all retailers and independent retailers in Hong Kong, the PRC and Macau in 2010 may be different from the above market share in 2009.

Hong Kong

The retail market for luxury branded handbags in Hong Kong, being the principal market of the Group, is competitive with a number of international fashion houses and independent retailers competing with each other.

The international luxury fashion houses have a retail presence in the markets in which the Group currently operates. Although the international luxury fashion houses may appear to compete with the Group's core retail business, the Directors believe that they may stimulate general consumer demand for high-end luxury branded handbags which ultimately benefits the Group's retail business.

Based on the Synovate Report, as at the Latest Practicable Date, there were approximately 174 luxury branded handbags independent retailers in Hong Kong. Competitions between luxury branded handbag independent retailers are intensifying in Hong Kong as existing competitors expand their business by increasing the number of shops and there are new competitors entering the market in the recent years. New competitors who entered the retail market of luxury branded handbags in the recent years are gaining their publicity and popularity through mainly online and magazine advertisements and displaying of a wide product range. To gain their reputation in the market, some of the competitors focus in the sales of unused luxury branded handbags with frequent and aggressive discount as their main selling point. Having the longest history of establishment amongst the other key luxury branded handbag independent retailers in Hong Kong and benefited from its mass press coverage in the region, the Group became the top of the mind luxury branded handbag independent retailers ranked by many Hong Kong consumers according to the Synovate Report.

The Group's retail shops are scattered around some of the most popular shopping districts in Hong Kong including Tsim Sha Tsui, Causeway Bay, Central and Mongkok to capture the most diverse customers.

The Group's brand image is built from the sales of its luxurious featured items. Compared with its competitors, the Group offers a larger variety of luxurious featured products and these products are frequently featured in the Group's advertisements.

Product examination procedures are essential for second-hand products retailers and these procedures are mainly conducted by the frontline staff based on their experience. The Group implemented a double product examination procedure performed by employees of the Group. All unused and second-hand products purchased by the Group at its retail shops are settled by instant cash payment, whilst some of the competitors only accept consignment sales for second-hand products.

Professional and customized sales services are important in retail market. Compared with its competitors, the Group has the largest number of frontline staff stationed at its retail shops to facilitate one-on-one customer serving according to the Synovate Report. The Group's loyalty membership scheme also facilitates building relationship with its customers.

The PRC

According to the Synovate Report, there was a significant growth in sales of luxury branded handbags in the PRC at CAGR of about 30.6% from 2006 to 2009. The increasing disposable income of the wealthiest 10% of the urban PRC households was the key to drive the sales of luxury branded handbags for the past four years in the PRC. Among the cities in the PRC, most of the international fashion houses chose to open their boutiques or retail shops in Beijing and Shanghai because residents in these cities are generally wealthier and more brand-conscious. The international fashion houses usually compete on brand awareness and customer relationship in order to maintain the growth of their market share and many of them have changed their operation model by acquiring their distribution network from their distributors so that they could sell their products through the local boutiques or retail shops directly.

Based on the Synovate Report, the majority of the competitors of the Group in the second-hand luxury branded handbag market in the PRC are small size independent retailers running about one to two shops in major cities such as Beijing and Shanghai. Their target customers are the white collar office ladies who are willing to purchase luxury branded handbags but have a limited budget. Accordingly, such independent retailers usually open their shops at locations near the office regions or the popular retail districts in order to attract customers of younger generations. According to the Synovate Report, the key competitive factors for the second-hand luxury branded handbag market in the PRC are product quality, customer relationship and brand reputation.

Macau

According to the Synovate Report, there was a significant growth in sales of luxury branded handbags in Macau at CAGR of about 12.3% from 2006 to 2009. The growth of the local gambling and tourism markets was the main reason for the increase as many luxury brands chose to open their boutiques or retail shops in the luxury resorts and casinos. For the same reason, Macau residents were able to enjoy faster growth in income that has led to their increase spending in luxury branded and designer's products. The booming industry has also attracted tourists all over the world which further drove the sales of luxury branded handbags in the region. Supported by PRC tourists predominately, international fashion houses dominate the luxury branded handbag market at a market share of over 90%. These stores usually compete on their size and decoration of outlets as well as store location in order to capture the most and wealthiest group of tourists and gamblers.

Majority of the competitors of the Group in Macau is the small sized independent retailers in the market with stores located on streets nearby the luxury resorts and casinos. These retailers are mainly targeting at the younger customer segments and office ladies with limited budget but a strong desire to follow the fashion trend. Product authentication and brand reputation are the key competitive factors for the second-hand luxury branded handbag market in Macau.

TRADEMARKS AND INTELLECTUAL PROPERTY RIGHTS

Hong Kong

In order to protect its trademarks in Hong Kong, the Group has registered its trademarks "Milan Station" and "France Station" in Hong Kong. Please refer to the section headed "Intellectual property rights" under Appendix V to this prospectus.

MS HK is the owner of the registered trademark 2003B14292 in respect of "retailing and/or wholesaling of used/unused bags, shoes, clothing and accessories; all included in Class 35". It is a device mark in the image of a signpost in Hong Kong:

MS HK is also the owner of the registered trademark 301700487 in respect of "bags, handbags, suitcases, wallets, trunks, purses, brief cases" under Class 18 and "retailing and/or wholesaling of used/unused bags, shoes, clothing and accessories; all included in Class 35" under Class 35. It is also a device mark as shown as follows:

The Group's application for registration of "M" was rejected by the Intellectual Property Department, Hong Kong on the ground of non-distinctiveness. As confirmed by the Directors, the Group does not have any intention to further proceed with the application and will not use this mark in its private label products to be developed by the Group in the future.

It is advised by the Hong Kong Legal Counsel that under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if he uses in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered. Where the mark or goods are only similar, rather than identical, there is a further requirement before liability can be established, namely, that the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public.

In the event that any website and/or shop offers services in retailing and/or wholesaling of used/unused bags, shoes, clothing and accessories under an identical mark as the Group's registered trademark in Hong Kong, it will, subject to any available defences, be liable for trade mark infringement. MS HK would be entitled to restrain the infringing acts by those shops and seek damages for infringement.

On the other hand, if the mark used by those shops is not identical to the Group's registered mark, then the question is whether such use is likely to give rise to confusion.

In addition to the aforesaid statutory rights, it is advised by the Hong Kong Legal Counsel that the Group may also have rights at common law based on the goodwill it has established in relation to its trade marks. If any of those shops uses a mark similar to one of the Group's trade marks so as to constitute a misrepresentation that goods sold or services provided by it are those of the Group, and it can be shown that the Group is likely to suffer damage to its goodwill as a result, those shops may be liable for the tort of passing-off.

In respect of the website, the principles of trade mark infringement and passing-off set out above also apply to the operation of a website, insofar as it is used in the course of trade in Hong Kong. In addition, as far as .hk Internet domain names are concerned, a dispute resolution mechanism is available under the auspices of the Hong Kong International Arbitration Centre. Under the arbitration procedure, the complainant may require an existing owner of a domain name confusingly similar to the complainant's trade mark to be removed or transferred to it.

As confirmed by the Directors, at the Latest Practicable Date, the Group has not taken any legal action against any parties regarding infringement of its trade mark in Hong Kong. To the best knowledge of the Directors after conducting reasonable searches and making reasonable enquiries, the Directors were/are not aware of any website registered in Hong Kong and/or shops opened in Hong Kong that have infringed the trade mark of the Group and therefore, no action has ever been taken by the Group in Hong Kong.

The PRC

1. Trademark

In order to protect its trademark in the PRC, the Group has registered its trademark of "米蘭站" on 14 March 2011. The details of the trademark registration are set out in the section headed "Intellectual property rights" in Appendix V to this prospectus.

As advised by the PRC Legal Adviser, according to the PRC Trademark Laws, if any third party without authorization use the registered trademark of the Group to conduct business which is same or similar to the products or services registered by the Group under the trademark or in a way which will mislead the consumers into believing the commodity or service of such operator belongs to the Group, such operator shall be subject to the civil liabilities such as to cease using the mark or enterprise name and make compensation if there are any loss occurred.

2. Copyright

As an alternative plan, the Group has applied to the PRC Copyright Protection Center (中國版權保護中心) for registration of copyright on “” with application No.2010Z11S007606 on 26 September 2010. According to the Copyright Registration Certificate of National Copyright Administration of the PRC (中國國家版權局著作權登記證書) (No.00032439) dated 8 November 2010, the application documents submitted by the Group are in compliance with the relevant requirements; the aforesaid composition was initially published by Mr. Yiu in Hong Kong on 1 August 2001 and MS HK maintains the copyright (except for the right of authorship) as the “copyright holder for the works created in the course of one’s employment” (職務作品著作權人身份). Pursuant to the examination by the PRC Copyright Protection Center (中國版權保護中心), the aforesaid copyright registration was approved with registration number of 2010-F-032439.

The PRC Legal Adviser advises that the PRC Copyright Protection Centre is an institution directly under General Administration of Press and Publication of the PRC (中國新聞出版總署) and National Copyright Administration of China (中國國家版權局). As an institution set up by the PRC government to provide copyright related services to the public, the PRC Copyright Protection Centre performs functions and provides professional services in the fields of copyright-related social services, including computer software registration, works copyright registration, copyright transfer, exclusive licensing contract registration and filing, pledge contract registration, copyright law publicity and consulting, copyright authentication, copyright certification, third-party investigation and evidence collection, works custody, copyright dispute mediation, and other copyright related services and tasks assigned by the National Copyright Administration of China. For details of the aforesaid copyright registration, please refer to the paragraph headed “Copyright” under the section headed “Intellectual property rights” in Appendix V to this prospectus. Moreover, the Group will continue to adopt its existing name to carry out business in the PRC and register the trade name of “Milan Station/米蘭站” as its enterprise name in future subsidiaries incorporated in the PRC.

As advised by the PRC Legal Adviser, according to the PRC Copyright Laws, if a third party uses the composition of without authorization, such operator shall be subject to the civil liabilities such as to cease using the mark, eliminate the adverse effect, apologize and make compensation if there are any loss occurred.

3. Enterprise Name

The enterprise name of MS Beijing has been legally registered with Beijing Administration for Industry and Commerce (北京市工商行政管理局). According to the Administrative Regulations on Enterprise Name Registration (企業名稱登記管理規定), once an enterprise name is legally registered, the enterprise will have exclusive rights on its enterprise name within the prescribed business scope and no other entities can register the same or similar enterprise name for same industry within the jurisdiction of the registration authority. According to the Implement Measures of Administration on Enterprise Name Registration (企業名稱登記管理實施辦法), an application for enterprise name shall be rejected if it includes the same trade name of an enterprise name which has been approved or registered by the same registration authority for the same industry, unless there is investment relationship between the applicant and such enterprise.

The legal protection on enterprise name emphasizes any other third parties without authorization shall not use the enterprise name or the trade name (which is the material part of an enterprise name) in a way that will mislead the consumers into believing the commodity of such third party belongs to the operator registered under the enterprise name, otherwise the third party shall be subject to the civil liabilities under the Anti-unfair Competition Laws (such as to cease infringement and compensate the damages) and the penalties imposed by the government where appropriate.

As the Group has registered its enterprise name (i.e. Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (米蘭站亞太零售(北京)有限公司)) in Beijing, if an operator uses the Group's registered enterprise name in the PRC without authorization and mislead the public into believing that the commodity of such operator belong to the Group, it will constitute a breach of the PRC Anti-unfair Competition Laws and such operator shall cease to use the Group's registered enterprise name in the PRC, compensate the damages and be subject to the penalties imposed by the government where appropriate.

The Group is aware of (i) several shops using the name of Milan Station as their shops names for selling of handbags in the PRC (including the cities where the Group plans to set up retail shops such as Guangzhou, Hangzhou and Shanghai); (ii) a website promoting a shop which uses the name of "Milan Stations" as its shop name and appears to be selling handbags in Guangzhou; and (iii) a website which uses the name of "米蘭站" as its brand name for the selling of handbags through the Internet without permission or license from the Group.

Further, according to the searches conducted by the PRC Legal Adviser in Beijing, Chengdu, Guangzhou, Hangzhou, Nanjing, Tianjin, Shenyang and Shanghai, where the Group has or intends to set up its retail shops, there are some third parties in Chengdu, Nanjing and Shanghai registering "米蘭站" with the local administration for industry and commerce as part of their enterprise names. Except Chengdu, Nanjing and Shanghai, no third parties were found in the other cities where the Group has or intends to set up its retail shops registering "米蘭站" as part of their enterprise names.

In respect of registering the Group's enterprise name in Shanghai, as advised by the PRC Legal Adviser, since the scope of business of the third party using "米蘭站" as its enterprise name in Shanghai is different from that of the Group, the Group's PRC subsidiary in Shanghai can still register "米蘭站" as part of its enterprise name. For the registration of the Group's enterprise name in Chengdu and Nanjing, even though the Group cannot register "米蘭站" as part of the enterprise name for its PRC subsidiaries, MS Beijing can legally open branch retail shop(s) using the enterprise name of MS Beijing in such cities. The Group intends to use Milan Station Asia Pacific Retail (Beijing) Co., Ltd. Chengdu branch office (米蘭站亞太零售(北京)有限公司成都分公司) and Milan Station Asia Pacific Retail (Beijing) Co., Ltd. Nanjing branch office (米蘭站亞太零售(北京)有限公司南京分公司) as enterprise names for opening and operating its retail shops in Chengdu and Nanjing. As advised by the PRC Legal Adviser, the Group is able to use its trademark in the provinces where the third parties have registered "米蘭站" as part of their enterprises names.

In summary, the Group has taken the following actions to prevent any infringement of the Group's intellectual property rights:-

1. the Group has registered its trademark in the PRC;

2. the Group has obtained copyright registration for in the PRC, as advised by the PRC Legal Adviser, according to the PRC Copyright Laws, if a third party uses the composition of without authorization, such operator shall be subject to the civil liabilities such as to cease using the mark , eliminate the adverse effect, apologize and make compensation if there is any loss occurred;

3. as the Group has legally registered its enterprise name (i.e. Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (米蘭站亞太零售(北京)有限公司)) in the PRC, therefore, if an operator uses Group's registered enterprise name in the PRC without authorization and mislead the public into believing that the products of such operator are belong to the Group, it constitutes an unfair competition and the operator shall be subject to the civil liabilities provided by the PRC Anti-unfair Competition Laws (such as to cease infringement and compensate the damages) and the penalties imposed by the government where appropriate. Therefore, the Group has right to institute legal proceedings against the person or companies who infringe the intellectual property rights of the Group in the PRC according to the PRC Copyright Laws and the PRC Anti-unfair Competition Laws;

4. MS Beijing has published a clarification announcement on the newspapers in the PRC clarifying that there are only two shops belonging to MS Beijing in the PRC and stating the addresses of these two shops. It is also stated in the announcement that MS Beijing reserves its right to sue any companies who use the trademark of the Group without due authorization; and

5. the Group has engaged a lawyer in the PRC in 2011 to investigate and take appropriate legal actions against third parties for infringing the Group's intellectual property rights in the various cities of the PRC, including Shanghai, Chengdu and Nanjing. The Group will collect and preserve the evidence of infringement by such shops and website through notary; and file law suits against the above mentioned shops and websites at the competent courts in the PRC.

Based on the aforesaid, the Directors believe that the Group has taken all reasonable actions to prevent any infringement of the Group's trademarks. Further, so long as the Group can continue to use "米蘭站" as its brand name and "" as its logo for the Group's retail shops in the PRC, the Directors consider whether the enterprises name of its PRC subsidiaries would contain the words of "米蘭站" may not be material to the business of the Group. The Directors confirmed that, as at the Latest Practicable Date, no actual loss has ever been suffered by the Group due to such third party's infringement. As such, both the Directors and the Sole Sponsor are of the view that the abovementioned shops and websites using "米蘭站" as their enterprise name do not have any material adverse impact to the financial, business and operation of the Group as at the Latest Practicable Date.

Macau

In order to protect its trademarks in Macau, the Group has registered its trademarks "Exit Milan Station", "MS" and "France Station" in Macau. Please refer to the section headed "Intellectual property rights" under Appendix V to this prospectus. Besides, the Group has taken a civil action at the First Instance Court of Macau on 14 August 2008 to protect its registered trademark "Exit Milan Station" and requested to prohibit the defendant from using a company name same as the aforementioned trademark, and the Group is the prevailing party. The Court of Macau ordered that the defendant shall not use the trademark as its company name according to the Commercial Code of Macau and the Decree Law no. 97/99/M "Juridical Regime of Industrial Property".

Based on the advice of the Macau Legal Advisers, in the event that any websites and/or shops offer services in retailing and/or wholesaling of second hand unused bags, shoes, clothing and accessories under an identical mark as the Group's registered trademark in Macau, they may be liable for trademark infringement and the Group would be entitled to restrain the infringing acts by those shops and seek damages for infringement under the Commercial Code of Macau and the Decree Law no. 97/99/M "Juridical Regime of Industrial Property".

LEGAL AND REGULATORY

The Group has obtained all the necessary permits, certificates, licenses and approvals for its operation of its existing business and accordingly, based on the legal opinions sought by the Group from its legal advisers, has complied with all relevant laws and regulations applicable to its operation of its existing business in Hong Kong, the PRC and Macau. The laws and regulations referred in the following paragraphs headed "Hong Kong Laws and Regulations", "The PRC Laws and Regulations" and "Macau Laws and Regulations" only contain a portion of the laws and regulations which the Group's operation is subject to. For details of the other laws and regulations, please refer to the paragraphs headed "Hong Kong Laws and Regulations", "The PRC Laws and Regulations" and "Macau Laws and Regulations" under the section headed "Regulations" in this prospectus.

Based on the legal opinions sought by the Group from the Hong Kong Legal Counsel, the PRC Legal Adviser and the Macau Legal Adviser and the independent due diligence works performed by the Sole Sponsor, the Sole Sponsor also confirmed that the Group's operation in Hong Kong, the PRC and Macau are in compliance with all the relevant laws and regulations in these jurisdictions and satisfies the legality of the business operation of the Group in Hong Kong, the PRC and Macau during the Track Record Period.

HONG KONG LAWS AND REGULATIONS

In respect of the operation of the Group in Hong Kong, the Group has sought legal opinion from the Hong Kong Legal Counsel on the legality of its operation in Hong Kong. The Hong Kong Legal Counsel confirmed that there is no law and regulation that specifically governs trade in second-hand or unused products in Hong Kong.

The only certificate, licence, permit or approval relevant to the operation of the existing business of the Group is a business registration certificate issued by the Inland Revenue Department of the Hong Kong Government. It is advised by the Hong Kong Legal Counsel that the Group's operation in Hong Kong complies with all the applicable laws and regulations based on the information and the Directors' confirmations provided to the Hong Kong Legal Counsel. However, it is not possible to rule out inadvertent breaches of trade description laws (subject to the defences mentioned under the paragraph "Trade description laws" under this section), as well as unintentional or inadvertent commitment of the tort of conversion (liability for which is strict, as pointed out under this section) in individual cases. There are also some uncertainties as to the applicability of copyright laws to parallel imports. Therefore, it is advised that the Group's mode of operation could attract liability under applicable intellectual property laws and laws of tort.

The sale of parallel-imported goods and second-hand products

As advised by the Hong Kong Legal Counsel, under Hong Kong laws, there is no general prohibition on parallel imports as such. However, various aspects of intellectual property laws (including trademarks laws, copyright laws and trade description laws) and laws of tort (including passing-off, procuring a breach of contract and tort of conversion) in Hong Kong may affect the legality of the importation of products to varying extents. Generally speaking, parallel importation is considered to be a fairly common phenomenon in Hong Kong, however, the prevalence of the practice differs from one trade to another. Please refer to the paragraphs headed "Intellectual Property Laws" and "Laws of Tort" below for details of the intellectual property laws and tort laws.

The Hong Kong Legal Counsel further advised that there is no restriction or provision which specifically regulates trading in second-hand commodities in Hong Kong or prohibit certain goods to be sold as second-hand commodities.

Intellectual Property Laws

1. Trade mark laws

Under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if he uses in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered. In accordance with section 20(1) of the Trade Marks Ordinance, once a piece of goods bearing a registered trade mark has been put on the market anywhere in the world by the owner or with his consent, the registered trade mark in respect of such goods is not infringed unless subsection 20(2) of the Trade Marks Ordinance applies, where:

(1) the condition of such goods has been changed or impaired after they have been put on the market, and

(2) the use of the registered trade mark in relation to such good is detrimental to the distinctive character or repute of such trade marks.

The Group's business involves selling second-hand and unused luxury branded products sourced mainly from public consumers or traders, which may carry registered trade marks owned by the brand owners. Insofar as the products of the Group sourced from the public consumers and the traders are concerned, the Directors confirm that:

(1) the second-hand products sourced by the Group would be sold as second-hand products and not as unused products;

(2) the unused products sourced by the Group would not be tampered with, such as by removing certain bar code or obliterating the original labels under which such products were first put on market; and

(3) the trade marks used in the individual products (and on its packaging and tags, etc.) sold by the Group are visually and phonetically the same as those held in the trade mark register by the respective trade mark proprietors.

The Directors further confirm that the products of the Group have not been impaired in any material way, although, prior to December 2010, the Group occasionally delivered damaged goods to third party shops for repair.

Regarding selling of branded products sourced from the public consumers or traders, the Hong Kong Legal Counsel opined that:-

(1) the rights of the brand owners (and those of his authorised dealers) to claim for trade mark infringement are exhausted once the goods have been sold anywhere in the world or with its consent unless subsection 20(2) of the Trade Marks Ordinance applies;

(2) the sale of second-hand products would not amount to a change or impairment of such goods as would be detrimental to the distinctive character or repute of such trade marks provided they are sold as second-hand products and not as unused ones. For unused products, which have not been tampered with in any way, subsection 20(2) has no application; and

(3) it would not constitute any infringement of trade mark unless the trade mark owner is able to prove, on a balance of probabilities, that:

   a. insofar as the second-hand product is concerned, the Group sold them as new or unused products; or

   b. insofar as the unused product is concerned, (i) the condition of such product has been changed or impaired since it was first put on the market anywhere in the world by or with the consent of the trade mark owner; and (ii) the reputation or distinctive character of the trade mark will be adversely affected by Group's use of the trade mark on such product in the course of its business.

As such, the Hong Kong Legal Counsel advises that there is no valid claim for trade mark infringement and there is no valid legal basis on which authorised dealers would be able to sue the Group in respect of selling of luxury branded products sourced from the public consumers or traders and/or parallel imports which may harm brand owners' and their authorised dealers' exclusive distribution rights in the local market nor is there any valid legal basis for brand owners and authorised dealers to sue the Group in any aspect in relation to the sale of unused products in Hong Kong because the goods of the Group are genuine and not impaired in any material way. As confirmed by the Directors, no claim for trade mark infringement has been received by the Group during the Track Record Period.

As to the sale of goods repaired by third party shops, the Hong Kong Legal Counsel opined that, since such repairs were to restore the products as nearly as possible to their original unused condition, barring poor workmanship, such repairs are unlikely to result in an "impairment" in the condition of the goods, but rather an improvement. However the repairs can still be regarded as effecting a "change" in the condition of the goods within the meaning of section 20(2) of the Trade Marks Ordinance, albeit a change for the better. In such cases, it is unlikely that the use of the registered trade mark in relation to those goods will be considered to be "detrimental to the distinctive character or repute of the trade mark". Hence, as advised by the Hong Kong Legal Counsel, it is unlikely for liability to attach to the sale of such repaired items.

2. Copyright laws

Section 31 of the Copyright Ordinance (Chapter 528 of the laws of Hong Kong) (the "**Copyright Ordinance**") entitled "Secondary infringement: possessing or dealing with infringing copy" provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner:-

(1) possesses for the purpose of or in the course of any trade or business;

(2) sells or lets for hire, or offers or exposes for sale or hire;

(3) exhibits in public or distributes for the purposes of or in the course of any trade or business; or

(4) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright,

a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

An "infringing copy" is a copy of a work protected by copyright which was made without the authority of the copyright owner. In common parlance, they are called pirate copies or counterfeits. Commercial dealings in infringing copies, such as importation and sale, are unlawful acts under the Copyright Ordinance. Such dealings are called secondary infringement. Liability for secondary infringement depends on proof that the defendant knew or had reason to believe the copy is an infringing copy.

However, copyright is a territorial concept. Each country has its own copyright laws. The same work may thus be protected at the same time by e.g. French copyright in France, Chinese copyright in the PRC, and Hong Kong copyright in Hong Kong.

Because of the territorial nature of copyright, a copy of a work (such as the design drawing for a handbag) may be perfectly lawfully made in its country of manufacture (e.g. France), but any further dealings in the copy are still subject to the copyright laws of the country where it is to be imported (e.g. Hong Kong). To determine whether or not the copy (e.g. the handbag) is infringing, one must have regard to the definition of what is an infringing copy under the Copyright Ordinance.

In the first place, pirate or counterfeit copies are made without the consent of the copyright owner in their country of manufacture. They are obviously infringing copies.

Moreover, Section 35(3) of the Copyright Ordinance extends the meaning of "infringing copies" to copies of a work that is imported into Hong Kong, if their making in Hong Kong would have constituted an infringement of the copyright work, or a breach of an exclusive licence agreement in relation to that work. In plain language, they are copies of a work whose making in Hong Kong would have been unauthorised, either by the owner of the copyright in Hong Kong or his exclusive licensee (if one was appointed).

A copyright works may be used in the making of luxury branded products such as handbags and their necessary materials. These works enjoy a period of protection in Hong Kong without any requirement for registration. The luxury branded products sold by the Group in the course of its business may contain copyright works of the brand owners. In relation to copyright laws, the Hong Kong Legal Counsel opined that:

(1) under section 31 of the Copyright Ordinance, dealings in (as opposed to manufacturing of) items, which infringe copyright works attract liability;

(2) these are defined as acts of "secondary infringement", for which knowledge on the part of the infringer is a requisite element;

(3) copyright laws in Hong Kong is territorial and dealings in an item which infringes copyright work might attract civil and criminal liability if it can be proven that the infringer actually knows or has reason to believe that such item is an "infringing copy" of the work;

(4) although section 35 of the Copyright Ordinance defines what an "infringing copy" is, this statutory definition has not been the subject of authoritative interpretation in the Hong Kong courts. To this extent, the meaning of "infringing copy" in the context of parallel imports is uncertain;

(5) section 36 of the Copyright Ordinance provides a number of defences to protect bona fide dealings in articles which are not known to be unauthorized parallel imports. The more enquiries the importer or dealer has made, the less likely one would be held to have infringed; and

(6) the Group and/or its Directors could incur criminal liability for acts committed by the officer or with the officer's consent or connivance, but only if all the necessary elements (including knowledge) to constitute infringement are proven "beyond reasonable doubt".

In accordance with the aforesaid legal opinion, given the uncertainty in the application of the provision governing parallel imports under section 35 of the Copyright Ordinance, the Group has adopted and implemented a number of internal control measures in response to the guidelines under section 36 of the Copyright Ordinance as to what a court of law would take into account in deciding whether dealings in parallel imports are in good faith, in particular for those relating to making enquiries and obtaining confirmations from its suppliers during purchasing procedures. For details of the internal control measures, please refer to the paragraph headed "Internal control measures relating to the operation of the Group" in this section.

The Directors confirm that they do not have any actual knowledge nor have any reason to believe that any of the products sourced by the Group for sale is an infringing copy of any work within the meaning of section 35 of the Copyright Ordinance. As such, the Hong Kong Legal Counsel opined that, the Group has legally carried on the retail of second-hand and unused luxury branded products in Hong Kong without contravening the provisions under the laws relating to the provisions under the Copyright Ordinance and there would not be any valid claim for copyright infringement. Based on the aforesaid Directors' confirmation and opinion of the Hong Kong Legal Counsel, the Sole Sponsor is of the view that the Group has carried on its business in the retail of luxury branded products in Hong Kong without contravening the relevant provisions in respect of parallel imports under the Copyright Ordinance.

3. Trade description laws

The expression "trade description" under section 2 of the Trade Descriptions Ordinance includes an indication of, direct or indirect, and by whatever means given, among other things, the history, including previous ownership or use of the goods.

Under section 7 of the Trade Descriptions Ordinance, any person who in the course of any trade or business applies a false trade description to any goods, or supplies or offers to supply any goods to which a false trade description is applied; or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence.

Further, under section 9(2) of the Trade Descriptions Ordinance, any person who sells or exposes or has in his possession for sale or for any purpose of trade or manufacture, any good to which any forged trade mark is applied, or to which any trade mark or mark so nearly resembling a trade mark as to be calculated to deceive is falsely applied, commits an offence.

In respect of any offence under the Trade Descriptions Ordinance, a general defence is afforded by section 26(1) of the Trade Descriptions Ordinance to the person charged if one can prove that:

(1) the commission of the offence was due to a mistake or to reliance on information supplied to him or to the act or default of another person, an accident or some other cause beyond his control; and

(2) he took all reasonable precautions and exercised all due diligence to avoid the commission of such an offence by himself or any person under his control.

Moreover, section 26(3) provides a defence for a person charged with supplying or offering to supply any goods to which a false trade description is applied. He must show that he did not know, had no reason to suspect and could not with reasonable diligence have ascertained, that the goods did not conform to the description or that the description had been applied to the goods.

Under section 20 of the Trade Descriptions Ordinance, where a body corporate is convicted of an offence under the Trade Descriptions Ordinance, its directors and officers are deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to prevent the commission of the offence.

According to the existing business model of the Group, the Group focuses on selling second-hand and unused luxury branded products, in particular, handbags, from international luxury fashion houses. If the Group has in its possession for sale any second-hand goods, which are mis-described as new goods, it may be liable for an offence under section 7 of the Trade Descriptions Ordinance. Further, if the Group purchases fake or counterfeit products from its suppliers and sells them to its customers without a defence, it may be liable for an offence under section 9 of the Trade Descriptions Ordinance. In such circumstance, its directors may be liable for the corresponding offence under section 20 of the Trade Descriptions Ordinance.

In the context of section 7 of the Trade Descriptions Ordinance, the Directors have confirmed that insofar as the products of the Group sourced from the public consumers and the traders are concerned, the second-hand products sourced by the Group would be sold as second-hand products and not as unused products. Please refer to the above paragraph headed "Trade mark laws" in this section for details of the Directors' confirmation.

Insofar as section 9(2) of the Trade Descriptions Ordinance is concern, there may be a possibility for the Group to purchase fake or counterfeit products from its suppliers during the course of its business. In this regard, the Group has adopted and implemented a set of internal control measures, which include organizing in-house staff training on the techniques to distinguish genuine products from counterfeit ones, implementing trader registration policy, requesting written confirmations from suppliers, conducting product examinations, complaint handling and investigation procedures, product examination(s), installation of surveillance cameras and monitoring of police alerts. For details, please refer to paragraphs headed "Purchasing and product examination" and "Internal control measures relating to the operation of the Group" under this section.

Having considered the Director's confirmation mentioned above and the internal control measures adopted and implemented by the Group, the Hong Kong Legal Counsel opined that:

(1) the Group does not commit the offence under section 7 of the Trade Descriptions Ordinance by intentionally passing-off second-hand goods as new products;

(2) in the event of an inadvertent breach of section 7 of the Trade Descriptions Ordinance, the defence of lack of intention to defraud under section 9(1) of the Trade Descriptions Ordinance may be available to the Group and the exception to section 20 of the Trade Descriptions Ordinance may be available to individual directors and officers of the Group and for the purpose of such defences, the concept of due diligence and reasonable precautions requires the defendant to take positive precaution measures to ensure that no false trade description or trade marks are applied to any goods;

(3) if the Group purchased any fake or counterfeit products from its suppliers due to mistakes, inadvertence or misinformation, the statutory defences outlined above may be available and it is however incumbent on the Group to establish a system of due diligence and reasonable precautions to avoid the inadvertent sale of fake or counterfeit products;

(4) the concept of "all reasonable precautions" does not require a retailer to have a perfect system and it is a question of fact whether a defendant has taken all reasonable precautions in any particular case; and viewed as a whole, the internal control measures taken by the Group amount to the taking of "all reasonable precautions" under section 26(1) of the Trade Descriptions Ordinance; and

(5) as such, the Group has legally carried on the retail of second-hand luxury branded products and unused luxury branded products in Hong Kong without contravening the provisions under the laws relating to Trade Descriptions Ordinance.

The Directors are also of the view that although the internal control measures may not be perfect and complete, the Group has used it best endeavours and have taken all reasonable precautions to protect the interest of the Group and its Shareholders. As at the Latest Practicable Date, notwithstanding that the Group has received several complaints about selling of stolen goods by the Group (details of which are set out under the paragraph headed "Alleged stolen goods" in this section), the Directors confirmed that the Group has never been charged with any offence in relation to purchasing and/or selling of stolen goods (if any).

Taking into account of and based on the Hong Kong Legal Counsel's opinion and the Director's view as set out above and having reviewed (i) the internal control guidelines of the Group in respect of prevention to purchase or sell counterfeit products sourced from public consumers or traders; (ii) the records in respect of the police's investigations and the Group's assistance to the police's investigations on counterfeit products; and (iii) the historical product examination and other internal control records regarding prevention to purchase or sell counterfeit products, the Sole Sponsor takes the view that the Group has already used its best endeavor to adopt effective and adequate internal control measures which amount to the taking of "all reasonable precautions" under section 26(1) of the Trade Descriptions Ordinance and to protect the interests of the Group and its Shareholders.

Laws of Tort

1. Passing-off

Passing-off is a common law tort which can be used to enforce unregistered trade mark rights. Where a person sells goods, or carries on business under a name or mark in such a manner as to mislead the public into believing that goods or business are those of another person who owns the relevant goodwill, such other person has a right of action to sue for passing-off.

The essential difference between the law of passing-off and trade mark laws (in particular, section 20(2) of the Trade Marks Ordinance) is that in every case of passing-off, misrepresentation is an essential element, whereas section 20(2) of the Trade Descriptions Ordinance is a specific provision to protect the value of a trade mark without requiring any element of deception or confusion on the part of the public.

As advised by the Hong Kong Legal Counsel, it is generally not constitute passing-off for the following cases:

(1) selling imported-goods, which are marketed abroad by the trade mark owner or an associated business, under the name or mark applied by the trade mark owner. This is because there is no misrepresentation of the original of such goods, which is an essential element of liability;

(2) in the case of selling second-hand goods, the second-hand products are not sold as unused ones;

(3) in the case of selling unused goods, such unused products are sold without modification; and

(4) selling the goods by removing or obliterating the name or mark of the trade mark owner so that the goods are no longer identifiable as originating from the owner of the mark, nor is there passing-off by the addition of another mark, or matter clearly not emanating from the trade mark owner.

On the other hand, it may constitute passing-off for the following cases:-

(1) a trader who is not authorized dealer to so conduct his or her business as to give potential customers the false impression that such trader is an authorized dealer and that he or she will be in a position to give the same manufacturer's guarantee that an authorized dealer could give; or

(2) a person were to make any representation to the effect that the goods sold are under the same guarantee which can be enforced as if the goods were purchased from the local authorized dealer.

The Directors confirm that the Group has not sold any second-hand product as an unused one and that all the unused products are sold by the Group without any modification and hence there is no mispresentation as to the origin of the goods. The Directors further confirm that the Group does not make any representation to the effect that the goods sold by the Group are under the same guarantee as if the goods were purchased from the local authorized dealer. As such, the Hong Kong Legal Counsel opined that the Group has not contravened the law relating to the tort of passing-off and there would not be any valid claim for passing-off.

2. Procuring a breach of contract

A person commits a tort if such person knowingly procures a breach of contract made between other persons. Where there is a contractual arrangement in place between the trade mark owner and an authorized dealer restricting the latter from selling the goods for re-sale outside a particular territory, a person who takes part in acts effecting the breach of that contractual arrangement in a concerted effort with such authorized dealer commits a tort.

It is possible, in certain circumstances, for a person to incur liability for committing the tort of procuring a breach of contract. To be so liable, it must be shown that such person, who:-

(1) is aware of the restrictions in the contract between the trade mark owner and its authorised dealer, or deliberately turns a blind eye to them;

(2) acts to procure or induce a breach of the restrictions by the authorised dealer, and

(3) knowingly, or recklessly, indifferent whether it is a breach or not.

The Directors confirm that to the best of their knowledge and information, they are not aware that any traders selling products to the Group has any contractual arrangement with the trade mark owners in relation to their products sold to the Group for restricting such traders from reselling such products into the Hong Kong market. Therefore, the Hong Kong Legal Counsel opined that the Group has legally carried on the retail of second-hand and unused luxury branded products without contravening the laws relating to the tort of procuring a breach of contract.

3. Tort of conversion

A person commits a tort of conversion if such person sells stolen goods. If the Group purchases stolen goods from its suppliers and sells them, the Group may be civilly liable for tort of conversion and it is no defence that (i) the Group neither knows nor ought to have known that it is acting unlawfully, or (ii) the Group acts entirely without negligence.

In this regard, the Group has adopted and implemented a number of internal control measures with a view to avoid purchasing any stolen goods from its suppliers, in particular for those relating to purchasing and product examination procedures. For details of the internal control measures, please refer to the paragraph headed "Internal control measures relating to the operation of the Group" in this section. The Directors are of the opinion that even though the Group would not knowingly and dishonestly sell stolen goods, there is still the possibility that the Group may sell stolen goods in the event of non-compliance of the Group's internal control guidelines by its staff or failure of the verification process.

Theft Ordinance

Under section 24 of the Theft Ordinance, a person handles stolen goods if, (otherwise than in the course of the stealing) knowing or believing them to be stolen goods, he dishonestly receives the goods, or dishonestly undertakes or assists in their retention, removal, disposal or realization by or for the benefit of another person, or if he arranges to do so shall be guilty of an offence and shall be liable on conviction upon indictment to imprisonment for 14 years.

The Directors are of the view that the aforesaid section of the Theft Ordinance is not applicable to the Group as the Group will not purchase any goods knowing or believing them to be stolen goods.

THE PRC LAWS AND REGULATIONS

In respect of the operation of the Group in the PRC, the Group has sought legal opinion from the PRC Legal Adviser on the legality of its operation in the PRC.

Currently there is no specific law in respect of the second-hand products in the PRC. The retail business in respect of the second-hand products in the PRC are mainly governed by the government regulations including "Opinion on Promoting the Development of Second-hand Goods Industries in China", "Notice on Expediting the Development of Second-hand Goods Industry", and "Administration Measures on the Circulation of Second-hand Commodities (Trial Implementation)".

The retail business in respect of the unused products in the PRC are mainly governed by "PRC Contract Law", "Product Quality Law of the PRC" and "PRC Law on Protection of Rights and Interests of Consumers". However, as the business operation of the Group in the PRC does not involve selling the unused products, therefore, only the principle provisions concerning the retail sales of these laws are relevant to the business operation of the Group in the PRC. For details relating to such provisions, please refer to the paragraph headed "Consumer rights" under the section headed "Regulations" under this prospectus.

The PRC Legal Adviser advises that, the Group's mode of operation only give rise to concern on compliance with laws and regulations relating to the establishment of and carrying on business in relation to the sale of second-hand goods, intellectual property laws, anti-unfair competition laws, establishment of wholly foreign owned enterprise in the PRC and online sales business and there is no laws and regulations in the PRC in relation to prohibition of parallel trading. As advised by the PRC Legal Adviser, there is no explicit implementary provisions on requiring the Group to label "second-hand goods" on the relevant products sold in the PRC. Nonetheless, as confirmed by the Directors, all relevant members of the Group have labeled "second-hand goods" on relevant products sold in the PRC since January 2011, the PRC Legal Adviser confirms that the Group's operation in the PRC complies with all applicable PRC laws and regulations during the Track Record Period.

Establishment of and carrying on business in relation to sale of second-hand products

1. *"Opinion on Promoting the Development of Second-hand Goods Industries in China" (關於促進我國舊貨行業發展的意見) (the "**Opinion**")*

According to the Opinion announced and implemented by the State Economic and Trade Committee (which has been changed to the Ministry of Commerce of the PRC) on 21 February 2003, there is reformation in the administration on the second-hand goods enterprises, and the administrative approval and the special industry trade license system on the establishment of second-hand goods markets and second-hand goods enterprises are abolished. The administrative departments of second-hand commodity circulation in all provincial, autonomous regions and municipal governments shall formulate the entry requirement for second-hand goods enterprises according to the actual situation of the local economic development, and be opened to the public. For the business units and individuals which meet the entry requirement of second-hand goods industry, they can apply for registration at the administration for industry and commerce to procure the business license, and file at the local public security authority within 15 days and commence business operation in accordance with the approved scope of business.

The PRC Legal Adviser advises that, pursuant to the Opinion, the enterprises and individuals which meet the necessary entry requirement shall apply for registration from the Administration for Industry and Commerce of the PRC for registration, file at the local public security authority, and commence business operation in accordance with the approved scope of business. MS Beijing has duly obtained the approval certificate issued by Beijing People's Government and the business license issued by the Administration for Industry and Commerce of the PRC in Beijing (北京市工商行政管理局) for its sale of second-hand luggage bags and ornaments. According to the Filing and Registered Form for Foreign Investment Enterprise (No.B2100027244) (外商投資企業備案登記表) and the due diligence investigation made by the PRC Legal Adviser, MS Beijing has duly filed with the Beijing Public Security Bureau (北京市公安) for its sale of second-hand goods and passed the annual inspection of 2010.

The Group plans to further expand its retail network in the PRC market. At present, MS PRC (HK) has obtained the Notice on Pre-approval on Enterprise Name (企業名稱預先核准通知書) for Milan Station Commercial (Shanghai) Limited (米蘭站商業(上海)有限公司) ("MS Shanghai") in Shanghai, the PRC. To conduct the sales of second-hand goods through MS Shanghai according to the PRC laws and regulations, MS PRC (HK) shall apply for an approval certificate from the Luwan District People's Government of Shanghai (上海盧灣區人民政府) and register with the Administration for Industry and Commerce of the PRC in Shanghai (上海市工商行政管理局) for the incorporation of MS Shanghai; upon receiving the aforesaid approval and registration, MS Shanghai shall file with the local public security authority for its sale of second-hand goods.

2. *"Notice on Expediting the Development of Second-hand Goods Industry" (關於加快舊貨行業發展的通知) (the "**Notice**")*

According to the Notice announced and implemented by the Ministry of Commerce of the PRC on 25 March 2004, the industry administration shall be strengthened and the order flow shall be standardized. Second-hand goods industry, on the one hand, plays an important role in economic and social development; on the other hand, it also easily becomes the distribution channel for stolen goods and smuggling, it is therefore necessary for a strict administration as special industry. The second-hand goods operators shall strictly fulfill the commodity registration system. According to the consultation made by the PRC Legal Advisor with the Service and Transaction Department of Beijing Commercial Committee (北京市商務委員會服務交易處), which is in charge of second-hand transactions in Beijing, the "commodity registration system" refers to the requirement of making records of basic characteristic, origin and destination of the goods and as long as the Beijing Public Security Bureau does not raise any objection on the Group's current practice, the Group shall be deemed as complying with such system.

According to the consultation made by the PRC Legal Advisor with the Service Industry Development Department of Shanghai Commercial Committee (上海市商務委員會服務業發展處), which is in charge of second-hand transactions in Shanghai, the authority is of the view that Group's current practice of recording the basic specification of goods, the identification information and the confirmation from the supplier during the transactions has satisfied such system. For the sale or consignment of expensive items, their names, specifications and sources shall be recorded accurately.

All the local departments of commerce shall base on the requirement of the Opinion and consider the actual situation to pay close attention to formulate specific entry requirement such as second-hand goods markets, used goods enterprises (including stock transfers, consignment shops), fixed second-hand goods business operators, floating second-hand goods acquisition personnel, etc., and shall announce to the public during the first half of 2004. According to the consultation made by the PRC Legal Advisor with the Service and Transaction Department of Beijing Commercial Committee (北京市商務委員會服務交易處) (which is in charge of second-hand transactions in Beijing) and Service Industry Development Department of Shanghai Commercial Committee (上海市商務委員會服務業發展處) (which is in charge of second-hand transactions in Shanghai), as at the Latest Practicable Date, there is no entry requirement for second-hand industry enacted in Beijing and Shanghai.

Under the Notice, a mark of "Second-hand goods" uniformly issued by the PRC Second-hand Goods Industry Association (中國舊貨業協會) shall be labeled prominently on any goods that have been cleaned, repaired and processed. The operators shall not sell the second-hand goods as new goods to cheat the consumers. Bulk sales, exports and long-distance transports of second-hand commodities shall obtain the sales certificate issued by the Chinese Second-hand Goods Industry Association. However, as advised by the PRC Legal Adviser, there are no explicit provisions stipulating that the second-hand goods which have not gone through the cleaning, repairing or processing procedures shall be labeled with the mark of "second-hand goods" and there are no explicit provisions setting out the penalties to be imposed under the aforesaid circumstances. According to the consultation made by the PRC Legal Adviser with the Market Regulation and Administration Division of the State Administration for Industry and Commerce (國家工商總局市場規範管理司), the main purpose of requiring the companies to label the tags of "second-hand goods" which are uniformly issued by the

PRC Second-hand Goods Industry Association is to protect the customers from confusing the brand new goods with the second-hand goods. Market Regulation and Administration Division of the State Administration for Industry and Commerce (國家工商總局市場規範管理司), in the view of the PRC Legal Adviser, is the competent authority to interpret the purpose of the aforesaid requirement.

As advised by the Directors, the Group had occasionally engaged third parties for product repairing services prior to December 2010 and the Group did not label the goods with the mark of "second-hand goods" which are uniformly issued by the PRC Second-hand Goods Industry Association (中國舊貨業協會) as required under the Notice. The Directors confirm that only a very small number of the handbags acquired from the public consumers in the PRC need to be "repaired" or "cleaned" during the operation in the past and the Group has never been subject to any inspection or order or penalties imposed by the government authorities in the PRC for failure in labeling the mark of "second-hand goods". As all the receipts issued by MS Beijing to its customers have clearly stated that the products sold by MS Beijing are "second-hand" products, the Directors consider that the Group's practice of not putting the required label on its second-hand goods which have not gone through the cleaning, repairing or processing procedures will not cause any confusion to its customers and therefore, the Director consider that it is unnecessary to put such label on its products. Notwithstanding the aforesaid, commencing from January 2011, the Group has labeled the tags of "second-hand goods", which are uniformly issued by the PRC Second-hand Goods Industry Association (中國舊貨業協會), on such goods which have gone through the cleaning or repairing procedures pursuant to the "Notice on Expediting the Development of Second-hand Goods Industry".

According to the PRC Administrative Laws (中國行政處罰法), any administrative penalty imposed by the government on the citizens, legal persons or other organizations in the PRC shall be invalid if such administrative penalty is lack of legal basis. As there is no specific laws or regulations concerning what kind of administrative penalty shall be imposed in the circumstance where the Group did not put the label with the mark of "second-hand" goods on its handbags, the PRC Legal Adviser opined that the Group should not be subject to any penalties by the government due to the practice of not putting the label with the mark of "second-hand" goods on the handbags (which have not gone through the cleaning or repairing procedures). The PRC Legal Advisor further opined and, subsequent to January 2011 after the Group has labeled the tags of "second-hand goods" on goods which have gone through the cleaning or repairing procedures, the Group is now in compliance with the Notice.

3. *"Administration Measures on the Circulation of Second-hand Commodities (Trial Implementation)" (舊貨流通管理辦法(試行)) (the "**Administration Measures**")*

According to the Administration Measures announced and implemented by the Ministry of Domestic Trade (which has been changed to Ministry of Commerce) and the Ministry of Public Security on 9 March 1998,

(1) the second-hand goods enterprises can adopt the operation modes such as sales and purchases, agency (consignment, purchasing, whole-selling), lease, barter, or collect the old goods and sell the new goods by cooperation with the production and distribution companies for business development;

(2) the second-hand goods enterprises can also process, repair, renovate and restructure of secondary packaging for the second-hand commodities. The second-hand goods business operator should inspect on the second-hand commodities during its purchase and consignment on behalf of others. For second-hand goods with a value more than RMB100, relevant details of basic characteristics, origin and destination shall be duly recorded;

(3) second-hand goods business operators shall record the business names and identity card information of the sellers who sell, consign the second-hand goods or sell or consign the second-hand goods on behalf of others;

(4) as to the business unit and individual being appointed to handle second-hand commodities, the power of attorney by the business units and the identity cards of the delegated persons shall also be strictly checked and verified; and

(5) the following items shall not be operated as second-hand commodities: (a) stolen goods, smuggled goods, unknown items and pledged goods, or the goods under suspicion of being stolen or smuggled; (b) seriously damaged and irreparable goods; (c) other items which have been clearly forbidden for sales under laws and administrative regulations and franchise business.

The Public Security Bureau (公安局) shall detain the goods which are or are suspicious to be stolen goods or smuggled goods. If it is confirmed that the goods are not stolen goods or smuggled goods, they shall be returned; if it is confirmed to be stolen goods or smuggled goods, they shall be disposed of according to the laws and regulations.

At present there is no explicit implementary provision concerning the aforesaid requirement of making records of basic characteristic, origin and destination of the goods. According to the consultation made by the PRC Legal Advisor with the General Public Security Management Unit of the Beijing Public Security Bureau (北京市公安局治安管理總隊) (which being the enforcing authority of Beijing Public Security Bureau, in view of the PRC Legal Adviser, is the competent authority to interpret the aforesaid requirement), for a enterprise such as the Group which is engaging in second-hand handbags business, the practice of recording the basic specification of goods, the identification information and the confirmation from the supplier during the transactions by the Group has satisfied the aforesaid requirement.

4. PRC Criminal Laws (中國刑法)

According to the PRC Criminal Laws (中國刑法), if the seller purchases and/or sells the stolen goods with awareness, it shall be subject to criminal punishment (no matter how much illegal amount is involved). According to the PRC Criminal Laws and the "Interpretation of the Supreme People's Court on the Application of Laws during the Trail over the Criminal Case of Smuggling" (最高人民法院關於審理走私刑事案件具體應用法律若干問題的解釋), if the seller purchases the normal smuggled goods (i.e. other than the drugs or the goods which are restricted or prohibited from import) directly from the smuggler with awareness and the taxable amount is over RMB 50,000, it shall be subject to criminal punishment. Unless the sale of smuggled goods is conducted in the continental or territorial waters and such goods are restricted or prohibited from import, merely selling the smuggled goods does not trigger the PRC Criminal Laws.

Intellectual property laws

The products in the PRC shall be subject to intellectual property laws, which mainly include the PRC Copyright Laws (中國著作權法), the PRC Patent Laws (中國專利法) and the PRC Trademark Laws (中國商標法). According to PRC Trademark Laws (中國商標法), which was promulgated by the SCNPC on 23 August 1982 and amended on 27 October 2001, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization; (iv) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and (v) causing other damage to the right to exclusive use of a registered trademark of another person.

According to the PRC Trademark Laws and the relevant regulations, the legal protection on trademark registration mainly focus on the exclusive rights to the registered trademark, which include the rights to use, license and transfer such trademark. The trademark registration is uniformly governed by the Trademark Office of the State Administration For Industry and Commerce and all the trademark registration in the PRC shall be applied to the Trademark Office. Therefore, the Group does not need to apply for trademark registration in difference provinces. A trademark registration will be valid for 10 years since the date of approval of registration and the validity term is renewable.

According to the PRC Copyright Laws and the relevant regulations, the legal protection of copyright mainly focus on the exclusive rights to the composition, which include the right of authorship and the rights to publish, revise, copy, lease, license, transfer and receive remuneration from the works. A copyright over a composition owned by a company will be protected for 50 years since the date of first publication. The copyright registration is an evidence for the ownership of copyright over a composition.

As advised by the PRC Legal Adviser, the legal protections by copyright and by trademark registration are overlapped in certain degree in the practice. Nonetheless, the protection on the registered trademark emphasize that any other third parties without authorization shall not use the mark which is same or similar to the registered trademark on the products which have been registered under the registered trademark; whilst the protection on copyright emphasize any other third parties without authorization shall not use or revise the artistic and literary expression of the composition.

The PRC Anti-unfair Competition Laws (中國反不正當競爭法)

According to the PRC Anti-unfair Competition Laws, where an enterprise uses other's enterprise name without authorization and misleads the public to believe the products belong to such other party, such act constitutes a breach of the PRC Anti-unfair Competition Laws and the enterprise shall be subject to the civil liabilities stipulated under the PRC Anti-unfair Competition Laws (such as to cease infringement and compensate the damages) and the penalties imposed by the government where appropriate. According to the "Interpretation of the Supreme People's Court on Application of Law in the Civil Case of Unfair Competition" (最高人民法院關於審理不正當競爭民事案件應用法律若干問題的解釋), "enterprise name" shall include an enterprise name registered in the PRC, an enterprise name of a foreign company used in the PRC for commercial purpose, and a trade name (as part of the enterprise name) with certain market reputation and is well known by the general public; and "use of enterprise name" shall include the circumstance where the enterprise name is used on advertisement, exhibition or other commercial activities.

The PRC Laws on Tort Liabilities (中國侵權責任法)

According to the PRC Laws on Tort Liabilities, the civil rights such as ownership, copy rights, patent rights, exclusive rights to trademark, property rights shall be protected by the laws and regulations. Where there is infringement on the aforesaid civil rights, the infringed shall have the rights to require the infringer to bear certain civil liabilities such as to cease infringement, eliminate the adverse effect, apologize and compensate the loss.

Since (i) the brand of " " has been registered as the Group's trademark in the PRC; (ii) the enterprise name of the MS Beijing is legally registered and the Group has exclusive rights over it in Beijing; (iii) the enterprise name of the MS Shanghai is legally reserved and the Group will have exclusive rights over it in Shanghai upon the completion of incorporation, therefore, as advised by the PRC Legal Adviser, the use of "米蘭站" and "出米蘭站" by the Group neither falls in the case of using other's enterprise name without authorization nor misleading the public to believe the products belong to such other party.

Even though the Group cannot register "米蘭站" as part of the enterprise name for its intended PRC subsidiaries in Chengdu and Nanjing due to the fact that "米蘭站" was used by third parties as part of their enterprise names in Chengdu and Nanjing, the relevant local Administration for Industry and Commerce of the PRC in Chengdu and Nanjing confirmed with the PRC Legal Adviser that the legally existing entity (i.e. MS Beijing) can legally open branch retail shop(s) in such cities (for example, it can be named as "米蘭站亞太零售(北京)有限公司成都分公司" or "米蘭站亞太零售(北京)有限公司南京分公司" in Chengdu and Nanjing). As such, the operation of the Group in the PRC can be conducted under the aforesaid enterprise names in Chengdu and Nanjing.

The brand of " " has been registered with the PRC Copyright Protection Centre (中國版權保護中心) on 8 November 2010 and the trademark of has been registered by the Group with the Trademark Office on 14 March 2011. Upon the registration, the Group will have exclusive rights to in the PRC. As advised by the PRC Legal Adviser, the Group is able to use its trademark in the provinces where the third parties have registered "米蘭站" as part of their enterprise name.

The PRC Legal Adviser is of the opinion that the Group's operation in the PRC is in compliance with the relevant laws and regulations and there is no material risk of the Group facing legal claims with respect to alleged infringement of the PRC Trademarks Laws (中國商標法), the PRC Copyright Laws (中國著作權法), the PRC Anti-unfair Competition Laws (中國反不正當競爭法) and the PRC Laws on Tort Liabilities (中國侵權責任法) under its current business.

MACAU LAWS AND REGULATIONS

In respect of the operation of the Group in Macau, the Group has sought legal opinion from the Macau Legal Adviser on the legality of its operation in Macau. The Macau Legal Adviser confirmed that there is no law and regulation that specifically governs trade in second-hand or unused branded products in Macau and there are no specific laws and regulations in Macau in relation to prohibition of paralled trading and the Group's operation complies with all applicable laws and regulations in Macau during the Track Record Period.

The Macau Legal Adviser advises that under the Group's current business model, the mode of operation only gives rise to concerns on compliance with intellectual property laws and regulations in Macau and there is no material risk of the Group facing legal claims with respect to infringement of intellectual property rights in Macau. Under the Group's current business model, the Group is selling luxury branded products sourced from the public consumers or traders and has not counterfeit, imitate registered trademarks, used false or mock marks nor used registered trademarks in the Group's products, services, establishment or company without permission or authorization from the intellectual property right owner. Therefore, the Group's business operation would not constitute any infringement of trademark. It is further advised by the Macau Legal Adviser that, according to the law of franchise contract under the Commercial Code of Macau, the brand owners and/or their authorized dealers only have rights to claim against each other and have no rights to take action against any third parties such as the Group in selling unused products in Macau. In addition, based on searches from the Courts of Macau conducted by the Macau Legal Adviser, there is no litigation record regarding or against the Group's operation in Macau.

Carrying on business in relation to sale of luxury branded products in Macau

Carrying on the business in relation to sale of luxury branded products, including without limitation fashion accessories, handbags and other clothing products (including unused and second-hand products) in Macau does not require any particular licence or permit. Under Decree Law no. 97/99/M "Juridical Regime of Industrial Property" of the laws of Macau, where a company only sells or trades well-known brand goods or trademark good, it would not result in the infringement of intellectual property rights.

Regarding importing products in Macau, the relevant legislations under the laws of Macau are set out as follows:

(1) 23rd of June — Law No. 7/2003 (Law of External Trade); and

(2) 13th of December — Law No. 4/99/M (Regulation of the Consumption Tax).

Under the Law No. 7/2003, trading of the goods listed on the Table A and Table B of the Order of the Chief Executive No. 368/2006 is required to be registered at the Macau Economic Bureau for Controlled Foreign Trade Operations. According to the Table A of the Order of the Chief Executive No. 368/2006, luxury branded products which are being sold by the Group in Macau (except where they are made of crocodilian and/or other endangered species of wild fauna and flora under the Convention on International Trade) are not import controlled goods, therefore the Group is not required to register nor obtain the import license for importing such products. In addition, since the aforementioned products are not the levied goods according to the Law No. 4/99/M, the Group is not required to pay any consumption tax for importing such products in Macau.

As advised by the Macau Legal Adviser, under the laws of Macau, there is no restriction or provision prohibiting parallel imports and the selling of parallel-imported goods. However, the Directors are not in the position to and do not have the resources and information to confirm whether it is common to have parallel imports in Macau.

Carrying on business in relation to sale of second-hand products

As advised by the Macau Legal Adviser, there is no restriction or provision which specifically regulates the selling of second-hand commodities in Macau or prohibit certain goods such as unknown items and pledged goods to be sold as second-hand commodities.

The Penal Code of Macau (the "**Penal Code**") regulates matters in connection with stolen goods. Article 227 of the Penal Code stipulates that if a person knowingly acquires from, holds or stores on behalf of and/or transfers or contributes to any third parties any stolen goods, it is punishable with imprisonment of up to five years or a fine, which is determined by the court based on the economic background of the defendant and/or the facts of the case and can be converted into imprisonment of up to 600 days if the defendant is unable to pay the fine.

In relation to smuggled goods, Article 5 of Law No. 2/2006 (the Law of Prevention and Repression of the Crime of Money Laundering) regulates certain matters in connection with knowingly transferring illegal goods (including smuggled goods). If the defendant is a company and is found guilty under Article 14 of the Law No. 2/2006, it is punishable with a fine between MOP100.00 and MOP20,000.00 per day, which is determined by the court based on the economic background of the defendant and/or the facts of the case from 100 days to a maximum period of 1,000 days. In the most extreme cases (such as repeated offenders or that the principal activities of the company is to transfer illegal goods), the court may issue an order to dissolve the company.

In addition, as advised by the Macau Legal Adviser, if the Group unknowingly held or sold any stolen or smuggled goods, the Group is responsible to handover the goods upon the Macau government's request. Those goods will be returned to the original owner/victim or be confiscated and disposed of by the Macau government. In cases where the Group has suffered losses because such goods were returned to the original owner/victim or were confiscated and disposed of by the Macau government, the Group could seek compensation from the persons who supplied such stolen or smuggled goods to the Group. In these situations, there is no penalty, whether criminal or civil, applicable to the Group.

Intellectual property laws

As advised by the Macau Legal Adviser, intellectual property rights protection in Macau is provided by the Decree-Law no. 97/99/M "Juridical Regime of Industrial Property". Under the Group's current business model, as the Group is selling luxury branded products sourced from the public consumers and has not counterfeit, imitate registered trademarks, used false or mock marks nor used registered trademarks in the Group's products, services, establishment or company without permission or authorization from the intellectual property right owner. Therefore the Group's current business model does not contravene the Decree-Law no. 97/99/M "Juridical Regime of Industrial Property" and, there is no material risk of the Group facing legal claims with respect to infringement of intellectual property rights in Macau.

After considering the legal opinions obtained by the Group, the Directors considered that there is no material risk of the Group facing legal claims with respect to alleged infringement of intellectual proprietary rights relating to the sale of the second-hand and unused luxury branded products sourced from the public consumers and the traders. As a matter of fact, since the establishment of the Group in 2001, the Group has not been involved in any litigation for alleged infringement of intellectual proprietary rights in respect of any second-hand and/or unused luxury branded products sold by the Group notwithstanding the Group has already promoted its products and its business model in respect of purchasing second-hand and unused luxury branded products from the public through various media and through various advertisements and marketing events. Further, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

OTHER LAWS AND REGULATIONS

In respect of the operation of MS Taiwan, which has been disposed by the Group on 31 October 2008, as advised by the Taiwan Legal Adviser, the Group has complied with all applicable laws and regulations governing business registration for operating retail of second-hand handbags business in Taiwan. However, the Group did not comply with the customs related law in Taiwan when they imported handbags into Taiwan from September 2007 to December 2007 as they had not made declaration to the Customs of Taiwan and did not pay any customs duty. During the initial stage of operation of MS Taiwan, the Group authorised an employee of the Group who was then the shop manager of MS Taiwan in sourcing products. Without obtaining any instructions from nor informing the Directors, the employee brought the handbags into Taiwan without declaring to the Customs of Taiwan or paying any customs duty in relation thereto. Since the aforesaid employee was not a Taiwan resident and not familiar with the laws of Taiwan, he was not aware of the customs duty requirement under the laws of Taiwan which resulted in the said non-compliance of the customs related law in Taiwan.

As advised by Taiwan Legal Adviser, there is still possibility that the Taiwan authorities may pursue legal proceedings against the aforesaid employee in respect of the customs duty arising from aforesaid non-compliance of the customs related laws of Taiwan but the Group should not be liable therefor. However, in the event that the Group is liable for such customs duty, the Group might be subject to a customs duty of HK$254,159, being 6.6% of the aggregate value of the handbags and liable to an administrative fine of up to three times of the value of the handbags, which is HK$11,552,700 (i.e. HK$3,850,900 x 3). Furthermore, MS Taiwan, as an intended seller of the handbags, could be subject to a fine of no more than NT$30,000 if it was aware of the non-compliance of the customs related law of Taiwan and adjudged guilty therefor. The aforesaid employee had already resigned and he does not have any other relationship with the Company, its subsidiaries, their Shareholders, Directors, senior management or any of their respective associates.

The Group's business in Taiwan has been closed. Regarding the non-compliance with the customs related law in Taiwan, the Controlling Shareholders will enter into a deed of indemnity in favour of the Group whereby the Controlling Shareholders will agree to indemnify the Group, subject to the terms and conditions of the deed of indemnity, in respect of all necessary costs, expenses, interests, penalties or other liabilities incurred by any members of the Group due to any present, contingent or potential legal proceedings against any member of the Group in relation to any cause of action, or dispute or breach or infringement occurred in anywhere in the world (including but not limited to Taiwan) prior to the date when the Global Offering becomes unconditional.

INTERNAL CONTROL MEASURES RELATING TO THE OPERATION OF THE GROUP

Internal control measures adopted by the Group

The following table sets out the major internal control measures adopted and implemented by the Group:

	Internal control measures	Effective Period	Frequency	Responsible person / department for the implementation of the internal control measures	Responsible person / department for the monitoring of the internal control measures
	Purchasing and product examination				
1.	Organizing in-house training sessions to educate staff of the Group on product knowledge and the techniques to distinguish unused products from second-hand products and genuine products from counterfeit ones and check for anti-counterfeit features. (Note 1)	Throughout the Track Record Period	Yearly	Chief marketing officer and district managers	Not applicable

	Internal control measures	Effective Period	Frequency	Responsible person / department for the implementation of the internal control measures	Responsible person / department for the monitoring of the internal control measures
2.	Organizing in-house training concerning the daily operation of the retail shops to ensure the staff's understanding about the internal control guidelines (such as the internal control measures that the second-hand products shall not be sold as unused products and all products purchased by the Group shall not be tampered with by removing the imprinted serial number or obliterating the original labels) and trade mark laws. The training program will be designed and conducted by lawyers to be engaged by the Group. (Note 1)	Since April 2011	Yearly	Lawyers engaged by the Group	Not applicable
3.	Implementing trader registration policy which requires the supplier who intends to offer for sale of more than two items of unused products to the Group to be registered as a trader. In order to enhance the tracking record of product sources, each registered trader is required to provide copy of his/her identification document or copy of its business registration certificate (if applicable) to the Group. (Note 1)	Since February 2009	For the first transaction with the trader	Shop managers and supervisors	Chief marketing officer
4.	Requiring each of the registered traders to sign a confirmation prior to his/her first transaction with the Group to confirm that, among other matters, the products such trader sold to the Group (i) are obtained legally; (ii) are not tampered with, such as by removing certain imprinted serial numbers or obliterating the original labels; and (iii) to his/her knowledge and belief, are not infringing copy of any work, and that such trader does not have any contractual arrangement with the trade mark owners in relation to the products sold to the Group for restricting such trader from reselling such products into the Hong Kong market and/or markets that the Group is carrying on its business. (Note 1)	Since November 2010	For the first transaction with the trader	Shop managers and supervisors	Chief marketing officer
5.	Requesting all suppliers to provide (i) the original receipts of the relevant products; (ii) the first four digits of the identification card number (except for the supplier in the PRC who is required to provide a complete copy of the identification card) of the relevant individual supplier; and (iii) the contact details of the relevant supplier to the staff for record in order to identify the source of products and ensure the genuineness the products. (Notes 1 & 3(i))	Since January 2010	For each transaction with the supplier	Shop managers and supervisors	Internal auditor and district manager

	Internal control measures	Effective Period	Frequency	Responsible person / department for the implementation of the internal control measures	Responsible person / department for the monitoring of the internal control measures
6.	Requiring staff who wishes to supply product to the Group to fill in an application form and submit the same to the chief marketing officer or the district manager for his/her approval. The chief marketing officer or the district manager is responsible for examining the products and reviewing the information provided by the relevant staff and approving the application documents without which the shop manager will not process the relevant transaction. (Note 1)	Since January 2011	For each transaction with the staff in Hong Kong region and semi-monthly in the PRC and Macau regions	Shop managers and supervisors	Chief marketing officer and district manager
7.	Requiring at least two designated staff of the Group to inspect the product offered by a supplier at the Group's retail shops and both designated staff are required to sign on the purchase invoice of such product as an evidence which will then be sent to and kept by the accounting department for record keeping purpose. (Note 1)	Since November 2009	For each transaction with the supplier	Designated staff of the Group	Internal auditor and district manager will inspect the purchase invoice daily
8.	Requiring staff of the Group who is responsible for the first or second product examination to mark and sign on a product checklist to show that he/she has performed the first or second product examination. The product checklist specifies the necessary inspection procedures which are designed and updated continuously by the chief marketing officer. (Note 1)	Since February 2011	For each product examination	Designated staff of the Group	Internal auditor will conduct monthly sample inspection of the product checklist
9.	Requiring all suppliers to sign on the invoice of the Group which will be imprinted with a confirmation statements stating that the products supplied by the suppliers are genuine and are obtained legally and requiring each staff to verbally explain the content of such confirmation statements to the suppliers. All invoices are sent to and kept by the accounting department for record keeping purpose. (Note 1)	Since March 2011	For each transaction with the supplier	Designated staff of the Group	Internal auditor
10.	Implementing an online reporting system where the frontline staff could communicate with each other when products that are suspected to be counterfeit or theft products are offered to be sold to the Group by the relevant supplier. (Note 1)	Since March 2010	Whenever necessary	District managers, shop managers and supervisors	District manager
11.	Requiring that all damaged products shall only be delivered to the retail shops of international fashion houses for repair. (Note 1)	Since December 2010	Whenever necessary	Shop managers, supervisors and staff of central warehouse	Internal auditor

	Internal control measures	Effective Period	Frequency	Responsible person / department for the implementation of the internal control measures	Responsible person / department for the monitoring of the internal control measures
	Sale of products				
12.	Since December 2010, the district managers review the daily report submitted by each retail shop to identify all sales transactions with the gross profit margin of which are below 10% and ensure that reasons for such low profit margin are stated on the relevant sales invoice to monitor and control the sales discounts offered to the customers by the shop managers and supervisors. The district managers check with the relevant retail shop in respect of their reasons stated on the relevant sales invoice justifying such low gross profit margin and every month, such sales transactions are reviewed by the managing director, the chief financial officer and the internal auditor of the Group.	Since December 2010	Daily	District managers	Managing director, chief financial officer and internal auditor
	Inventory management				
13.	Entering the information of the products to the EPOS system and such product will be assigned a serial number that is imprinted on the bar code tag to be attached to the product.	Throughout the Track Record Period	For each transaction with the supplier	Designated staff of the Group	Designated staff of the Group
14.	Monitoring the inventory level of the Group, raising purchase price for designated products when needed and exploring new source of supply.	Throughout the Track Record Period	Monthly	Chief marketing officer and staff of central staff warehouse	Managing director and chief marketing officer
15.	Reviewing the total amount of inventory of the Group regularly by the senior management of the Group to avoid tying up too much cash under the Group's inventory.	Throughout the Track Record Period	Monthly	Chief marketing officer and accounting department	Managing director and chief marketing officer
16.	Reviewing and analysing the inventory report extracted from the EPOS system periodically and deciding appropriate actions to be taken against accumulation of slow-moving inventories.	Throughout the Track Record Period	Monthly	Chief marketing officer and district managers	Managing director and chief marketing officer
17.	Carrying out monthly stock-taking and preparing monthly report and the report is sent to the accounting department for review.	Throughout the Track Record Period	Monthly	Shop managers and supervisors	District manager
18.	Maintaining the value of slow-moving inventories below 15% of the total inventories value. (Note 3(ii))	Since October 2010	Monthly	Chief marketing officer and district managers	Managing director and chief marketing officer
19.	Visiting the shops at random intervals to monitor and supervise the stock-taking.	Throughout the Track Record Period	Random	District managers, internal auditor and accounting staff	District manager, internal auditor and accounting staff

	Internal control measures	Effective Period	Frequency	Responsible person / department for the implementation of the internal control measures	Responsible person / department for the monitoring of the internal control measures
20.	Performing independent stock-taking once a year during external audit.	Throughout the Track Record Period	Yearly	External auditor	Accounting department
21.	Counting the inventories with the accounting staff in certain retail shops before external auditor sample checks the inventories in the retail shops.	Throughout the Track Record Period	Before sample check by external auditor	Frontline staff, central warehouse staff and accounting staff	Accounting staff
	Cash management				
22.	Designating a specific amount of daily cash-on-hand for each retail shop for purchase payments depending on its size and location. (Note 2)	Throughout the Track Record Period	Not applicable	District managers	Managing director, chief marketing officer and chief financial officer
23.	Preparing a claim cash summary is prepared by the shop managers or supervisors to report the sales receipts, cash paid for purchase and the amount requested for transfer to maintain the specific cash level of all retail shops to the accounting department. The staff of accounting department (i) reviews the daily cash summary report and the fund transfer request from each shop including in the cash summary report; and (ii) prepares the fund transfer instruction on daily basis (except on public holidays). Afterwards, the chief financial officer approves and executes the fund transfer on a daily basis (except on public holidays).	Throughout the Track Record Period	Daily	Shop managers, supervisors and accounting staff	Chief financial officer
24.	Maintaining specific level of cash on hand at the retail shops. Cash from sales receipts and for purchase payments are required to be bank-in and withdrawn from separate bank accounts. In the event that additional cash is requested for product purchase, such request shall be submitted to senior management for approval.	Throughout the Track Record Period	Not applicable	Shop managers and supervisors	District manager, chief marketing officer and chief financial officer
25.	Performing cash count by shop manager or supervisor at the end of each business day and during monthly stock-taking.	Throughout the Track Record Period	Daily and monthly	Shop managers and supervisors	Internal auditor and district manager
26.	Reconciling the receipt of cash from banks and credit card companies to the account receivables record to ensure the account receivables are settled and received on a timely basis. Accounting supervisor and senior accounting manager reviews the receipt summary to ensure the completeness and accuracy of the information on a timely basis.	Throughout the Track Record Period	Monthly	Accounting staff	Accounting supervisor and senior accounting manager

Note:

1. These internal control measures were implemented by the Group in response to the legal risk that may be exposed by the Group, some of which were initiated by the management and the others were recommended by the legal advisers of the Group. The major internal control measures items 1 to 5 and items 7 to 10 were implemented for addressing the risk of handling counterfeit products and stolen products. For details of the legal risk, please refer to the paragraph headed "Legal and Regulatory" under this section.

2. This internal control measure is applicable to the retail shops in Hong Kong and Macau only but not to the retail shops in the PRC.

3. The Group has fully implemented the measures set out in the table above but the Group will not strictly enforce the following measures in practice:

   (i) The Group will not insist on requiring the suppliers to provide the original receipts of the relevant products since according to the experience of the Group, the suppliers may not keep the original receipts and will be unable to provide such documents to the Group when selling the products to the Group.

   (ii) Once the percentage of slow-moving inventories is above 15% of the total inventories, the management of the Group would take actions such as offering special discount and, if necessary, conducting stock clearance sales to promote sales or temporarily suspending further intake of slow-moving items. However, the Directors allow deviation from the threshold after taking into account of factors including the expected demand for inventories to support its expansion plan and seasonality.

Internal control deficiencies of the Group

Shortly after the Group commenced to prepare its Listing in August 2010, the Group has engaged an independent internal control consultant in August 2010 to assist the Sole Sponsor to review its internal control system and provide recommendations to the Group in improve the internal control system of the Group prior to the Listing. The Group has also engaged legal advisers to advise on the legality of its operation in Hong Kong, the PRC and Macau on 7 September 2010, 11 August 2010 and 16 August 2010 respectively.

The review of independent internal control consultant has identified a number of areas requiring improvement. The major internal control deficiency identified by the independent internal control consultant was the Group is unable to maintain a monitoring system to ensure timely filing and laying accounts pursuant to prescribed statutory time limit. Details of such deficiency please refer to the paragraph headed "Non-compliance and corporate governance and internal control measures to ensure compliance with various applicable rules and regulations".

The independent internal control consultant has also identified other immaterial deficiencies of the Group, which related to (a) insufficient participation of the members of the senior management of the Group to review the discounts offered to the customers by the shop managers and supervisors; (b) unable to properly document the product examination procedures; and (c) unable to obtain declaration from its vendors in order to protect and regulate the legal and commercial responsibilities of the Group and vendors.

In respect of item (a) in above identified by the independent internal control consultant under the Group's practice, shop managers and supervisors were authorized to offer sales discounts to customers at their own discretion in accordance with the allowed price ranges set out in the pricing guidelines and provided that the final retail price of a product will not resulted in the gross profit margin of such product falls below ten per cent., otherwise, the relevant shop manager or supervisor shall explain the reasons to justify such a low retail price. As confirmed by the Directors, in the past, the retail shops of the Group would identify all the sales transactions where the gross profit margin of which were less than ten per cent. and would pass on such information to the internal auditor of the Group for her review. It is considered that the internal control in this regard might not be sufficient as the members of the senior management did not have direct and intensive participation into this review process. Therefore, the Group has enhanced its internal control measures in this regard. The Group's current policy is that its accounting department reviews the sales discounts offered to the customers to identify any sales transactions with gross profit margin of less than ten per cent. The relevant district manager reviews the reasons stated on the relevant sales invoice by the relevant shop managers or supervisors justifying such low gross profit margin and if needed, seek further clarification from the relevant retail shop. The managing director, the chief financial officer and the internal auditor of the Group also review these transactions every month. If explanation and clarification is considered to be unreasonable, an oral or a written warning will be given to the relevant staff depending on the severity of each issue.

Measures taken by the Group to rectify the internal control deficiencies of the Group

The independent internal control consultant has provided recommendations for all findings and recommended the major internal control measures items 6, 8 and 12 set out in the paragraph headed "Internal control measures adopted by the Group" above. Other major internal control measures items 2, 4, 9 and 11 set out above were recommended by the legal advisers of the Group.

The Group has fully implemented the recommendations by the independent internal control consultant and the legal advisers of the Group in March 2011, except for the internal control measure item 2 has been implemented in April 2011. The independent internal control consultant of the Group has performed follow up review in April 2011 and is satisfied that the Group has properly implemented new and revised internal control measures in response to those areas where deficiencies and weakness were identified.

In addition, in order to enhance the Group's internal control system upon Listing, the Group will engage an independent internal control consultant to assist the Group in performing the risk assessment and internal control review services from financial, operational and compliance aspects as to design and assist the Group in implementing its internal control measures for the period commencing from the Listing Date to 31 December 2011 and perform the review on a quarterly basis. The head of the internal audit team and audit committee of the Group are responsible for follow up the internal control deficiencies and monitoring the new internal control measures to be properly implemented after Listing. The Group will also disclose any material deficiency identified by the independent internal control consultant and the measures adopted or to be adopted by the Group in response to such material deficiency in its interim and annual reports.

Measures taken by the Group to prevent embezzlement and collusion

The business model of the Group enables its customers to purchase products at its retail shops and sell them back to the Group thereafter. In order to prevent embezzlement or collusion among its staff at shop level, such as having staff collaborated to sell products to the Group at a higher price and pocket the different or having staff collaborated to purchase products from the Group at a lower price and sell the products to other second-hand retailers, the Group has implemented the following preventive measures:

1. commencing from November 2009, each product offered by a supplier should be inspected by at least two designated staff and both designated staff are required to sign on the purchase invoice of such product. Moreover, each sales invoice should be signed by the designated staff at the cashier counter and reviewed by shop manager or supervisor to ensure the sales transactions and sales prices are processed and entered accurately in the EPOS system. The completion of the review process is evidenced by signature of the shop manager or supervisor on the sales invoice. A copy of the sales invoice is provided to the customers and another copy is delivered to accounting department for record;

2. throughout the Track Record Period, shop managers and shops supervisor should print out and review daily reports generated from the EPOS system at the end of every business day, which summarise all the sales and purchases transactions with purchased costs, selling prices and gross profit margins, to ensure that all sales and purchases are supported with sales invoices or purchase invoices and the amounts received or paid are accurate. The completion of the review process is evidenced by signature of the shop manager or supervisor on the daily report;

3. Since December 2010, the district managers review the daily report submitted by each retail shop to identify all sales transactions with the gross profit margin of which are below 10% and ensure that reasons for such low profit margin are stated on the relevant sales invoice to monitor and control the sales discounts offered to the customers by the shop managers and supervisors. The district managers check with the relevant retail shop in respect of their reasons stated on the relevant sales invoice justifying such low gross profit margin and every month, such sales transactions are reviewed by the managing director, the chief financial officer and the internal auditor of the Group;

4. throughout the Track Record Period, the daily reports, purchase invoices and sales invoices along with payment evidences, such as bank-in deposit slips, credit card slips and credit card payment summary are forwarded to accounting department on the next business day for further review and recording purposes;

5. throughout the Track Record Period, the Group makes arrangement for rotation of its frontline staff including sales personnel, senior sales and assistant supervisors for every two to three months;

6. throughout the Track Record Period, surveillance cameras are installed in each of the retail shops to monitor the activities inside the retail shops (in particular, activities around cashier counters) and uniform security guards are arranged in some of the retail shops (including shops in Causeway Bay, Hong Kong and Tsim Sha Tsui, Hong Kong) to ensure security; and

7. since January 2011, the staff of the Group who wishes to supply product to the Group has to fill in and submit an application form to the chief marketing officer or the district manager for the approval. The chief marketing officer or the district manager examines the product and reviews the reasonableness of the price and the relevant documents before approving the transaction.

As confirmed by the Directors, the Group has not experienced any collusion among its staff at shop or encountered any loss arising from cash embezzlement. However, the Group had one recorded case of theft by its employee involving a handbag with the cost around HK$55,000 during the Track Record Period. Upon discovery, the Group reported the case to the police and terminated his employment.

Measures taken by the Group to prevent money laundering

To prevent the Group from exploitation by money launderers, the management has set up internal guidelines since March 2011 with the objective to identify suspicious transactions and properly report those suspicious transactions to the relevant authorities. The internal guidelines are prepared with reference to the "Anti-money laundering and counter-terrorists financing — A practical guide for accountants, estate agents, precious metals and precious stones dealers, trust and company service providers" published by the Narcotics Division, Security Bureau of Hong Kong.

According to the internal guidelines of the Group, the frontline staff, will identify and clarify suspicious transactions by their observation and conversation with customers, during which they will identify any incommensurate background such as age of the buyer against the transaction value. They will also alert on the unusual behaviors of customers and those request for unusual payment methods such as using cash instead of other popular and safe methods of payment including credit cards to settle large transactions.

For those suspicious transactions, the frontline staff will also request the customers to present their identification documents for verification. Failing of providing identification documents, the frontline staff shall reject to purchase from or sell to such customers any products of the Group. If any frontline staff considers the transactions suspicious, they are required to report to the district managers and the internal audit department of the Group.

The shop manager or supervisor is required to provide a written report to the district managers and the internal audit department of the Group whenever there is any reporting from the frontline staff on the details of the suspicious transactions and keep record of the relevant invoices. Upon receiving the written reports, the district managers and the internal audit department shall review the suspicious transactions and the records from surveillance cameras. If the district managers and the internal audit department consider necessary, they will alert the Board and the Group will report the suspicious transactions to the Joint Financial Intelligence Unit jointly operated by the Hong Kong Police Force and the Hong Kong Customs and Excise Department.

Views of the Directors, legal advisers of the Group and the Sole Sponsor on the Group's internal control measures in dealing with the Group's legal risks

Insofar as the internal control measures currently adopted by the Group is concerned, the Hong Kong Legal Counsel has opined that there may be a possibility for the Group to purchase fake or counterfeit products from its suppliers during the course of its business. In this regard, the Group has adopted and implemented a set of internal control measures. It is advised by the Hong Kong Legal Counsel that the internal control measures taken by the Group amount to the taking of "all reasonable precautions" under section 26(1) of the Trade Descriptions Ordinance, please refer to the paragraphs headed "Preventive measures for the sale of counterfeit products and stolen goods" under this section. In relation to selling stolen goods, the Hong Kong Legal Counsel has opined that the Group may be civilly liable for tort of conversion if sued by the owner of the alleged stolen goods, and it is no defence that (i) the Group neither knows nor ought to have known that it is acting unlawfully, or (ii) the Group acts entirely without negligence; and for section 24 of the Theft Ordinance, a person is only criminally liable if he knows or believes the goods that he handled are stolen goods, or he dishonestly receives such goods, or dishonestly undertakes or assists in their retention, removal, disposal or realisation by or for the benefit of another person, or if he arranges to do so and the Directors have confirmed that they will not knowingly or dishonestly sell stolen goods.

The PRC Legal Adviser considers that such internal control measures should enable the Group to advance a defence on the ground that the Group is a bona fide purchaser and the Group has taken reasonable precautions to prevent knowingly acquiring, holding, storage or transfer of any stolen goods or counterfeit products and if the evidence presented by the Group is accepted by court, the Group is not responsible for any penalty and criminal liability.

The Macau Legal Adviser advises that, under the laws of Macau, in the situation where the Group unknowingly acquires, holds, stores or transfers any stolen or counterfeit products and if the Group is able to provide evidences (e.g. the confirmation letter signed by the trader or customer who provided or supplied the relevant products) to prove where are the stolen or counterfeit products from, the Group is not responsible for any penalty and criminal liability.

The Directors, the Sole Sponsor and the Hong Kong legal adviser of the Company, the PRC Legal Adviser and the Macau Legal Adviser consider that the internal control measures currently adopted by the Group can provide a sufficient defence in case the Group's business is challenged as illegal trading for selling counterfeit products and stolen goods.

Provided the Group's internal control measures will continue to be strictly adhered to, it would unlikely have any material financial exposure arising from compensation of losses to customers in relation to the risk of selling counterfeit products and stolen goods. As confirmed by the Directors, no counterfeit product was found for the year ended 31 December 2010. For each of the years ended 31 December 2008 and 31 December 2009, the amounts of counterfeit products written off were HK$6,000, HK$14,000 respectively. The loss incurred by the Group arising from incidents in respect of the sale of products which were alleged to be stolen goods during the Track Record Period amounted to approximately HK$20,500. The Group has also taken out insurance to cover any possible financial losses due to the sale of counterfeit products and stolen goods in Hong Kong, the PRC and Macau.

In view of the fact that there has not been any legal proceedings in respect of claiming against the Group relating to sale of products to its customers and based on (a) the legal opinions sought by the Group from the Hong Kong Legal Counsel, the Macau Legal Adviser and the PRC Legal Adviser; and (b) the undertakings given by the Group to the Sole Sponsor that (i) the Group would further enhance its internal control measures commensurate with its expansion; (ii) the Group has strictly implemented the recommendations in respect of internal control measures made by an independent internal control consultant, who was engaged by the Group to assist the Sole Sponsor with matters requiring technical advices in relation to internal control of the Group, from time to time; (iii) the Group would recruit competent staff for implementing such recommendations; and (iv) the Group would engage legal advisers in the place where the Group is carrying on its business to review the effectiveness of its internal control measures in dealing with the Group's legal risk; and (c) the independent due diligence works performed by the Sole Sponsor on the business operation of the Group and the competency of the independent internal control consultant and the legal advisers of the Group, the Sole Sponsor is satisfied that the Group's internal control measures are effective in dealing with the Group's legal risks.

The Directors note that some of the above internal control measures were only adopted recently and there might be some deficiencies in the internal control system of the Group. As advised by the Hong Kong Legal Counsel:

(i) whilst the furnishing of a written confirmation may serve to heighten traders' level of vigilance, it would not prevent a determined fraudster from providing false information and knowingly flogging off counterfeit products to the Group. Moreover, even the provision of a written confirmation would not guarantee that no counterfeit products would be passed on by honest traders through mistake or inadvertence;

(ii) the provision of the original receipt by the supplier is not compulsory; sometimes the supplier may not be able to produce the original receipt for the relevant product, or the receipt is issued by an unknown retailer, or written in an incomprehensible foreign language. In these situations, the value of such a precaution will be diminished if the transaction is allowed to proceed without further action or inquiry; and

(iii) the identification information only consists of the first four digits of his/ her identification card number, the contact number may enable the Group to trace the supplier in the event that a product turns out to be counterfeit, but only if such details are correctly supplied.

Those currently adopted measures were aim to provide additional protection to the Group and to minimize the potential risks that might have adverse impact to the Group. The Directors and the Sole Sponsor consider that the Group has already use its best endeavours and has adopted all possible internal control measures to a reasonable standard to protect the Group and its Shareholders as a whole. As confirmed by the Directors, no incident which has material adverse impact to the Group due to lack or insufficient of internal control measures has ever happened during the Track Record Period. Moreover, as confirmed by the Directors, the Group will continue to ensure the compliance of such internal control measures and will engage an independent internal control consultant to review its internal control measures upon Listing.

NON-COMPLIANCE AND CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES TO ENSURE COMPLIANCE WITH VARIOUS APPLICABLE RULES AND REGULATIONS

As confirmed by the Directors, during the financial years from 2003 to 2009, all Hong Kong subsidiaries of the Company had inadvertently failed to comply with certain regulatory requirements under the Companies Ordinance such as in failing (a) to lay the audited accounts in annual general meetings or lay audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance; and (b) to make timely filings in relation to certain company secretarial matters with the Companies Registry of Hong Kong which included (i) file notice of first secretary and directors; (ii) file notice of change of secretary and director; (iii) file notice of change in particulars contained in the register; (iv) file the consent to act as a director; (v) file notice of situation of registered office; and/or (vi) registration of charge. The aforesaid failure was due to the unintended and inadvertent oversights of and the mistakes as to the necessity of compliance with the time limit requirements under the relevant sections of the Companies Ordinance made by the relevant staff of such Hong Kong subsidiaries of the Company who was responsible for looking after these matters at the material times.

In respect of failure to lay the audited accounts of certain Hong Kong subsidiaries of the Company in annual general meetings or lay audited accounts of such subsidiaries made up to a date falling not more than nine months under section 122 of the Companies Ordinance, applications were made to the Court of First Instance of the High Court of Hong Kong Special Administrative Region for orders to rectify such non-compliance pursuant to section 122(lB) of the Companies Ordinance and orders were made on 1 December 2010 in each of the said applications. All the relevant audited accounts were laid in accordance with the timetables provided in the relevant orders, and as such, the non-compliance in section 122 of the Companies Ordinance by the respective subsidiaries of the Group were rectified and no potential liability and/or fine is expected to be imposed on the Group.

In respect of the failure to make timely filings for company secretarial matters with Companies Registry of Hong Kong, a company and its respective officers who failed to make timely filings for the aforementioned company secretarial matters with Companies Registry of Hong Kong would be liable to a fine of levels 3 to 5 (HK$10,000 to HK$50,000) and a daily default fine of HK$300 or HK$700 for each late filing. As at the Latest Practicable Date, all aforesaid filings have already been made. It is confirmed by the Directors that no prosecution regarding such late filings has ever been made by the Companies Registry against these Hong Kong subsidiaries as at the Latest Practicable Date and the Directors consider that the risk of any prosecution for such historical late filings is remote. As advised by the Hong Kong Legal Counsel, in case of a successful prosecution for such late filing, each of the defaults attracts a maximum fine of HK$10,000 or HK$50,000, as well as a daily default fine of HK$300 or HK$700 and it is reckoned that the total sum of the penalties incurred does not exceed HK$8,000,000. Moreover, as advised by the Hong Kong Legal Counsel, none of the offenses relating to the aforesaid failure to make timely filings carried a term of imprisonment. As the Controlling Shareholders will enter into a deed of indemnity in favour of the Group whereby the Controlling Shareholders will agree to indemnify the Group, subject to the terms and conditions of the deed of indemnity, in respect of all necessary costs, expenses, interests, penalties or other liabilities incurred by any members of the Group due to any present, contingent or potential legal proceedings against any member of the Group in relation to any cause of action, or dispute or breach or infringement occurred in anywhere in the world prior to the date when the Global Offering becomes unconditional i.e. including any loss arising from any of the aforesaid non-compliance of the Companies Ordinances, the Directors consider that the matters of non-compliance of the Companies Ordinance will not have any material adverse impact on the operation or financial position or business of the Group.

Nevertheless, prior to the Listing Date, the Group has adopted and implemented the following corporate governance and internal control measures to enhance the internal control systems and to ensure compliance of various applicable rules and regulations (including but not limited to the Companies Ordinance and the Listing Rules):

1. Each of the Directors and the senior management of the Group (including the Company Secretary and chief financial officer of the Company, Mr. Lo Wai Shing) had received and reviewed a detailed memorandum prepared by the Hong Kong legal adviser of the Company setting out the responsibilities and duties of Directors and senior management;

2. Each of the Directors had attended a training session conducted by the Hong Kong legal adviser of the Group on the responsibilities and duties of Directors.

3. All the Directors have undertaken to the Company and the Sole Sponsor that during the first two years following the Listing, they will each attend at least 10 hours of training courses to keep up with the developments in applicable legal and regulatory requirements which are relevant to their responsibilities and duties as directors of a publicly listed company in Hong Kong.

4. Mr. Lo Wai Shing has undertaken to the Company and the Sole Sponsor that during the first two years following the Listing, he will attend at least 20 hours of training courses to keep up with the developments in applicable legal and regulatory requirements which are relevant to their responsibilities and duties as the Company Secretary of a publicly listed company in Hong Kong.

5. The Board has undertaken to the Sole Sponsor that a company secretarial team will be established by the Group. The company secretarial team will comprise at least two members. Mr. Lo Wai Shing, the Company Secretary and the chief financial officer of the Group, will be the head of the company secretarial team and the Group will, upon Listing, recruit qualified personnel who is/are member(s) of the Hong Kong Institute of Companies Secretaries and has obtained company secretarial experience in the listed companies of Hong Kong to carry out the daily secretarial works of the Group. The company secretarial team will comply with the checklists or guidelines adopted by the Group from time to time to ensure the compliance with regulatory requirements for company secretarial works and those checklists or guidelines will be subject to regular review by the head of the company secretarial team and the independent internal control consultant. The company secretarial team will report directly to the Board.

The company secretarial team is responsible for the administration of the company secretarial matters of the Group, including to ensuring that all members of the Group complies with the Listing Rules and other applicable statutory and regulatory requirements and implementing the decisions of the Board that relates to the company secretarial matters. In addition, the company secretarial team shall also be responsible for keeping members of the Board informed of their legal responsibilities and maintain company records as required under the Listing Rules and applicable laws and regulations, such as the maintenance the disclosure of interests of Directors, the filing of the price sensitive information, the preparation of corporate governance report and the filing of the annual accounts.

The Group will also sponsor the personnel in the company secretarial team to attend on-going and regular trainings in respect of corporate governance, compliance and legal and regulatory issues.

6. The Board has undertaken to the Sole Sponsor that the Group will, upon Listing, engage company secretaries service provider(s) to advise on and carry out the company secretarial works of the Group over certain compliance matters including without limitation the requirements under the Listing Rules, the Cayman Islands Companies Law, the Company Ordinances and other applicable legal and regulatory requirements under the jurisdictions where the members of the Group are incorporated. The company secretarial team will monitor the work of such company secretaries service provider(s) and report the progress in their works and any issues identified to the Board regularly.

7. The Board has undertaken to the Sole Sponsor that the Group has engaged DLA Piper Hong Kong as its legal adviser as to Hong Kong laws for one year commencing from the Listing Date to advise on the compliance of the Listing Rules and other relevant regulations in Hong Kong and the Group will engage other legal advisers upon Listing in order to ensure the compliance of the Group in respect of the Cayman Islands Companies Law and other applicable legal and regulatory requirements under the jurisdictions where the members of the Group are incorporated.

8. An Audit Committee has been established to review the financial reporting and auditing function, corporate governance and internal control system. In particular, the committee will monitor the timing of preparation and filing of the financial statements and tax return of the Group.

9. The Board has undertaken to the Sole Sponsor that the Group will engage the independent internal control consultant to provide internal control review services to the Group in April 2011. The independent internal control consultant will assist the Group to perform a risk assessment from financial, operational and compliance aspects; and develop a multiple-year audit plan which will be approved by the Audit Committee. The independent internal control consultant will conduct quarterly review on the Group's internal control system for a nine months review period ended 31 December 2011. The Group will, after seeking advice from the independent internal control consultant, design and implement internal controls in

risky areas identified in the risk assessment accordingly and will disclose any material deficiency identified by the independent internal control consultant and the measures adopted or to be adopted by the Group in response to such material deficiency in its interim and annual reports.

10. The Group will also strengthen its internal audit team and recruit additional qualified personnel to enhance the monitoring works. As at the Latest Practicable Date, the Group has engaged Ms. Lee Suk Kwan as the internal auditor of the Group since August 2007 to review the day-to-day operation of the Group's retail shops to ensure the operation is in compliance with the internal control guidelines of the Group. Although Ms. Lee does not have professional qualification or audit experience prior to joining the Group, she is very familiar with the retail operation of the Group and has been serving the Group since its establishment. In view of the expansion of the scope of the internal control review to both operational and technical aspects, the Group will recruit additional staff who is a qualified accountant and obtained his/her professional qualification from a generally recognised accounting bodies in Hong Kong and possessed previous internal audit experience obtained from the listed companies in Hong Kong to act as the head of internal audit team and formulate and implement comprehensive internal control policies of the Group prior to Listing. The internal audit team will comprise at least two members and directly report to the Audit Committee of the Group. In the meantime, to further enhance its control measures in dealing with legal risks including infringement of the intellectual property rights of the third parties and the risks of selling counterfeit products, in August 2010 the Group has engaged the independent internal control consultant to assist the Sole Sponsor to review the internal control of the Group for the period from August 2009 to August 2010 and will formally engage the independent internal control consultant in April 2011, to assist the Group in performing risk assessment and internal control review services from financial, operational and compliance aspects so as to design and assist the Group in implementing its internal control measures for the period commencing from the Listing Date to 31 December 2011.

    The internal audit team will work with the independent internal control consultant to perform internal audit in accordance with the approved audit plan by regularly visiting the Group to review the design and operating effectiveness of its internal control system, including but not limited to the proper and timely implementation of its internal control manual. The internal audit team and the consultant will also submit a review report to highlight its procedures, the issues and findings, its suggestions and remedial plans to be carried out by various departments of the Group to the Board and Audit Committee. The Board has also undertaken that it will use its best endeavors to address the issues and findings raised by the consultant and the Directors, senior management, department heads and internal audit team will follow up such issues and findings and ensure that the Group implements the remedial actions that will improve the Group's internal control system after taking into account of the recommendations put forward by the consultant.

11. The Company has appointed China Merchants Securities (HK) Co., Limited as its compliance adviser to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

LIST OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position
Executive Directors		
Mr. Yiu Kwan Tat	42	Chairman, chief executive officer and executive Director
Mr. Yiu Kwan Wai, Gary	41	Executive Director and managing director
Mr. Wong Hiu Chor	53	Executive Director
Ms. Yiu Sau Wai	37	Executive Director
Non-executive Director		
Mr. Tam B Ray, Billy	42	Non-executive Director
Independent non-executive Directors		
Mr. Ip Shu Kwan, Stephen	59	Independent non-executive Director
Mr. So, Stephen Hon Cheung	55	Independent non-executive Director
Mr. Lau Kin Hok	44	Independent non-executive Director
Company secretary		
Mr. Lo Wai Shing	37	Company secretary and chief financial officer
Other senior management		
Mr. Chan Hon Leung	40	Chief marketing officer
Ms. Chui Sze Man	31	District manager
Mr. Cheng Chung Yin, Bernardo	43	District manager

DIRECTORS

Executive Directors

Mr. Yiu Kwan Tat, aged 42, is the chairman and chief executive officer of the Group and was appointed as an executive Director on 1 November 2007. He founded the Group in 2001 and is the Controlling Shareholder. Prior to founding the Group, Mr. Yiu ran his own business in selling second-hand clothing. Since the establishment of the Group, he has acquired the experiences in the fashion retail industry focusing on the luxury branded handbags and apparel products retail industry. During the ten years with the Group, he has been responsible for the overall management and strategic development of the Group, in particular, including deciding the business model and product portfolio offered by the Group, formulating the marketing position and pricing strategy, determining the location of the Group's retail shops and expansion plan, formulating internal control guidelines of the Group covering the purchasing procedures, product examination and sales transactions process. He is also a director of Yan Chai Hospital. He is the brother of Mr. Yiu Kwan Wai, Gary and Ms. Yiu Sau Wai.

Mr. Yiu Kwan Wai, Gary, aged 41, was appointed as an executive Director on 13 October 2010 and the managing director of the Group. Prior to joining the Group in 2001, he has the experience in selling second-hand clothing. He joined the Group in 2001 and was a shop manager from 2004 to 2007. Being a shop manager, he was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. Starting from 2007, he was promoted as a district manager of the Group. Since then, his main duties were supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. He was promoted to chief operating officer of the Group in 2009 and is responsible for the overall management of the daily operation of the Group's retail shops. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about ten years of experience in the fashion retail industry. He is the brother of Mr. Yiu and Ms. Yiu Sau Wai.

Mr. Wong Hiu Chor, aged 53, was appointed as an executive Director on 13 October 2010. He joined the Group as the chief financial officer in 2007 and is responsible for the overall financial planning and corporate management of the Group. He obtained a Master of Business Administration degree from the University of South Australia in 1999. Prior to joining the Group, he had worked in Wing Hang Bank, Limited for over 30 years from June 1976 to August 2007. During the period from December 1995 to August 2007, he worked as a manager in various branches of the bank responsible for overseeing the operation of the branch offices, providing corporate financing services and promoting other banking products to clients. He has extensive experience in the banking and finance industry.

Ms. Yiu Sau Wai, aged 37, was appointed as an executive Director on 13 October 2010. Prior to joining the Group in 2001, Ms. Yiu worked as a general clerk in a decoration company from April 1996 to August 2001 and does not have experience in retail industry. She joined the Group in 2001 as a frontline sales working at the Group's retail shops. Starting from 2003, she became a shop manager and was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. Since 2007, she was promoted as a district manager of the Group and was responsible for supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. She was appointed to act as a general manager for the PRC region of the Group in 2008 and is responsible for supervising the Group's operation in the PRC and planning for the expansion of the Group's retail network in the PRC including identifying suitable locations in the PRC for its future retail shops. Through her employment with the Group, she has acquired about ten years of experience in the fashion retail industry. She is the sister of Mr. Yiu and Mr. Yiu Kwan Wai, Gary.

Non-Executive Directors

Mr. Tam B Ray, Billy, aged 42, was appointed as an non-executive Director on 28 April 2011. He has been admitted as a solicitor in Hong Kong for over 15 years. He set up the law firm Ho & Tam, Solicitors as a founding partner in 1998 and has been a partner of the firm since then. Mr. Tam holds a Bachelor of Laws degree from King's College London University, Master of Laws degree from The University of Hong Kong and a Postgraduate Certificate in Chinese Law from The University of Hong Kong. He is a non-executive director of Eternite International Company Limited since 16 December 2010, a company listed on Growth Enterprise Market of the Stock Exchange. He is also an independent non-executive director of China Fortune Group Limited since 4 December 2007, a company listed on the Main Board; and M Dream Inworld Limited since 18 June 2010, a company listed on Growth Enterprise Market of the Stock Exchange.

Mr. Tam had once served as a director and a part-time legal counsel to ITK Education Management Limited (known as Banton Limited at the time of its incorporation) ("ITK"), a company incorporated in Hong Kong with limited liability and which was principally engaged in the provision of education services, in which company Mr. Tam was also a shareholder but he had not participated in the daily operation and management of ITK. During Mr. Tam's then directorship, ITK was put into creditors' voluntary liquidation under and pursuant to a special resolution of shareholders passed on 24 June 2005, with Mr. Tam being a major creditor. The reason for commencing creditors' voluntary liquidation of ITK was that the then shareholders of ITK considered that the business of ITK was not promising. In addition, ITK had surrendered its office to the landlord before the expiry of the terms of the relevant tenancy agreement. Although ITK had paid all the rent up to the date of surrender and the landlord had not raised any claim against ITK for the rent payable for the remaining term of the tenancy agreement upon forfeiture of the rental deposit, ITK was technically insolvent due to the contingency claim. Therefore, ITK was wound-up by way of creditors' voluntary liquidation. The final meetings of the shareholders of ITK and those of the creditors of ITK (with Mr. Tam being one of them) were held on 23 June 2006. Subsequent to the conclusion of the meetings, the sole liquidator of ITK resigned, the liquidation of ITK was completed and ITK was eventually dissolved on 1 November 2006 pursuant to the Companies Ordinance. The dissolution of ITK has not resulted in any liability or obligation imposed against him.

As revealed in the Return of Directors under section 3(3) of the Companies (Reports on conduct of Directors) Regulations, the liquidator of ITK had made a statement that he has not become aware of any matters which would require Mr. Tam to make a report under section 168I(3) of the Companies Ordinance on the directors. That means, the liquidator was not aware of the conduct of ITK's directors that would make them unfit to be concerned in the management of a company. Based on this statement, the Directors consider that the dissolution of ITK was not caused by the incompetence or negligence of Mr. Tam in management of the company.

Mr. Tam has, since 2002, provided legal services to the Group in respect of mainly tenancy matters, incorporation of company and general legal advice. As Mr. Tam's law firm, Ho & Tam, Solicitors, would continue to provide legal services to the Group, it is considered that Mr. Tam is more appropriately appointed as a non-executive Director.

After having due and careful consideration, in particular Mr. Tam's qualification, experience and his long term relationship with and contribution to the Group, the Directors consider that Mr. Tam has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer and therefore, the Directors are of the view that Mr. Tam is suitable to be a non-executive Director. Having considered, amongst other things, the Directors' view as stated above and the fact that no action has been taken by any party against Mr. Tam as at the Latest Practicable Date in relation to the creditors' voluntary liquidation of ITK as at the Latest Practicable Date, the Sole Sponsor is of the view that Mr. Tam is suitable to act as a non-executive Director of the Company.

Independent Non-Executive Directors

Mr. Ip Shu Kwan, Stephen, GBS, JP, aged 59, was appointed as an independent non-executive Director on 28 April 2011. Mr. Ip holds a Bachelor of Social Sciences degree obtained from the University of Hong Kong. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Special Administrative Region Government as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services.

Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development and tourism. He was also responsible for labour policies including matters relating to employment services and labour relations.

Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip is also an independent non-executive director of Yangtze China Investment Limited, a company listed in the United Kingdom since February 2008 and an independent non-executive director of the following companies listed on the Stock Exchange:

- China Resources Cement Holdings Limited (since August 2008);
- Synergis Holdings Limited (since September 2008);
- Viva China Holdings Limited (since June 2010);
- Lai Sun Development Company Limited (since December 2009);
- Goldpoly New Energy Holdings Limited (since October 2010);
- PICC Property and Casualty Company Limited (since January 2011); and
- Kingboard Laminates Holdings Limited (since May 2011).

Mr. Ip intends to attend every meeting of the Board, the audit committee and the remuneration committee. He is prepared to allocate 30 to 40 hours per month as necessary to the Company and will contribute as many hours as necessary to carry out his duties as an independent non-executive Director properly.

Mr. So, Stephen Hon Cheung, aged 55, was appointed as an independent non-executive Director on 28 April 2011. Mr. So holds a bachelor degree of commerce from the University of British Columbia, Canada.

Mr. So is a practicing accountant and a director of the accounting firm T.M. Ho, So & Leung CPA Limited. He is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants of British Columbia, Canada and, a certified management accountant of the Society of Management Accountants of British Columbia and an associate member of the Association of International Accountants.

Mr. So is a director of Genius World Investments Limited, a company listed in Canada, since September 2007 and an independent non-executive director of the following companies listed on the Stock Exchange:

- Skyworth Digital Holdings Limited (since March 2000);
- Pine Technology Holdings Limited (since September 2002); and
- Hang Ten Group Holdings Limited (since October 2002).

Mr. So is prepared to contribute as many hours as necessary to carry out his duties as an independent non-executive Director properly.

Mr. Lau Kin Hok, aged 44, was appointed as an independent non-executive Director on 28 April 2011. Mr. Lau holds an E.M.B.A. degree from 長江商學院 (Cheung Kong Graduate School of Business).

Mr. Lau founded JS-Rover International Holdings Limited in 2001 and is a director ever since then. JS-Rover International Holdings Limited is currently the exclusive dealer of all types of shoes of the international brand "Pierre Cardin" in the PRC. Mr. Lau has been 廣州市荔灣區政協委員會常委 (standing committee member of Guangzhou Liwan District Political Consultative Conference) since 2006.

Please refer to the paragraphs headed "Particulars of service contracts" and "Interests and short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations" under the section headed "Further information about Directors, Senior Management and Substantial Shareholders" of Appendix V to this prospectus for information under Rules 13.51(2)(f) and 13.51(2)(g) of the Listing Rules.

In view of the work nature of the independent non-executive Directors and the working hours that both Mr. Ip and Mr. So are willing to allocate for the purpose of carrying out such duties, the Directors are of the view that all the Independent Non-executive Directors shall have sufficient time to discharge their duties.

Save as disclosed under this section, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no other information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Chan Hon Leung, aged 40, is the chief marketing officer of the Group. Prior to joining the Group in 2001, he was engaged in retail business since 1999 as a salesperson in international fashion houses. He joined the Group as a shop manager in 2001 and was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. In 2007, he was promoted to a district manager of the Group and was responsible for supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. Since 2009, he was appointed to be chief marketing officer of the Group. He is now responsible for the overall management of marketing department which includes determining the product portfolio, formulating the marketing and pricing strategies of the Group. In addition, he is currently in charge of the in-house training courses including product knowledge and techniques for product examination. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about ten years of experience in the fashion retail industry.

Ms. Chui Sze Man, aged 31, is the district manager of the Group. She joined the Group in 2002 and was promoted to shop manager in 2004 and further to marketing manager and district manager in 2008 and 2010 respectively. She is currently responsible for supervising the Group's retail operation in certain districts in Hong Kong. She obtained a Bachelor of Computer Engineering degree from the Hong Kong University of Science and Technology in 2001. She is the wife of Mr. Yiu Kwan Wai, Gary. Prior to joining the Group in 2002, Ms. Chui was a teacher in a secondary school in Hong Kong since 2001.

Mr. Cheng Chung Yin, Bernardo, aged 43, is the district manager of the Group. He joined the Group in 2003 and was promoted to shop manager in 2007 and further to district manager in 2009. He is currently responsible for the management of the Group's retail operation in certain districts in Hong Kong. He obtained a Diploma in Management Studies awarded jointly by The Hong Kong Polytechnic University and The Hong Kong Management Association in 2001. Prior to joining the Group in 2003, Mr. Cheng was a sales representative of an investment holding and property development company from February 2002 to May 2003.

As confirmed by the Directors, the Group has not suffered from any unanticipated departure of any key management and senior sales personnel with significant knowledge and experience in luxury branded products retail sector in Hong Kong, the PRC and Macau during the Track Record Period. To the best knowledge of the Directors, the Group does not anticipate that there will be any departure of such key management and senior sales personnel in the near future.

COMPANY SECRETARY

Mr. Lo Wai Shing, aged 37, is the company secretary and the chief financial officer of the Group. He joined the Group in 2007 and has over ten years of professional experience in accounting and auditing. Before joining the Group, he worked as the company secretary and qualified accountant for Tungda Innovative Lighting Holdings Limited from March 2007 to August 2007, a company listed on Growth Enterprise Market of the Stock Exchange. He was also an accounting manager in Wing Fung Group Holdings Limited from 6 February 2004 to 14 March 2007 and a management accountant in COFCO (Hong Kong) Limited from 1 September 2000 to 5 February 2004. He became a member of the Hong Kong Institute of Certified Public Accountants in 2005 and a fellow member of the Association of Chartered Certified Accountants in 2002. He obtained a Bachelor of Arts degree from City University of Hong Kong in 1996.

BOARD COMMITTEES

Audit committee

The Company established an audit committee on 28 April 2011 with effect from the Listing with written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises Mr. So, Stephen Hon Cheung as the chairman, Mr. Ip Shu Kwan, Stephen and Mr. Lau Kin Hok as members.

Remuneration committee

The Company established a remuneration committee on 28 April 2011 with effect from the Listing with written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

The primary duties of the remuneration committee are to evaluate and make recommendations to the Board regarding the compensation of the executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of the senior management.

The remuneration committee comprises Mr. Lau Kin Hok as the chairman, Mr. So, Stephen Hon Cheung, Mr. Ip Shu Kwan, Stephen, Mr. Yiu Kwan Tat and Mr. Wong Hiu Chor as members.

CORPORATE GOVERNANCE

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions stated in the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Pursuant to Code A.2.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, there should be clear division of responsibilities for the management of the board on the one hand and the day-to-day management of the Group's business on the other hand to ensure a balance of power and authority so that the roles of chairman and chief executive officer of the Group should be separate and should not be performed by the same individual. Mr. Yiu is the chairman as well as the chief executive officer of the Group. Mr. Yiu has extensive experience in the retail business, he founded the Group and has strong contribution to the development and growth of the business of the Group. He has been the decision-maker of the Group and has been in charge of leading the management in the day-to-day operation of the Group since the establishment of the Group in 2001. The Board believe that this structure of having Mr. Yiu acting as both the chairman and the chief executive officer of the Group is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the balance of power and authority is ensured by the operation of the Board, which comprises experienced and high caliber individuals which will meet regularly to discuss issues affecting operation of the Group. The Board has full confidence in Mr. Yiu and believes that his appointment to the posts of chairman as well as the chief executive officer is beneficial to the business prospects of the Group.

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

During the Track Record Period, the Directors confirmed that the Group's remuneration policy for the directors and senior management members of the subsidiaries were based on their experience, level of responsibility and general market conditions. Any discretionary bonus was linked to the business performance of the Group and the individual performance of such directors and senior management members. The Company intends to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of the remuneration committee.

Remuneration (including salaries, bonuses, allowances, benefits in kind and pension scheme contributions) of approximately HK$5.9 million, HK$5.0 million and HK$5.5 million in aggregate were paid by the Group to the Directors in respect of each of the three years ended 31 December 2008, 2009 and 2010 respectively.

Under the current arrangements, it is expected that the Directors will be entitled to receive an aggregate remuneration of approximately HK$6.1 million, for the year ending 31 December 2011, excluding the discretionary bonuses that may be payable to the Directors. Further details of the particulars of the Director' service contracts, please refer to paragraph headed "Particulars of service contracts" set out in Appendix V to this prospectus.

EMPLOYEES

As at the Latest Practicable Date, the Group employed a total of 141 employees. The table below sets forth the number of employees in the respective departments of the Group:

Department	Number of employees
Investors Relations	1
Management	8
Accounting	6
Human Resources	7
Information Technology	4
Internal Audit	1
Marketing	1
Transportation	2
Warehouse	5
Sales	106
Total	141

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

Employee benefits

Hong Kong

The employee benefits for full-time staff in Hong Kong may include a fixed monthly salary, a performance-based commission, a year-end bonus and paid annual leave. The Group also contributes to the mandatory provident fund in respect of Hong Kong staff and the Directors confirm that all contribution of employee benefits in Hong Kong during the track Record Period has been settled by the Group. The Group may also grant monetary subsidies to the frontline staff for studying courses relating to their work nature.

The PRC

The employee benefits for full-time staff in the PRC may include a monthly basic salary, a performance-based commission, a year-end bonus and is entitled to paid annual leave. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government in the PRC, the Group participates in the social security programs for the employees and has settled all social insurance and provident housing fund fee during the Track Record Period. Such social security programs include pension plans, basic medical insurance (including maternity insurance), unemployment insurance and work-related injury insurance. The Group has not paid certain past housing provident fund contributions for and on behalf of its employees due to inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the social security system by employees. As advised by the PRC Legal Adviser, after making enquiry by the PRC Legal Adviser with the local government authority in charge of housing provident fund in Chaoyang district, Beijing ("Chaoyang Housing Fund Authority"), as at the Latest Practicable Date, Chaoyang Housing Fund Authority does not implement the payment registration in respect of the housing provident fund compulsorily and if a company does not open any account for housing provident fund, it will not take initiative to conduct any investigation against such company provided that no complaint is lodged by any employee of such company. For each of the three years ended 31 December 2008, 2009 and 2010, the amount of unpaid housing provident fund contribution for the employees is RMB13,612, RMB44,155 and RMB80,033. The Group has settled all outstanding housing provident fund as at 31 December 2010 and will continue to pay all housing provident fund pursuant to the relevant laws and regulations of the PRC by 31 December 2010. For details, please refer to the paragraph headed "The Group has not paid certain housing provident fund contribution for and on behalf of the employees of the Group and the Group may be subject to the imposition of fines or penalties" under the section headed "Risk Factors" in this prospectus.

Macau

As advised by the Macau Legal Adviser, pursuant to the statutory requirements stipulated under 18th of October — Decree Law No. 58/93/M (approval of social security regime) and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), MS Macau is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on MS Macau as legal sanction. As advised by the Macau Legal Adviser, MS Macau has complied with all the statutory requirements for its employees in Macau including the mandatory social security funds and industrial accident insurance and there is no record of pending legal proceedings or judgment against MS Macau in respect of any law or regulation in relation to labour related matters in Macau.

COMPLIANCE ADVISER

The Company has appointed China Merchants Securities (HK) Co., Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where the listed issuer proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the listed issuer deviate from any forecast, estimate, or other information in the listing document; and
- where the Exchange makes an inquiry of the listed issuer under rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which the Company distributes the annual report 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.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering (but without taking into account the Shares to be issued pursuant to exercise of the Over-allotment Option), the Controlling Shareholders (being Mr Yiu and Perfect One) will be entitled to exercise or control the exercise of approximately 75% voting rights in general meetings of the Company.

Having considered the following factors, the Directors are satisfied that the Group is able to conduct its businesses independent of the Controlling Shareholders:

1. Delineation of business and non-competition:

   The private businesses of the Controlling Shareholders include catering, money lending, property investment and investment holding, of which Mr. Yiu is a director of the companies carrying on these businesses. By contrast, the Group is principally engaged in retail business of selling unused and second-hand luxury branded handbags and apparel products. There is therefore a clear delineation between the Group's business and the Controlling Shareholders' private businesses.

   None of the Controlling Shareholders or the Directors has any interest in a business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business. In addition, each of the individual Controlling Shareholders has given a non-competition undertaking in favour of the Company. For details, please refer to the paragraph "Non-competition undertaking" of this section below.

2. Management independence:

   Mr Yiu is the chairman and the chief executive officer of the Group and an executive Director. However, the Company considers that the Board will function independently from the Controlling Shareholders because:

   (a) the Board comprises a total of eight Directors (four executive Directors, a non-executive Director and three independent non-executive Directors) and Mr. Yiu is only entitled to one vote out of eight votes in the board meetings; and the three independent non-executive Directors represent more than one-third of the members of the Board which is in line with or better than current governance best practice in Hong Kong;

   (b) each Director is aware of his fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

   (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and the Directors or their respective associates, the relevant interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum; and

(d) the Group has an independent senior management team to carry out the business decisions of the Group independently.

Although Mr. Yiu is a director of all the companies of the private business, all the executive Directors were also director or supervisor of MS Taiwan and Wong Hiu Chor, an executive Director, is a general manager of Yes Lady, the overlapping directorships are not expected to affect the Group's management independence. It is because MS Taiwan has no operation, has been dissolved and is undergoing the liquidation process while World Top, Fortune Sincere and Global Fair are all investment holding companies with no business operation. Besides, although Mr. Wong Hiu Chor is a general manager of Yes Lady, he is not a director of Yes Lady and he does not actively participate in the day to day operation of Yes Lady. Accordingly, the Directors are not required to allocate much time and resources to the private business and they should have sufficient time and resources to discharge their duties as a Director. Moreover, none of the senior management of the Group has any role in the private businesses.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing its business independently from the Controlling Shareholders after the Global Offering.

3. Business operational independence:

Although during the Track Record Period, there have been certain transactions between the Group and its related parties, details of which are set out in note 26 in the Accountants' Report in Appendix I to this prospectus, none of the other historical related party transactions are expected to continue after the Listing Date, save as those disclosed in the section headed "Connected Transactions" in this prospectus. Among those continuing connected transactions, only the purchase of second-hand luxury-branded handbags or apparel products from Yes Lady, a company controlled by the Controlling Shareholders, may have immaterial effects on the business operational independence of the Group. However, given that (i) Yes Lady is not a major supplier of the Group; (ii) the transactions between Yes Lady and the Group only amounted to a small percentage of the total supply of the Group; (iii) the Company makes business decisions independently and holds all relevant licenses necessary to carry on its business and has sufficient capital, equipment and employees to operate its business independently, the Directors are of the view that the Group's business operation does not rely on the Controlling Shareholders and the Group can operate independently.

4. Financial independence:

The Group's outstanding bank borrowings as at 31 December 2010 was HK$5.8 million. The Group's bank borrowings were supported by (i) the mortgage of a property held by Excel Trend, a related company of the Group owned by Mr. Yiu, the Controlling Shareholder and the executive Director of the Group; and/or (ii) a personal guarantee provided by Mr. Yiu and/or an Independent Third Party; and/or (iii) a corporate guarantee given by a subsidiary of the Group and Excel Trend. Moreover, during the Track Record Period, certain tenancy agreements of the Group's retail shops were supported by a personal guarantee executed by Mr. Yiu. As at the Latest Practicable Date, the Group has obtained written consents in principle from those creditor banks/landlords that the mortgage, the personal guarantee and/or the corporate guarantee (as the case may be) will be released upon Listing and/or replaced by other security and/or guarantees to be provided by members of the Group. Such consents mean that the Group can have independent access to third party financing and is able to obtain bank loans/is able to lease its retail shops without reliance on the Controlling Shareholders.

The Group provided unlimited guarantees to various banks in connection with bank loans and other banking facilities granted to certain related companies of which Mr. Yiu is a director and shareholder. The Group granting unlimited guarantees for bank loan and facilities to those related companies at the request of the relevant lending banks at the time of granting the bank loans and facilities as the banks considered that those related companies and the Group were under the common control of the Controlling Shareholders. The banking facilities granted to those related companies that are subject to guarantees given to banks were utilized to the extent of HK$71.9 million as at 31 December 2010. As at the Latest Practicable Date, the Group has obtained consents in principle from those creditor banks that the unlimited guarantees will be released upon Listing and/or replaced by other security and/or guarantees to be provided by Mr. Yiu and/or his associates (other than members of the Group).

During the Track Record Period, the amounts due from or due to the related parties are unsecured and interest-free. Each of the relevant members of the Group has novated all its amounts due to and amounts due from the relevant members of Yiu's Private Group of approximately HK$30.1 million and HK$34.6 million, respectively, as at 30 December 2010 to MS HK while each of the relevant members of Yiu's Private Group has novated all its amounts due to and amounts due from the relevant members of the Group as at 30 December 2010 to Mr. Yiu, so that there was a net amounts due from Mr. Yiu of approximately HK$4.5 million .

On 22 December 2010, the Group declared an interim dividend of HK$14.5 million by the board of directors of MS HK to Mr. Yiu. On 30 December 2010, the net amounts due from Mr. Yiu of approximately HK$4.5 million was settled by cash. As confirmed by the Directors, no more advances have been or will be made between the Group and the Yiu's Private Group after 31 December 2010.

As confirmed by the Directors, the Group has its own accounting team under the supervision of Mr. Lo Wai Shing, the company secretary and the chief financial officer of the Group, which acts as the treasurer of the Group. Besides, the Group also has independent access to third party financing.

In this circumstances, the Directors believe that it is capable of carrying on its business without financial reliance on the Controlling Shareholders.

As a result, the Directors are of the view that the Group is capable of carrying on its business(es) independent of, and does not place undue reliance on, its Controlling Shareholders or any other parties. The Directors confirmed that there is no financial and management reliance on the Controlling Shareholders or their respective associates.

Details of the Controlling Shareholders' interests in the share capital of the Company are set out in the sections headed "History and Development, Reorganization and Group Structure" and "Substantial Shareholders" in this prospectus.

NON-COMPETITION UNDERTAKING

In accordance with the non-competition undertakings set out in the deed of non-competition dated 28 April 2011 executed by the Controlling Shareholders in favour of the Company ("**Deed of Non-Competition**"), save and except the Exceptional Circumstances (as defined below), the Controlling Shareholders jointly and severally and irrevocably and unconditionally have agreed, undertaken to and covenanted with the Company (for itself and on behalf of its subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which the Shares cease to be listed on the Stock Exchange; (ii) the day on which the Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of the Company; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of the Company:

(a) the Controlling Shareholders shall not and shall procure that none of their respective associates (other than the members of the Group) shall, except through his/her/its/their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly in his/her/its/their own account or in conjunction with or on behalf of or through any person, firm, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, carry on, participate in, acquire or hold (whether as a shareholder, director, partner, agent, employee or otherwise) any right or interest in or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or may be in competition, directly or indirectly, with the Restricted Business (as defined below) within any of the Restricted Territories (as defined below);

(b) "**Restricted Business**" is defined as the business of the Group as described in this prospectus including, but not limited to, selling (by retail or otherwise) second-hand luxury branded products and unused luxury branded products and any other business from time to time conducted by any member of the Group or in which any member of the Group is engaged or has invested or which the Group has otherwise publicly announced its intention to enter into, engage in or invest in;

(c) "**Restricted Territories**" is defined as the territories within Hong Kong, the PRC, Macau, Taiwan and such other parts of the world where any member of the Group carries on business from time to time.

Each of the Controlling Shareholders has represented and warranted that neither he/she/it nor any of his/her/its associates is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in (whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) the Restricted Business, which competes or is likely to compete, directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

The Controlling Shareholders further jointly and severally and irrevocably and unconditionally agreed, undertook to and covenanted with the Company (for itself and on behalf of its subsidiaries) that, with effect from the Listing Date (except for (b)), in the event that any of them and/or any of their respective associates is offered or becomes aware of any business investment or commercial opportunity directly or indirectly relating to a Restricted Business in any of the Restricted Territories, he/she/it:-

(a) shall promptly notify the Company in writing and refer such business opportunity to the Company for consideration and provide all information as may be reasonably required by the Company in order to make an informed assessment of such business investment or commercial opportunity; and

(b) shall not and procure their respective associates shall not, invest or participate in any project or business investment or commercial opportunity unless (i) such project or business investment or commercial opportunity shall have been rejected by the Company in writing; (ii) written approval is given by the independent non-executive Directors of the Company; and (iii) the principal terms of which the Controlling Shareholders or their respective associates invest or participate are no more favourable than those made available to the Company and such terms shall be fully disclosed to the Company prior to consummation of such rejected opportunities (the circumstances described under the aforesaid subparagraphs (b)(i), (ii) and (iii) are collectively referred to as the "**Exceptional Circumstances**").

The Controlling Shareholders further jointly and severally and irrevocably and unconditionally agreed, undertook to and covenanted with the Company (for itself and on behalf of its subsidiaries) that, with effect from the Listing Date, they shall not and shall procure that none of their respective associates shall:

(a) at any time induce or attempt to induce any Director, manager or employee or consultant of any member of the Group to terminate his or her employment or consultancy (as appropriate) with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate);

(b) at any time employ any person who has been a Director, manager, employee of or consultant to any member of the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or

(c) alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition, directly or indirectly, with any member of the Group, canvass, or solicit or accept orders from or do business with any person with whom any member of the Group has done business or solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business to cease to deal with the Group or reduce the amount of business which the person would normally do with the Group or seek to improve their terms of trade with any member of the Group.

The Controlling Shareholders further jointly and severally and irrevocably and unconditionally agreed, undertook to and covenanted with the Company (for itself and on behalf of its subsidiaries) that, with effect from the Listing Date, for any entity or corporation ("**Controlled Entity**") that they are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Controlled Entity or they are in a position to control the composition of a majority of the board of directors of the Controlled Entity, they would procure the Controlled Entity to enter into a deed of adherence in favour of the Company by which the Controlled Entity agrees to be bound by terms identical, *mutatis mutandis*, to the terms of the Deed of Non-Competition.

Corporate governance measures

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-Competition:

(a) Each of the Controlling Shareholders acknowledged and agreed that the Company's independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective associates, or first rights of refusal provided by the Controlling Shareholders and their respective associates on their existing or future competing businesses.

(b) The Controlling Shareholders shall promptly provide all information necessary for the annual review by the Company's independent non-executive Directors and the enforcement of the Deed of Non-Competition and provide to the Company a written confirmation relating to the compliance of the Deed of Non-Competition and make an annual declaration on compliance with the Deed of Non-Competition in the annual report of the Company.

(c) The Company shall disclose decisions on matters reviewed by its independent non-executive Directors relating to the compliance and enforcement of the undertakings and first right of refusal provided by the Controlling Shareholders either through the corporate governance report as set out in the annual report of the Company, or by way of announcements to the public.

(d) Further, the Controlling Shareholders shall abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interests. Any conflicted Directors of the Company shall absent themselves from meetings and voting of the Board of the Company when matters in which such Director or his/its associates have a material interest are discussed (including first rights of refusal), unless expressly requested to attend by a majority of the independent non-executive Directors.

The Controlling Shareholders, hereby jointly and severally, undertake to the Company that the Controlling Shareholders shall, during the term of the Deed of Non-Competition, indemnify and keep indemnified the Group against any loss suffered by the Group arising out of any breach of any of the Controlling Shareholders' undertakings or terms under the Deed of Non-Competition.

DEED OF INDEMNITY

Pursuant to a deed of indemnity entered into between the Controlling Shareholders and the Company (for itself and as trustee for its subsidiaries), certain indemnities have been given in favour of the Group. For further details, please refer to the paragraph headed "Other Information — Indemnity on Liabilities" in Appendix V to this prospectus.

During the Track Record Period, the Group has entered into a number of related party transactions, details of which are set out in note 26 to the Accountants' Report set out in Appendix I to this prospectus. The Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms.

Following the Listing, some of these related party transactions will be continued between the Group and the relevant connected persons (as defined in the Listing Rules) in the normal course of business of the Group, which will constitute continuing connected transactions under the Listing Rules.

Transaction	Nature	Duration	Contractual Parties	Historical Figures	Annual Caps
Non-exempt continuing connected transactions					
1. Renovation Services Agreement (as defined below)	The Company engages and procures members of the Group to engage the Renovation Entities (as defined below) as the non-exclusive renovation services provider of the Group	From date of the Renovation Services Agreement (28 April 2011) to 31 December 2013	(i) The Company (ii) The Renovation Entities (as defined below), companies (directly or indirectly) controlled by Mr. Wong Wai Pan, the husband of Ms. Yiu (an executive Director), and/or his associates	For the year ended 31 December 2008: Approximately HK$2,500,000 For the year ended 31 December 2009: Approximately HK$6,900,000 For the year ended 31 December 2010: Approximately HK$2,000,000	For the year ending 31 December 2011: HK$14,800,000 For the year ending 31 December 2012: HK$20,700,000 For the year ending 31 December 2013: HK$23,000,000
Continuing connected transactions exempt from the independent shareholder's approval					
1(a) Lease Agreement with Excel Trend (as defined below)	Excel Trend leases the CWB Premises (as defined below) to Milan CWB (as defined below)	From 1 December 2010 to 31 December 2012	(i) Milan CWB (ii) Excel Trend, a company incorporated in Hong Kong, the entire issued share capital of which is indirectly beneficially wholly owned by Mr. Yiu, the Controlling Shareholder and an executive Director	For the year ended 31 December 2008: HK$2,736,000 For the year ended 31 December 2009: HK$2,736,000 For the year ended 31 December 2010: HK$2,906,000	For the year ending 31 December 2011: HK$3,336,000 For the year ending 31 December 2012: HK$3,696,000

Transaction	Nature	Duration	Contractual Parties	Historical Figures	Annual Caps
1(b) Lease Agreement with Excel Win (as defined below)	Excel Win entered into a lease agreement with Milan TST (as defined below) pursuant to which Excel Win agrees to lease the TST Premises (as defined below) to Milan TST after Excel Win becomes the registered owner of the TST Premises	From 1 March 2011 to 31 December 2012	(i) Milan TST (ii) Excel Win, a company incorporated in Hong Kong, the entire issued share capital of which is indirectly beneficially wholly owned by Mr. Yiu, the Controlling Shareholder and an executive Director	For the year ended 31 December 2008: HK$900,000 (Note) For the year ended 31 December 2009: HK$900,000 (Note) For the year ended 31 December 2010: HK$920,000 (Note)	For the year ending 31 December 2011: HK$950,000 For the year ending 31 December 2012: HK$1,260,000
				Aggregated annual caps for 1(a) and 1(b):	For the year ending 31 December 2011: HK$4,286,000 For the year ending 31 December 2012: HK$4,956,000
2. Lease Agreements with Well Home Limited and Power Wisdom International Limited	The Landlord Companies (as defined below) lease the King's Park Premises (as defined below) to the Company for use as the staff quarter of Mr. Yiu, the Controlling Shareholder and an executive Director	From 1 December 2010 to 31 December 2012	(i) The Company (ii) Well Home Limited and Power Wisdom International Limited, companies incorporated in Hong Kong, the respective issued share capitals of which are (either directly or indirectly) beneficially wholly owned by Mr. Yiu, the Controlling Shareholder and an executive Director	For the year ended 31 December 2008: nil For the year ended 31 December 2009: nil For the year ended 31 December 2010: HK$130,000	For the year ending 31 December 2011: HK$1,560,000 For the year ending 31 December 2012: HK$1,560,000

Transaction	Nature	Duration	Contractual Parties	Historical Figures	Annual Caps
Exempt continuing connected transactions					
1. Purchase of second-hand luxury-branded handbags or apparel products from Yes Lady (as defined below)	The Company engages Yes Lady as one of its suppliers of the Group, and provides Yes Lady with free advising services for the estimated value of luxury branded products in return for a free advertising space	From date of the Yes Lady Agreement (as defined below) (28 April 2011) to 31 December 2013	(i) The Company (ii) Yes Lady, owned as to 3% by Ms. Wong Yu Har, the wife of Mr. Wong Hiu Chor, an executive Director, and 97% by Billion Capital Corporation Limited, a company owned as to 50% by Mr. Yiu, the Controlling Shareholder and an executive Director (with the remaining 50% owned by an Independent Third Party)	For the year ended 31 December 2009: HK$7,000 For the year ended 31 December 2010: HK$257,000	For the year ending 31 December 2011: HK$400,000 For the year ending 31 December 2012: HK$560,000 For the year ending 31 December 2013: HK$700,000
2. Provision of legal services to the Group	The Company engages Ho & Tam Solicitors to provide general legal advisory services to members of the Group	From date of the Legal Services Agreement (as defined below) (28 April 2011) to 31 December 2013	(i) The Company (ii) Mr. Tam B Ray, Billy, partner of Ho & Tam Solicitors, a non-executive Director	For the year ended 31 December 2008: Approximately HK$54,000 For the year ended 31 December 2009: Approximately HK$80,000 For the year ended 31 December 2010: Approximately HK$131,000	For the year ending 31 December 2011: HK$300,000 For the year ending 31 December 2012: HK$300,000 For the year ending 31 December 2013: HK$300,000
3. Lease agreement with Fully Art (as defined below)	Fully Art leases the Waterfront Premises (as defined below) to the Company for use as the staff quarter of Ms. Yiu	From 1 December 2010 to 31 December 2012	(i) The Company (ii) Fully Art Limited, a company incorporated in Hong Kong, the entire issued share capital of which is owned as to 50% by Mr. Yiu Kwan Wai, Gary, and executive Director and as to 50% by Ms. Yiu, an executive Director	For the year ended 31 December 2008: nil For the year ended 31 December 2009: nil For the year ended 31 December 2010: HK$35,000	For the year ending 31 December 2011: HK$420,000 For the year ending 31 December 2012: HK$420,000

Note: For each of the three years ended 31 December 2008, 2009 and 2010, the total sum of rental paid by the Group to the Independent Landlord (as defined below) amounted to HK$900,000, HK$900,000 and HK$920,000 respectively.

A. **Non-Exempt Continuing Connected Transactions**

The following transactions have been carried out by the Group and its connected persons during the Track Record Period and are expected to be continued following the Listing. The transactions will constitute continuing connected transactions which are not exempt from the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon Listing:

Provision of renovation services to the Group

Nature of and reasons for the transaction

During the Track Record Period, the Group has engaged companies controlled (either directly or indirectly) by Mr. Wong Wai Pan, the husband of Ms. Yiu Sau Wai ("**Ms. Yiu**"), and/or his associates, including Creative House Decorate Co. (創藝居裝修工程公司), Simple Interior (HK) Ltd. (簡美(香港)有限公司), Simple Interior (Macao) Ltd. (簡美(澳門)有限公司), Shenzhen Jinmei Decoration Engineer Co., Ltd.* (深圳市金美裝飾設計工程有限公司) and Shenzhen Zhongshenjian Decoration Engineer Co., Ltd. (The second branch in Beijing)* (深圳市中深建裝飾設計工程有限公司北京第二分公司) (the "**Renovation Entities**"), to provide renovation and decoration services (the "**Renovation Services**") to the retail shops operated by the Group. No formal services agreement was entered into between the Group and the Renovation Entities in relation to the provision of the Renovation Services during the Track Record Period.

For the purpose of formalising the major terms in respect of the provision of Renovation Services by the Renovation Entities to the Group, on 28 April 2011, the Company and Mr. Wong Wai Pan (for himself and companies controlled (either directly or indirectly) by him) entered into a formal master services agreement (the "**Renovation Services Agreement**") pursuant to which the Company agreed to engage and procure the members of the Group to engage the Renovation Entities as the non-exclusive renovation services provider of the Group to provide Renovation Services to the retail shops of the Group in Hong Kong, the PRC and Macau (whether existing or to be opened in future) for a period commencing from the date of the Renovation Services Agreement to 31 December 2013. The exact types of renovation services to be provided to and exact amount of services fee to be charged on the Group will be agreed further after arm's length negotiation with regard to the actual types of Renovation Services to be required and the prevailing market rate of such services to be provided and on terms and conditions which are based principally on the normal terms of and shall be on terms no more favourable to the Renovation Entities than terms with Independent Third Parties.

The Renovation Entities are the non-exclusive renovation services providers of the Group and accordingly, the Group is allowed to find any other renovation services providers at any time whenever the Directors consider appropriate and the Directors consider that there are no reliance on the Renovation Entities by the Group. The Group will ask for fee quote from any of the Renovation Entities and at least two other renovation services providers which are Independent Third Parties, compare the fee quotes and terms of engagement and choose the most favourable one before engaging any renovation service provider to provide services to the Group.

** For identification purpose only*

The Renovation Entities had provided the Renovation Services to the Group throughout the Track Record Period and has good understanding of the Group's renovation requirements and standard, the Directors consider that if the Group engages a new renovation entity to provide renovation services to the Group, it will take times for the Group to explain its renovation requirements and standard and may delay the whole process of redecoration of existing shops and/or opening of new shops which may have adverse effect to turnover of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Group to continue to engage the Renovation Entities as the non-exclusive Renovation Services provider of the Group.

Historical Figures

For each of the three years ended 31 December 2008, 2009 and 2010, the Renovation Services fees paid by the Group to the Renovation Entities was approximately HK$2.5 million, HK$6.9 million and HK$2.0 million respectively.

For the year ended 31 December 2008, four shops in Hong Kong and one shop in Macau were redecorated, costing a total of approximately HK$933,000, one new shop in Hong Kong and one new shop in the PRC were decorated, costing a total of approximately HK$1,537,000. For the year ended 31 December 2009, the office of the Group and 11 shops in Hong Kong and Macau were redecorated costing a total of approximately HK$4,100,000, one shop in Hong Kong was relocated costing approximately HK$1,676,000 and one new shop in Hong Kong was decorated costing approximately HK$1,175,000. For the year ended 31 December 2010, one shop in Hong Kong was redecorated costing approximately HK$75,000, one shop in Hong Kong was relocated costing approximately HK$894,000 and one new shop in the PRC was decorated costing approximately HK$1,040,000.

Annual Caps

It is expected that the services fees to be payable by the Group to the Renovation Entities will be not more than HK$14,800,000, HK$20,700,000 and HK$23,000,000 for each of the three years ending 31 December 2011, 2012 and 2013 respectively. In arriving the above annual caps for each of the three years ending 31 December 2011, 2012 and 2013, the Group has taken into account (i) the historical amount of Renovation Service fees paid by the Group; (ii) the expected amount of Renovation Services required by the Group during the relevant periods by reference to the quotation provided by the Renovation Entities and by the estimated renovation fees per sq.ft.; (iii) the expected size of the new and/or relocated shops; (iv) the market rate and estimated inflation rate for the Renovation Services that the Group would require; and (v) the anticipated appreciation in the value of the Renminbi. With the net proceeds from the Global Offering and expected increasing turnover from the growing business of the Group in the forthcoming years, the Directors (including the independent non-executive Directors) consider that the Group shall have more capital resources to open new retail shops and/or relocate shops with larger area and accordingly, more amount of Renovation Services will be required. The Directors (including the independent non-executive Directors) are also aware that the costs of labour and raw materials for providing Renovation Services are increasing recently and therefore expect that the market rate for Renovation Services will increase accordingly. Moreover, while most of the renovation services provided during the Track Record Period were for shops located in Hong Kong, most of the renovation services to be required by the Group were for the shops to be located in the PRC; it is expected by the Directors that the Renminbi will continue to appreciate and there will be inflation in the PRC in the forthcoming years and therefore, the expected amount to be spent by the Group for Renovation Services will be increased accordingly.

For the year ending 31 December 2011, it is expected that one shop in Hong Kong will be relocated costing approximately HK$380,000, three shops in Hong Kong will be redecorated costing a total of approximately HK$2,130,000, one new shop in Hong Kong will be opened costing approximately HK$640,000 and six new shops in the PRC will be opened costing HK$11,650,000.

For the year ending 31 December 2012, it is expected that two shops in Hong Kong will be relocated costing a total of approximately HK$2,190,000, two shops in Hong Kong and one shop in Macau will be redecorated costing a total of approximately HK$2,980,000 and eight new shops in the PRC will be opened costing a total of approximately HK$15,530,000.

For the year ending 31 December 2013, it is expected that one shop in Hong Kong will be redecorated costing approximately HK$1,940,000, one shop in the PRC will be redecorated costing approximately HK$1,580,000 and ten new shops in the PRC will be opened costing approximately HK$19,410,000.

For the year ended 31 December 2010, it cost a total of HK$1,039,680 to decorate a new shop in Sanlitun Road, Beijing with an area of around 1,300 sq.ft. i.e. it cost approximately HK$800 per sq.ft.. The expected renovation fees for each new shop in the PRC is HK$1,941,000, this is calculated based on the assumption that the new shops to be opened in the PRC for the three years ending 31 December 2013 would be with an area of around 1,900 to 2,200 sq.ft. and it would cost approximately HK$880 to HK$1,000 per sq.ft. with reference to (i) the aforesaid historical figure of approximately HK$800 per sq.ft. for the year ended 31 December 2010; (ii) the estimated inflation rate of around 3 to 5% in the PRC for the coming years thereby driving up the cost of decoration services (including but not limited to the costs of labour and raw materials); (iii) the anticipated appreciation of the Renminbi; and (iv) an expected improvement in quality and better design of the works to be carried out after Listing.

Based on the quotation provided by Simple Interior (HK) Ltd., one of the Renovation Entities, the total amount of expected renovation fees for the three years ending 31 December 2013 for the shops located/to be located in Hong Kong is estimated to be not more than an aggregate of approximately HK$8,715,000, including (i) an aggregate amount of renovation fees of HK$8,045,000 calculated by reference to the expected total sq.ft. (i.e. 4,630 sq.ft.) of shops located/to be located in Hong Kong which required and the renovation fees per sq.ft. (i.e. range from HK$1,580 to HK$1,980 per sq.ft.) quoted; and (ii) an aggregate amount of HK$670,000 of demolition fees of the existing shops in case of relocation quoted by Simple Interior (HK) Ltd. in view of the estimated raw materials to be used and skill of labour required for providing the renovation services.

It is to be noted however, that the assumed area of the new shops to be opened in both Hong Kong and the PRC and the estimated cost per sq.ft. are merely projected figures, based on the current market conditions and development status of the Group and are subject to adjustment.

With such expansion plans, the Renovation Services to be required by the Group is expected to increase significantly in the near future which contributes to the significant increase in the annual caps for the three years ending 31 December 2013 of the Renovation Services under the Renovation Services Agreement.

Listing Rules Implications

The Renovation Entities are companies (directly or indirectly) controlled by Mr. Wong Wai Pan, the husband of Ms. Yiu, and/or his associates. As Ms. Yiu is an executive Director, Mr. Wong Wai Pan and the Renovation Entities, being associates (as defined in the Listing Rules) of Ms. Yiu, are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transaction contemplated under the Renovation Services Agreement will constitute continuing connected transaction for the Company under the Listing Rules upon Listing.

As some of the percentage ratios on an annual basis exceed 5% and the expected services fee to be paid by the Group in respect of the Renovation Services to be provided by the Renovation Entities under the Renovation Services Agreement on an annual basis is more than HK$10,000,000, therefore, under Rule 14A.35 of the Listing Rules, the transaction contemplated under the Renovation Services Agreement will constitute a non-exempt transaction for the Company and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

B. **Continuing Connected Transactions Exempt From The Independent Shareholder's Approval**

The following transactions have been carried out by the Group and its connected persons during the Track Record Period and are expected to be continued following the Listing. The transactions will constitute continuing connected transactions which are not exempt from the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon Listing:

(a) **Lease agreements with Excel Trend and Excel Win**

Nature of and reasons for the transactions

Milan Station (Causeway Bay) Limited ("**Milan CWB**"), an indirect wholly-owned subsidiary of the Company, has been leasing a premises situated at Area E & F on the Ground Floor of the Percival House, No. 83 Percival Street, Hong Kong ("**CWB Premises**") with a saleable area of approximately 23.32 sq.m. from Excel Trend for the use as its retail shop. On 1 December 2010, Milan CWB and Excel Trend entered into a new lease agreement (the "**CWB Lease Agreement**") pursuant to which Excel Trend (as landlord) agreed to lease the CWB Premises to Milan CWB (as tenant), for retail uses for a period commenced from the date of the CWB Lease Agreement and expiring on 31 December 2012, at a monthly rental of HK$278,000 from the date of the CWB Lease Agreement to 31 December 2011 and HK$308,000 from 1 January 2012 to 31 December 2012 (inclusive of government rent, rates and management fees).

Milan Station (TST) Limited ("**Milan TST**"), an indirect wholly-owned subsidiary of the Company, has been leasing a premises situated at Shops F-H on the Ground Floor of the South Seas Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong ("**TST Premises**") with a saleable area of approximately 38.46 sq.m. from a landlord, who is an Independent Third Party (the "**Independent Landlord")**, for use as its retail shop throughout the Track Record Period. On 28 February 2011, Excel Win Limited ("**Excel Win**") acquired the TST Premise from the Independent Landlord. The TST Premise was assigned to Excel Win Limited ("**Excel Win**") subject to existing lettings and tenancies. On 1 March 2011, Milan TST and Excel Win entered into a new lease agreement (the "**TST Lease Agreement**") pursuant to which Excel Win (as landlord) agreed to lease the TST Premises to Milan TST (as tenant), for retail uses for a period commencing from 1 March 2011 and expiring on 31 December 2012, at a monthly rental of HK$95,000 from 1 March 2011 to 31 December 2011 and HK$105,000 from 1 January 2012 to 31 December 2012 (inclusive of government rents, rates and management fees).

The Directors (including the independent non-executive Directors) consider that it is in the interest of the Group to continue its occupation of the CWB Premises and the TST Premises as its retail shops.

Historical Figures

For each of the three years ended 31 December 2008, 2009 and 2010, the total sum of rental paid by the Group to Excel Trend amounted to HK$2,736,000, HK$2,736,000 and HK$2,906,000 respectively.

For each of the three years ended 31 December 2008, 2009 and 2010, the total sum of rental paid by the Group to the Independent Landlord amounted to HK$900,000, HK$900,000 and HK$920,000 respectively.

Annual Caps

The rental payable by the Group under the CWB Lease Agreement for each of the two years ending 31 December 2011 and 2012 is expected to be no more than HK$3,336,000 and HK$3,696,000 respectively. The rental payment under the CWB Lease Agreement was determined by the Directors by reference to (i) the prevailing market rates for similar properties in the vicinity; and (ii) the previous rental payment made by the Group for renting the CWB Premises. RHL Appraisal Limited, the valuer appointed by the Company in connection with the Listing, has issued a letter confirming that the terms and conditions for the entire term of the CWB Lease Agreement are on normal commercial terms and the monthly rental payable for the whole period of the CWB Lease Agreement is fair and reasonable as at its date of agreement; and comparable to the prevailing market rates in Hong Kong.

The rental payable by the Group to Excel Win under the TST Lease Agreement for each of the two years ending 31 December 2011 and 2012 is expected to be no more than HK$950,000 and HK$1,260,000 respectively. The rental payment under the TST Lease Agreement was determined by the Directors by reference to (i) the prevailing market rates for similar properties in the vicinity; and (ii) the previous rental payment made by the Group for renting the TST Premises. RHL Appraisal

Limited, the valuer appointed by the Company in connection with the Listing, has issued a letter confirming that the terms and conditions for the entire term of the TST Lease Agreement are on normal commercial terms and the monthly rental payable for the whole period of the TST Lease Agreement is fair and reasonable as at its date of agreement; and comparable to the prevailing market rates in Hong Kong.

The aggregate rental payable by the Group to Excel Trend and Excel Win under the CWB Lease Agreement and the TST Lease Agreement for each of the two years ending 31 December 2011 and 2012 is thus expected to be no more than HK$4,286,000 and HK$4,956,000 respectively.

Listing Rules Implications

Excel Trend is a company incorporated in Hong Kong, the entire issued share capital of which is indirectly beneficially wholly owned by Mr. Yiu. As Mr. Yiu is the Controlling Shareholder and an executive Director, Excel Trend, being an associate (as defined in the Listing Rules) of Mr. Yiu, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transaction contemplated under the CWB Lease Agreement will constitute continuing connected transaction for the Company under the Listing Rules upon Listing.

Excel Win is a company incorporated in Hong Kong, the entire issued share capital of which is indirectly beneficially wholly owned by Mr. Yiu. As Mr. Yiu is the Controlling Shareholder and an executive Director, Excel Win, being an associate (as defined in the Listing Rules) of Mr. Yiu, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transaction contemplated under the TST Lease Agreement will constitute continuing connected transaction for the Company under the Listing Rules upon Listing.

Pursuant to Rule 14A.27 of the Listing Rules, the annual caps of CWB Lease Agreement and TST Lease Agreement shall be aggregated. As the percentage ratios of the aggregated rental (other than the profit ratio) under the CWB Lease Agreement and the TST Lease Agreement on an annual basis are less than 5% (being the threshold stipulated in Rule 14A.34(1) of the Listing Rules) but more than 0.1% (being the threshold stipulated in Rule 14A.33(3)(a) of the Listing Rules), therefore, under Rule 14A.34 of the Listing Rules, the transactions contemplated under the CWB Lease Agreement and the TST Lease Agreement will be exempt from the independent shareholders' approval requirements of but subject to the reporting, annual review and announcement requirements contained in Rules 14A.37 to 14A.40 and 14A.45 to 14A.47 of the Listing Rules.

(b) **Lease agreements with Well Home Limited and Power Wisdom International Limited**

Nature of and reasons for the transactions

On 1 December 2010, (i) the Company (as tenant) and (ii) each of Power Wisdom International Limited and Well Home Limited (collectively known as the "**Landlord Companies**") (as landlords) entered into two lease agreements (collectively known as the "**King's Park Lease Agreements**") pursuant to which the Landlord Companies (as landlord) agreed to lease the premises situated at Flat B on the Ground Floor of Block 6 and garden appertaining thereto of Block 6, No. 78, King's Park Hill Road, King's Park Hill, Kowloon, Hong Kong and parking space no. P28 and the premises situated at Flat B on the First Floor of Block 6, No. 78, King's Park Hill Road, King's Park Hill, Kowloon, Hong Kong and parking space No. P61 (collectively known as the "**King's Park Premises**") respectively with a total area of approximately 5,207 sq.ft. to the Company, for an aggregate monthly rental of HK$130,000 (inclusive of government rent, rates and management fees) for use as the staff quarter of Mr. Yiu, the Controlling Shareholder and an executive Director. The terms of the leases commenced from the date of the King's Park Lease Agreements and will expire on 31 December 2012.

The Directors (including the independent non-executive Directors) consider that granting housing benefit to Mr. Yiu can provide an incentive for him to work better for the Group.

Historical Figures

Power Wisdom International Limited and Well Home Limited acquired their respective premise in March 2009 and December 2009 respectively and since then, Mr. Yiu has stayed in the King's Park Premises for free. No rental payment has been made by the Group to the Landlord Companies during the Track Record Period until 1 December 2010, the date of the King's Park Lease Agreements. The rental payable by the Group to the Landlord Companies for the year ended 31 December 2010 was HK$130,000.

Annual Caps

The aggregate rental payable by the Group under the King's Park Lease Agreements for each of the two years ending 31 December 2011 and 2012 is expected to be no more than HK$1,560,000 and HK$1,560,000 respectively. The aggregate rental payment under the King's Park Lease Agreements were determined by the Directors by reference to the prevailing market rates for similar properties in the vicinity. RHL Appraisal Limited, the valuer appointed by the Company in connection with the Listing, has issued a letter confirming that the terms and conditions for the entire term of the King's Park Lease Agreements are on normal commercial terms and the monthly rental payable for the whole period of the King's Park Lease Agreements is fair and reasonable as at its date of agreement; and comparable to the prevailing market rates in Hong Kong.

Listing Rules Implications

The Landlord Companies are companies incorporated in Hong Kong, each of their entire issued share capital are (either directly or indirectly) beneficially wholly owned by Mr. Yiu. As Mr. Yiu is the Controlling Shareholder and an executive Director, the Landlord Companies, being associates (as defined in the Listing Rules) of Mr. Yiu, are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the King's Park Lease Agreements will constitute continuing connected transactions for the Company under the Listing Rules upon Listing.

As the percentage ratios of the rental (other than the profit ratio) under the King's Park Lease Agreements on an annual basis are less than 5% (being the threshold stipulated in Rule 14A.34(1) of the Listing Rules) but more than 0.1% (being the threshold stipulated in Rule 14A.33(3)(a) of the

Listing Rules), therefore, under Rule 14A.34 of the Listing Rules, the transactions under the King's Park Lease Agreements will be exempt from the independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements contained in Rules 14A.37 to 14A.40 and 14A.45 to 14A.47 of the Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) are of the view that the entering into of and the transactions contemplated under each of the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms. The terms and conditions of each of the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement (including their respective annual caps for each of the two/three years ending 31 December 2012/2013 (as the case may be)) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the entering into of and the transactions contemplated under each of the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms. The terms and conditions of each of the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement (including their respective annual caps for each of the two/three years ending 31 December 2012/2013 (as the case may be)) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Waiver from the Stock Exchange

Given that the transactions contemplated under the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement will be carried out following the Listing on a recurring basis, the Directors consider that strict compliance with the announcement and the independent shareholders' approval requirements would be impractical, burdensome and would add unnecessary administrative costs to the Company each time when such transaction arises.

The Company has therefore applied to the Stock Exchange, and the Stock Exchange has granted to the Company a waiver from strict compliance with the announcement and the independent shareholders' approval requirements related to the transactions contemplated under the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement pursuant to Rule 14A.42(3) of the Listing Rules on the condition that the aggregate value of the transactions contemplated under the CWB Lease Agreement, the TST Lease Agreement, the King's Park Lease Agreements and the Renovation Services Agreement for each of the two/three years ending 31 December 2012/2013 (as the case may be) will not exceed their respective annual caps as stated above. The Company confirms that it will re-comply with the requirements under Chapter 14A of the Listing Rules and in the event of any future amendments to the Listing Rules imposing more stringent requirements than those current provisions under Chapter 14A of the Listing Rules, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

C. Exempt Continuing Connected Transactions

The following transactions have been carried out by the Group and its connected persons during the Track Record Period and are expected to be continued following the Listing. The transactions will constitute continuing connected transactions which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon Listing:

(a) Purchase of second-hand luxury-branded handbags or apparel products from Yes Lady

Nature of and reasons for the transactions

Yes Lady is principally engaged in money lending. When Yes Lady advances a loan to a borrower, the borrower sometimes would deposit luxury-branded handbags or apparel products with Yes Lady as security for the loan. If the borrower defaults in repayment of monies due in accordance with the loan documentation, Yes Lady will take possession of the luxury branded handbags or apparel products and sell the same to the Group. Moreover, since the incorporation date of Yes Lady, the staff of Yes Lady will from time to time contact the staff of Milan Station seeking for free advice regarding the estimated value of the second-hand luxury branded handbags and apparel products provided by the borrowers. Besides, Yes Lady has leased the advertising space of both sides of the light box attached to the external wall of 1st to 3rd Floor, Tat Lee Commercial Building, 43D Dundas Street, Mongkok, Kowloon, Hong Kong since 15 November 2010 and it has allowed the Group to use the advertising space of one side of the aforesaid light box for advertising purpose for free since then.

For the purpose of formalising the major terms in respect of the supply of second-hand luxury branded handbags and apparel products by Yes Lady to the Group, the provision of advising services and advertising space, on 28 April 2011, the Company and Yes Lady entered into a formal master agreement (the "**Yes Lady Agreement**") in relation to the engagement of Yes Lady as one of its suppliers of the Group for a period commencing from the date of the Yes Lady Agreement to 31 December 2013. Pursuant to the terms of the Yes Lady Agreement, the sale and purchase of luxury branded handbags or apparel products shall be at prices to be agreed between the parties after arm's length negotiation by reference to the type and quality of the relevant luxury branded handbags or apparel products and price to be offered by the Group for products of similar type and quality and on terms and conditions which are based principally on the normal terms of and shall be on terms no more favourable to Yes Lady than terms with Independent Third Parties. Pursuant to the terms of the Yes Lady Agreement, the Company or the relevant members of the Group shall be entitled to conduct check against the luxury branded products and refuse to accept the luxury branded products; and Yes Lady also warrants that at the time when it sells the luxury branded products to the Group, it has the right to sell such products and its relevant debtor's right to redeem such products are extinguished. Pursuant to the terms of the Yes Lady Agreement, the Group also agreed to provide free advising services for the estimated value of luxury branded products for Yes Lady from time to time during the term of the Yes Lady Agreement while Yes Lady also agreed to allow the Group to use the advertising space of one side of the light box attached to the external wall of 1st to 3rd Floor, Tat Lee Commercial Building, 43D Dundas Street, Mongkok, Kowloon, Hong Kong for advertising purpose for free during the term of the Yes Lady Agreement as long as Yes Lady is leasing the advertisement space of both sides of the aforesaid light box.

The Directors (including the independent non-executive Directors) consider that the entering into of the Yes Lady Agreement can provide the Group an extra source of luxury branded handbags and apparel products and it is in the interest of the Group to enter into the Yes Lady Agreement.

Historical Figures

Since the incorporation of Yes Lady in 2009 and during the Track Record Period, the Group has purchased a number of second-hand luxury branded handbags from Yes Lady. The purchase amount paid by the Group to Yes Lady in this respect was HK$7,000 and HK$257,000 respectively for each of the two years ended 31 December 2009 and 2010.

Annual Caps

It is expected that the purchase amount to be payable by the Group to Yes Lady for each of the three years ending 31 December 2011, 2012 and 2013 will be HK$400,000, HK$560,000 and HK$700,000 respectively. In arriving the above annual caps, the Group has taken into account (i) the expected number of second-hand products that can be supplied by Yes Lady estimated by reference to the historical transactions during the Track Record Period; (ii) comparable prices which will be offered to second-hand products supplied by Independent Third Parties; and (iii) the estimated growth rate of the revenue of Yes Lady.

Listing Rules Implications

Yes Lady is a company owned as to 3% by Ms. Wong Yu Har, the wife of Mr. Wong Hiu Chor, an executive Director, and 97% by Billion Capital Corporation Limited, a company owned as to 50% by Mr. Yiu, the Controlling Shareholder and an executive Director and owned as to 50% by an Independent Third Party. Accordingly, Yes Lady is an associate (as defined in the Listing Rules) of Mr. Yiu and therefore a connected person of the Company under the Listing Rules. Thus, the transactions contemplated under the Yes Lady Agreement will constitute continuing connected transactions of the Company upon Listing under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (other than the profit ratio) are less than 5% and aggregate annual consideration payable by the Group to Yes Lady under the Yes Lady Agreement will be less than HK$1,000,000, the Yes Lady Agreement is exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will closely monitor the annual caps for the Yes Lady Agreement, and if any of such caps is exceeded, it will re-comply with the relevant requirements under the Listing Rules.

(b) **Provision of legal services to the Group**

Nature of and reasons for the transactions

During the Track Record Period, the Group has engaged Ho & Tam Solicitors, a registered law firm in Hong Kong, to provide general legal advisory services to the Group. No formal services agreement was entered into between the Group and Ho & Tam Solicitors in relation to the provision of the general legal advisory services during the Track Record Period.

For the purpose of formalising the major terms in respect of the provision of general legal advisory services by Ho & Tam Solicitors to the Group, on 28 April 2011, the Company and Ho & Tam Solicitors entered into a formal master legal services agreement (the "**Legal Services Agreement**") pursuant to which the Company agreed to engage Ho & Tam Solicitors to provide general legal advisory services to members of the Group for a period commencing from the date of the Legal Services Agreement to 31 December 2013. Pursuant to the terms of the Legal Services Agreement, the exact types of legal services to be provided to and exact amount of services fee to be charged on the Group will be agreed further after arm's length negotiation with regard to the actual legal services required and the prevailing market rate of such services to be provided and on terms and conditions which are based principally on the normal terms of and shall be on terms no more favourable to Ho & Tam Solicitors than terms with Independent Third Parties.

Ho & Tam Solicitors had provided legal services to the Group throughout the Track Record Period and has good understanding of the Group's history and corporate structure, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Group to continue to engage Ho & Tam Solicitors.

Historical Figures

For each of the three years ended 31 December 2008, 2009 and 2010, the legal services fees paid by the Group to Ho & Tam Solicitors was approximately HK$54,000, HK$80,000 and HK$131,000 respectively.

Annual Caps

It is expected that the services fees to be payable by the Company to Ho & Tam Solicitors will be not more than HK$300,000, HK$300,000 and HK$300,000 for each of the three years ending 31 December 2011, 2012 and 2013. In arriving the above annual caps for each of the three years ending 31 December 2011, 2012 and 2013, the Group has taken into account (i) the historical amount of general legal service fees paid by the Group to Ho & Tam Solicitors; (ii) the expected amount of general legal services required by the Group; and (iii) the market rate for the general legal services that the Group would require.

Listing Rules Implications

As Mr. Tam B Ray, Billy is a non-executive Director and he is a partner of Ho & Tam Solicitors, Ho & Tam Solicitors is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Legal Services Agreement will constitute connected transactions of the Company upon Listing under Chapter 14A of the Listing Rules.

Since applicable percentage ratios (other than the profit ratio) are less than 5% and the aggregate annual consideration payable by the Group to Ho & Tam Solicitors under the Legal Services Agreement will be less than HK$1,000,000, the Legal Services Agreement is exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will closely monitor the annual caps for the Legal Services Agreement, and if any of such caps is exceeded, it will re-comply with the relevant requirements under the Listing Rules.

(c) **Lease agreement with Fully Art Limited**

Nature of and reasons for the transaction

On 1 December 2010, the Company (as tenant) and Fully Art Limited ("**Fully Art**") (as landlord) entered into a lease agreement (the "**Waterfront Lease Agreement**") pursuant to which Fully Art agreed to lease the premises situated at Flat B on the 31st Floor of Tower 1, The Waterfront, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong ("**Waterfront Premises**") with a gross floor area of approximately 1,388 sq.ft. to the Company, for a monthly rental of HK$35,000 for use as the staff quarter of Ms. Yiu, an executive Director. The term of the lease commenced from the date of the Waterfront Lease Agreement and will expire on 31 December 2012.

The Directors (including the independent non-executive Directors) consider that granting housing benefit to Ms. Yiu can provide an incentive for her to work better for the interests of the Group.

Historical Figures

Fully Art acquired the Waterfront Premises in 2005 and since then Ms. Yiu has stayed in the Waterfront Premises for free. No rental payment has been made by the Group to Fully Art during the Track Record Period until 1 December 2010, the date of the Waterfront Lease Agreement. The rental payable by the Group to Fully Art for the year ended 31 December 2010 was HK$35,000.

Annual Caps

The rental payable by the Group under the Waterfront Lease Agreement for each of the two years ending 31 December 2011 and 2012 is expected to be no more than HK$420,000 and HK$420,000 respectively. The rental payment under the Waterfront Lease Agreement was determined by the Directors by reference to the prevailing market rates for similar properties in the vicinity. RHL Appraisal Limited, the valuer appointed by the Company in connection with the Listing, has issued a letter confirming that the terms and conditions for the entire term of the Waterfront Lease Agreement are on normal commercial terms and the monthly rental payable for the whole period of the Waterfront Lease Agreement is fair and reasonable as at its date of agreement; and comparable to the prevailing market rates in Hong Kong.

Listing Rules Implications

Fully Art is a company incorporated in Hong Kong and the entire issued share capital is owned as to 50% by Mr. Yiu Kwan Wai, Gary, an executive Director and as to 50% by Ms. Yiu Sau Wai, an executive Director. Accordingly, Fully Art, being an associate (as defined in the Listing Rules) of Mr. Yiu Kwan Wai Gary and Ms. Yiu, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transaction contemplated under the Waterfront Lease Agreement will constitute continuing connected transaction for the Company under the Listing Rules upon Listing.

Since applicable percentage ratios (other than the profit ratio) are less than 5% and the aggregate annual rental payable by the Group to Fully Art under the Waterfront Lease Agreement will be less than HK$1,000,000, the Waterfront Lease Agreement is exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will closely monitor the annual caps for the Waterfront Lease Agreement, and if any of such caps is exceeded, it will re-comply with the relevant requirements under the Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) are of the view that the entering into of and the transactions contemplated under each of the Yes Lady Agreement, the Legal Services Agreement and the Waterfront Lease Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms. The terms and conditions of the Yes Lady Agreement, the Legal Services Agreement and the Waterfront Lease Agreement (including their respective annual caps for each of the two/three years ending 31 December 2012/2013 (as the case may be)) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes) the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 members of the Company:

Long and short positions in the Shares and underlying Shares

Name of Shareholder	Nature of interest and capacity	Number of Shares held immediately after the Capitalisation Issue and the Global Offering	Approximate percentage of shareholding immediately after the Capitalisation Issue and the Global Offering (%)
Mr. Yiu	Interest of a controlled corporation *(Note 1)*	487,500,000 *(long position)*	75%
Perfect One	Beneficial owner *(Note 1)*	487,500,000 *(long position)*	75%
Ms. Lee Lai Hung	Interest of spouse *(Note 2)*	487,500,000 *(long position)*	75%

Notes:

(1) The entire issued share capital of Perfect One is wholly and beneficially owned by Mr. Yiu. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 487,500,000 Shares held by Perfect One.

(2) The Shares are held by Perfect One, the entire issued share capital of which is owned by Mr. Yiu, the spouse of Ms. Lee Lai Hung. Accordingly, Ms. Lee Lai Hung is deemed to be interested in the entire 487,500,000 Shares by virtue of the SFO.

(3) Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Schemes), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members of the Company and are therefore regarded as Substantial Shareholders of the Company under the Listing Rules.

Further information on the interests of the Substantial Shareholders of the Company is set forth in the paragraph under "Further information about Directors, Senior Management and Substantial Shareholders" in Appendix V to this prospectus.

THE CORNERSTONE PLACING

The Company and the Sole Bookrunner have entered into agreements with four cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") who in aggregate have agreed to subscribe for a total of 34,726,000 Shares at the Offer Price (collectively, the "**Cornerstone Placing**"). The total number of Shares to be subscribed by the Cornerstone Investors represents approximately (i) 5.34% of the Shares issued and outstanding immediately following completion of the Global Offering and the Capitalisation Issue and (ii) 21.37% of the Offer Shares (assuming that the Over-allotment Option is not exercised) respectively. Assuming an Offer Price of HK$1.17 per Share (being the lowest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by the Cornerstone Investors to the Company for the Shares to be subscribed pursuant to the cornerstone investor agreements will be HK$40,629,420. Assuming an Offer Price of HK$1.67 per Share (being the highest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by the Cornerstone Investors to the Company for the Shares to be subscribed pursuant to the cornerstone investor agreements will be HK$57,992,420. Each of the Cornerstone Investors is an Independent Third Party. None of the Cornerstone Investors will become a Substantial Shareholder immediately following completion of the Global Offering and the Capitalization Issue. The actual amounts received from the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or before 20 May 2011.

The information set forth in this section relating to the amounts payable for the Shares to be subscribed by the Cornerstone Investors are provided solely for the purpose of illustration only.

The Cornerstone Placing forms part of the International Offering. The Cornerstone Investors will not and will procure their respective connected persons not to subscribe for or purchase any Offer Shares or participate in the subscription or purchase under the Global Offering other than pursuant to the respective cornerstone investor agreement. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will count towards the public float of the Company. None of the Cornerstone Investors has a representative on the Board. The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by the reallocation between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of Global Offering" in this prospectus, nor by any exercise of the Over-allotment Option.

Conditions precedent

The obligations on the Cornerstone Investors to subscribe for the Shares is conditional upon the Underwriting Agreements being entered into, having become unconditional and not having been terminated by no later than 8:00 a.m. on the Listing Date.

Restrictions on disposal by the Cornerstone Investors

Each of the Cornerstone Investors has agreed that it will not and will procure that any company or entity holding any of the Shares to be subscribed pursuant to the respective cornerstone investor agreement will not, at any time during the period of six months following the Listing Date, whether directly or indirectly, dispose of any Shares to be subscribed pursuant to the respective cornerstone investor agreement (or any interest in any company or entity holding any of the Shares if as a result of that disposal, such company or entity would cease to be wholly owned by the Cornerstone Investor). Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned company of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

THE CORNERSTONE INVESTORS

Cornerstone Investor	Investment amount (i) assuming an Offer Price of HK$1.17 per Share; (ii) assuming an Offer Price of HK$1.67 per Share	Number of Shares (Note)	Percentage of total number of Offer Shares (Note)	Percentage of interest in the issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue (Note)
Mr. Cheng Wai Tao	(i) HK$21,060,000 (ii) HK$30,060,000	18,000,000	11.08%	2.77%
CCB International Asset Management Limited	(i) HK$9,507,420 (ii) HK$13,570,420	8,126,000	5.00%	1.25%
Mr. Lee Man Chun, Raymond	(i) HK $6,552,000 (ii) HK$9,352,000	5,600,000	3.45%	0.86%
Mr. Tang Kui Ming	(i) HK $3,510,000 (ii) HK$5,010,000	3,000,000	1.85%	0.46%

Note: Assuming the Over-allotment Option is not exercised.

Set forth below is a brief description of the Cornerstone Investors:

Mr. Cheng Wai Tao

Mr. Cheng Wai Tao ("**Mr. Cheng**"), has agreed to subscribe for 18,000,000 Shares at the Offer Price, which represents approximately (i) 2.77% of the Shares issued and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue and (ii) 11.08% of the total number of Offer Shares, both assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$1.17 per Share (being the lowest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Cheng for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$21,060,000. Assuming an Offer Price of HK$1.67 per Share (being the highest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Cheng for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$30,060,000.

Mr. Cheng is the owner of a group of companies which carries on catering business (including operating the Itamae and Itacho Japanese-style sushi shops) in Hong Kong.

CCB International Asset Management Limited

CCB International Asset Management Limited ("CCBIAM"), has agreed to subscribe for 8,126,000 Shares at the Offer Price, which represents approximately (i) 1.25% of the Shares issued and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue and (ii) 5.00% of the total number of Offer Shares, both assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$1.17 (being the lowest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by CCBIAM for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$9,507,420. Assuming an Offer Price of HK$1.67 (being the highest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by CCBIAM for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$13,570,420.

CCBIAM is a company incorporated in Hong Kong and is ultimately controlled by China Construction Bank Corporation, which is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange (Stock code: HK.0939 and CH.601939 respectively). CCBIAM has invested in a number of pre-IPO projects in the PRC and Hong Kong as well as Hong Kong listed companies, covering such sectors as healthcare, energy and resources, infrastructure, consumer, media and real estate.

Mr. Lee Man Chun, Raymond

Mr. Lee Man Chun, Raymond ("**Mr. Lee**"), has agreed to subscribe 5,600,000 Shares at the Offer Price, which represents approximately (i) 0.86% of the Shares issued and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue and (ii) 3.45% of the total number of Offer Shares, both assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$1.17 per Share (being the lowest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Lee for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$6,552,000. Assuming an Offer Price of HK$1.67 per Share (being the highest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Lee for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$9,352,000.

Mr. Lee is the chief executive officer, an executive director and a shareholder of Lee & Man Paper Manufacturing Limited (Stock code: 2314), a company listed on the Main Board of the Stock Exchange and is principally engaged in the manufacture and sale of paper and pulp. Mr. Lee is also an independent non-executive director of Bossini International Holdings Limited (Stock code: 592), a company listed on the Main Board of the Stock Exchange and is principally engaged in investment holding and the retailing, distribution and wholesaling of garments.

Mr. Tang Kui Ming

Mr. Tang Kui Ming ("**Mr. Tang**"), has agreed to subscribe for 3,000,000 Shares at the Offer Price, which represents approximately (i) 0.46% of the Shares issued and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue and (ii) 1.85% of the total number of Offer Shares, both assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$1.17 per Share (being the lowest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Tang for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$3,510,000. Assuming an Offer Price of HK$1.67 per Share (being the highest point of the Offer Price range), the total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) payable by Mr. Tang for the Shares to be subscribed pursuant to the relevant cornerstone investor agreement will be HK$5,010,000.

Mr. Tang is the chairman and the majority shareholder of Prince Jewellery and Watch Company Limited which carries on retail business of the sale of jewellery and watches in Hong Kong.

AUTHORISED AND ISSUED SHARE CAPITAL

		HK$
Authorized share capital:		
2,000,000,000	Shares of HK$0.01 each	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of Global Offering (assuming that the Over-allotment Option is not exercised):

1,000,000	Shares in issue at the date of this prospectus	10,000
540,586,000	Shares to be issued pursuant to the Capitalisation Issue *(Note)*	5,405,860
108,414,000	Shares to be issued pursuant to the Global Offering	1,084,140
650,000,000	Shares in total	6,500,000

Note: A total of 54,086,000 Shares will be offered for sale by the Selling Shareholder under the International Offering.

Issued and to be issued, fully paid or credited as fully paid upon completion of Global Offering (assuming that the Over-allotment Option is exercised in full):

1,000,000	Shares in issue at the date of this prospectus	10,000
540,586,000	Shares to be issued pursuant to the Capitalisation Issue *(Note)*	5,405,860
132,788,000	Shares to be issued pursuant to the Global Offering	1,327,880
674,374,000	Shares in total	6,743,740

Note: A total of 54,086,000 Shares will be offered for sale by the Selling Shareholder under the International Offering.

The minimum level of public float to be maintained by the Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

Assumptions

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional. These tables take no account of Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and Repurchase Mandate as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus other than participation under the Capitalisation Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarized in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

ISSUING MANDATE

The Directors have been granted a general unconditional mandate (the "**Issuing Mandate**") to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal amount of the share capital of the Company in issue as enlarged by the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) under the authorities referred in the paragraph headed "Repurchase Mandate" below.

The Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of the Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme.

The Issuing Mandate will expire:

(i) at the conclusion of the Company's next annual general meeting; or

(ii) upon the expiry of the period within which the Company is required by any applicable law or its Article of Association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, please see the paragraph headed "3. Written resolutions of the sole Shareholder" in Appendix V to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate (the "**Repurchase Mandate**") to exercise all of the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue, as enlarged by the Global Offering and the Capitalisation Issue (but excluding any Share of the Company which may be issued pursuant to the Over-allotment Option).

The Repurchase Mandate relates only to repurchases made on the Stock Exchange or on 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 the Listing Rules. An explanatory statement related to the Repurchase Mandate is set out in the paragraph headed "6. Repurchase by the Company of its own securities" in Appendix V to this prospectus.

The Repurchase Mandate will expire:

(i) at the conclusion of the Company's next annual general meeting; or

(ii) upon the expiry of the period within which the Company is required by any applicable law or its Articles of Association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about the Repurchase Mandate, see the paragraph headed "3. Written resolutions of the sole Shareholder" in Appendix V to this prospectus.

You should read this section in conjunction with the Group's audited combined financial statements as of and for each of the three years ended 31 December 2008, 2009 and 2010, including the notes thereto, as set forth in "Appendix I — Accountants' Report" to this prospectus. The combined financial statements have been prepared in accordance with HKFRSs and accounting principles generally accepted in Hong Kong. All applicable new and revised HKFRSs, which are generally effective for the Track Record Period and are relevant to the Group's operation, have been applied for the Track Record Period. The Group's financial information has been prepared under the historical cost convention, except for investment properties. The following discussion and analysis contains certain forward-looking statements that reflect the Group's current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and predictions depends on a number of risks and uncertainties over which the Group does not have control. Please see the section headed "Risk Factors" in this prospectus. Investors should note that certain figures stated in the following discussion and analysis are result of rounding from those figures in, or from calculations based on the figures set out in, Appendix I — Accountants' Report to this prospectus.

OVERVIEW

The Group is principally engaged in the retail of luxury branded handbags and other apparel products in Hong Kong, the PRC and Macau. The products sold by the Group include unused and second-hand handbags, clothing, shoes, watches and other accessories from international fashion houses and brands. According to the Synovate Report, the Group is a market leader and ranked number one in terms of both sales value and sales volume amongst luxury branded handbag independent retailers in Hong Kong in 2009. The revenue generated from handbags accounted for over 97.0% of the total revenue of the Group during the Track Record Period.

Hong Kong is the principal market of the Group. For each of the three years ended 31 December 2008, 2009 and 2010, revenue generated from Hong Kong market accounted for over 88.0% of the Group's total revenue. Apart from the Hong Kong market, the Group has expanded its network to Macau and the PRC. The sales in these markets have been increasing since their establishment.

For each of the three years ended 31 December 2008, 2009 and 2010, the Group's revenue was HK$512.0 million, HK$611.3 million and HK$730.3 million, respectively, and the Group's gross profit for the same periods was HK$140.5 million, HK$143.7 million and HK$174.7 million, respectively.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007 under the Cayman Islands Companies Law. Prior to the Global Offering, the companies now compose the Group underwent the Reorganisation.

The Financial Information has been prepared to reflect the reorganisation of the entities under common control. The Company and its subsidiaries are ultimately controlled by Mr. Yiu, the Director and the beneficial shareholder of the Company, before and after the completion of the Reorganisation.

The Reorganisation is accounted for using the merger accounting upon completion. The Financial Information is prepared on a combined basis as prescribed by Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies of the Group, as if the current structure had been in existence throughout each of the three years ended 31 December 2008, 2009 and 2010, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out in the following:

Economies of the principal markets in which the Group operates its retail shops

The sales and net profit of the Group are affected by the overall economy of Hong Kong, being the principal market of the Group during the Track Record Period. According to the Synovate Report, Hong Kong's economy has continued to grow from the year of 2006 through the year of 2008, which the GDP growth rate peaked at the year of 2007 of 9.5%. However, due to the impact of the financial crisis starting from the fourth quarter of 2008, Hong Kong recorded a negative GDP growth rate of -2.6% in 2009 and the retailing sales slowed down in 2009 due to the declining disposable income per capita. During the Track Record Period, the Group's performance generally followed the trend of the economics of Hong Kong.

The Group's result is also affected by the number of PRC tourists visiting Hong Kong, which accounted for about 60% of luxury products sales in Hong Kong in 2009. From 2006 to 2009, the number of PRC tourists has had an upward record at CAGR of 9.7%, which brought positive impact to the Group's overall performance.

The Directors believe that (i) the growth in GDP growth rate which stimulates private consumption expenditure and retailing sales and (ii) the increase in number of PRC tourists will have a positive impact on the Group's performance. Nevertheless, economic growth may result in the increase in rental expenses of the Group. As the rental expenses accounted for a significant part of the Group's selling expenses, the upsurge in market rents during economic upswing will lead to a negative impact in the net profit of the Group.

Product mix

The Group offers a broad price range of unused and second-hand luxury branded handbags and other apparel products to its customers. The selling prices of the Group's handbags are ranging from a few hundred to a few hundred thousand dollars depending on factors such as brand, style, consumer demand, product condition and age of the products. Changes in the mix of the Group's products to offer more premium priced products impact the revenue and the gross profit of the Group. During the Track Record Period, revenue generated from premium priced products of over HK$50,000 increased from 28.8% of the total revenue of the Group for the year ended 31 December 2008 to 43.2% of the total revenue of the Group for the year ended 31 December 2010. As a result, the total revenue increased by 42.6% from HK$512.0 million for the year ended 31 December 2008 to HK$730.3 million for the year ended 31 December 2010. The gross profit recorded a moderate increase as compared to the total revenue. The gross profit increased by 24.4% from HK$140.5 million for the year ended 31 December 2008 to HK$174.7 million for the year ended 31 December 2010. The Group expects that the changes to the mix of the Group's products will have a positive impact on the profitability of the Group.

Seasonality

The Group's revenue is affected by seasonality factor. The Group experienced higher sales in between October and February in anticipation of the increase in the number of tourists and local consumption during the National Day of the PRC, Christmas and Lunar New Year holidays. For the three years ended 31 December 2008, 2009 and 2010, the revenue in the fourth quarter represented 26.7%, 30.6% and 28.0% of the Group's total revenue of the respective year.

Expansion of retail network

The Group's revenue and profitability is directly affected by the expansion of the Group's retail network. In May 2007, the Group established its subsidiary in Macau, which contributed HK$29.7 million or 5.8% to the total revenue of the Group for the year ended 31 December 2008. In July 2008, the Group expanded its retail network to the PRC by the establishment of its first PRC subsidiary located at China Central Place, Beijing. The retail shop located in the PRC contributed HK$2.5 million or 0.5% to the total revenue of the Group for the year ended 31 December 2008, HK$22.6 million or 3.7% to the total revenue of the Group for the year ended 31 December 2009 and HK$46.0 million or 6.3% to the total revenue of the Group for the year ended 31 December 2010. In May 2010, the branch office of the Group's PRC subsidiary located at Sanlitun Road, Beijing was set up and has started operation in August 2010.

Further, although the Group commenced its business in the PRC in 2008 and had a relatively short operating history in the PRC market compared to that of Hong Kong, the Group intends to use approximately HK$96.0 million, which is equivalent to approximately 68.1% of the total estimated net proceeds of the Listing, for the expansion of its retail network in the PRC by opening new retails shops in certain major cities of the PRC. The amount of the net proceeds intended to be used for the Group's expansion in the PRC represents approximately 71.9% of the Group's net assets as at 31 December 2010.

Information about the operation of the Group's shops

	Year ended 31 December		
	2008	**2009**	**2010**
No. of shops operating at the beginning of the relevant period	12	13	13
Additional shops opened during the relevant period	2 shops located at Kau Yuk Road, Yuen Long, Hong Kong and China Central Place, Beijing respectively	1 shop located at Woodhouse, Hong Kong	1 shop located at Sanlitun Road, Beijing
Disposal/Ceased operation of shops during the relevant period	1 shop located in Taiwan	1 shop located at Cheung Sha Wan Road, Hong Kong	—
No. of shops operating at the end of the relevant period	13	13	14
Revenue (HK$'000)	511,998	611,273	730,259
Average revenue per shop (HK$'000)	39,384	47,021	52,161
% change in average revenue per shop	N/A	19.4%	10.9%
Inventories (HK$'000)	46,855	69,007	89,007

Although the total number of shops for the years ended 31 December 2008 and 2009 remained at 13, the revenue and the inventories of the Group for the year ended 31 December 2009 increased by 19.4% and 47.3% during the relevant period respectively. The increase in the revenue and inventory was attributable to (i) the surge of PRC tourists visiting Hong Kong upon the ease of travel restrictions which stimulated the sales of shops located in the main shopping districts; (ii) the change of Group's business strategies to increase the sales proportion of handbags to other products and the sales of premium priced products; (iii) the opening of a new retail shop at Woodhouse, Hong Kong in July 2009; (iv) the expansion of two retail shops of the Group located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (v) the full year sales results for the Group's new retail shops opened in 2008 in Yuen Long, Hong Kong and China Central Place, Beijing being recorded in the Group's 2009 results. The average revenue per shop for the year ended 31

December 2009 increased by 19.4% as compared to the year ended 31 December 2008 along with the increase in the revenue during the relevant period. The increase in the revenue and inventory for the year ended 31 December 2010 as compared to the year ended 31 December 2009 was attributable to (i) the changes of strategies of the Group to increase the sales proportion of handbags to other products; (ii) the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010; (iii) the opening of the retail shop located at Sanlitun Road, Beijing in August 2010; (iv) the launch of television commercials and print advertising campaign to promote premium priced products; (v) the increasing demand from PRC tourists for those premium priced products; and (vi) full year operation of the retail shops in Causeway Bay, Hong Kong, Mongkok, Hong Kong and Woodhouse, Hong Kong being recorded after their expansion or opening in April, May and July 2009, respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRSs requires the management of the Company to adopt accounting policies and make estimates and assumptions that affect amounts reported in its financial statements. The Group's significant accounting policies, which are important for an understanding of the results of operations and financial condition of the Group, are set forth in detail in note II to the accountants' report set out in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, the Company makes subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. The following sections discuss certain key accounting policies, judgment and estimates which have been applied in preparing the Group's financial statements.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

According to the accounting policy and practice of the Group, 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. According to the practice of the Group in the past, no writing off of leasehold improvements will be made in case of non-renewal of the tenancy agreement and the Group will write off the leasehold improvements when the tenancy agreement is terminated earlier than the term stated in the tenancy agreement. The principal annual rates used for this purpose are as follows:

Motor vehicles	30%
Furniture, fixtures and office equipment	20%
Leasehold improvements	Over the shorter of the lease terms and 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.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and 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 the combined income statement in the year/period the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a first-in, first-out basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

— where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 sale 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;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

RESULTS OF OPERATIONS

The following table sets forth the combined income statements and the combined statement of comprehensive income of the Group during the Track Record Period extracted from the Accountants' Report as set out in Appendix I to this prospectus.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	511,998	611,273	730,259
Cost of sales	(371,546)	(467,609)	(555,599)
Gross profit	140,452	143,664	174,660
Other income and gains	2,025	536	935
Selling expenses	(61,854)	(71,028)	(84,091)
Administrative and other operating expenses	(23,231)	(24,597)	(24,681)
Finance costs	(244)	(381)	(187)
PROFIT BEFORE TAX	57,148	48,194	66,636
Income tax expense	(11,120)	(9,031)	(12,326)
PROFIT FOR THE YEAR	46,028	39,163	54,310
Other comprehensive income: Exchange differences on translating foreign operations	80	9	230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,108	39,172	54,540

MAJOR COMPONENTS OF THE RESULTS

Revenue

The Group's revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

The following table shows a breakdown of the Group's revenue and the approximate percentage of the total revenue of the Group for each of the product categories, the price ranges of products and geographical locations for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		2009		2010	
	HK$' million	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*
By product categories (Handbags and other products)						
Handbags	497.1	97.1	600.4	98.2	722.8	99.0
Other products	14.9	2.9	10.9	1.8	7.5	1.0
Total	512.0	100.0	611.3	100.0	730.3	100.0
By product categories (Unused products and second-hand products)						
Unused products	111.9	21.9	229.0	37.5	339.6	46.5
Second-hand products	400.1	78.1	382.3	62.5	390.7	53.5
Total	512.0	100.0	611.3	100.0	730.3	100.0
By price ranges of products						
Within HK$10,000	244.0	47.7	246.9	40.4	239.0	32.7
HK$10,001-HK$30,000	111.7	21.8	112.9	18.5	153.4	21.0
HK$30,001-HK$50,000	9.0	1.7	11.9	1.9	22.4	3.1
Over HK$50,000	147.3	28.8	239.6	39.2	315.5	43.2
Total	512.0	100.0	611.3	100.0	730.3	100.0
By geographical locations						
Hong Kong	456.1	89.1	555.5	90.9	645.4	88.4
The PRC *(Note 1)*	2.5	0.5	22.6	3.7	46.0	6.3
Macau *(Note 2)*	29.7	5.8	33.2	5.4	38.9	5.3
Taiwan *(Note 3)*	23.7	4.6	—	—	—	—
Total	512.0	100.0	611.3	100.0	730.3	100.0

Notes:

1. The first retail shop in China Central Place, Beijing and the second retail shop at Sanlitun Road, Beijing commenced business in October 2008 and August 2010 respectively.

2. The retail shop in Macau commenced business in July 2007.

3. The retail shop in Taiwan commenced business in October 2007 and such business has been disposed of by the Group on 31 October 2008.

During the Track Record Period, handbags was the most important product category for the Group, which in general accounted for over 97.0% of the total revenue of the Group. The increase in the sale of premium priced products was the major driving force for the growth of the Group's revenue during the Track Record Period. The revenue generated from the sales of premium priced handbag products of over HK$50,000 increased from 28.8% of the total revenue of the Group for the year ended 31 December 2008 to 43.2% of the total revenue of the Group for the year ended 31 December 2010. However, the gross profit margin of the premium priced products of over HK$50,000 which was below 20.0% during the Track Record Period was generally lower than that of the products of other price ranges. The Directors believe that the revenue generated from the sales of premium priced handbag products will increase continuously due to the increasing demand from the PRC tourists towards such products in future and such trend is expected to result in a higher revenue but a lower gross profit margin for the Group. Accordingly, the Group will continue its effort in promoting the premium priced products through advertising and marketing activities. The sales of unused products also increased significantly. The revenue generated from unused products increased from 21.9% of the total revenue of the Group for the year ended 31 December 2008 to 46.5% of the total revenue of the Group for the year ended 31 December 2010.

The sales of premium priced handbag products of over HK$50,000 have been increasing during the Track Record Period. The following table sets forth the revenue breakdown of handbags by price range.

	Year ended 31 December					
	2008		**2009**		**2010**	
	HK$' million	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*	*HK$' million*	*(% of total revenue)*
By price range of handbags						
Within HK$10,000	230.4	45.0	237.7	38.9	231.9	31.7
HK$10,001-HK$30,000	110.4	21.5	111.4	18.2	153.0	21.0
HK$30,001-HK$50,000	9.0	1.8	11.7	1.9	22.4	3.1
Over HK$50,000	147.3	28.8	239.6	39.2	315.5	43.2
Total	497.1	97.1	600.4	98.2	722.8	99.0

In order to enable the Group to maintain a steady supply of these products, the Group will encourage the existing traders to sell their products to the Group and engage new traders who are able to supply such products to the Group by increasing the purchase prices of these products, if necessary. As at the Latest Practicable Date, 66 traders have been registered as traders under the trader registration policy and more than ten potential suppliers have approached the Group through emails or phone calls from time to time seeking to supply more than two unused products to the Group.

Most of premium priced products of over HK$50,000 were sourced from the public consumers. For the year ended 31 December 2010 after the implementation of the trader registration policy, the approximate percentage of the total purchase of premium priced products sourced from the public consumers and traders are 88.2% and 11.8% respectively. Hong Kong has been the principal market of the Group, which contributed not less than 88.0% of the Group's revenue for the three years ended 31 December 2008, 2009 and 2010. With the expansion of the Group's retail network to other cities, the contribution of Hong Kong market to the Group's revenue slightly decreased from 89.1% of the total revenue of the Group for the year ended 31 December 2008 to 88.4% of the total revenue of the Group for the year ended 31 December 2010.

Cost of sales

For each of the three years ended 31 December 2008, 2009 and 2010, the Group's cost of sales were HK$371.5 million, HK$467.6 million and HK$555.6 million, respectively. The Group's cost of sales mainly consists of the costs of inventory sold from the Group's suppliers, the production costs relating to outsourced design and manufacturing expenses for the Group's "MS" brand products, costs of consignment products and the costs for repairing damaged products.

Gross profit and gross profit margin

The following table provides a breakdown of the Group's gross profit and the gross profit margin for each of the product categories, the price ranges of products and geographical locations for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December					
	2008		2009		2010	
	Gross Profit HK$' million	*Gross Profit Margin (%)*	*Gross Profit HK$' million*	*Gross Profit Margin (%)*	*Gross Profit HK$' million*	*Gross Profit Margin (%)*
By product categories (Handbags and other products)						
Handbags (Note 1)	136.7	27.5	141.6	23.6	175.0	24.2
Other products (Note 1)	5.2	34.7	2.8	25.7	1.7	23.1
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By product categories (Unused and second-hand products)						
Unused products (Note 1)	19.3	17.2	29.8	13.0	62.1	18.3
Second-hand products (Note 1)	122.6	30.6	114.6	30.0	114.6	29.4
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By price ranges of products						
Within HK$10,000 (Note 1)	87.8	36.0	81.1	32.8	77.5	32.4
HK$10,001-HK$30,000 (Note 1)	28.5	25.5	28.8	25.5	37.2	24.2
HK$30,001-HK$50,000 (Note 1)	1.8	20.1	2.1	18.0	4.2	18.9
Over HK$50,000 (Note 1)	23.8	16.2	32.4	13.5	57.8	18.3
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9
By geographical locations						
Hong Kong (Note 1)	123.2	27.0	125.8	22.7	148.5	23.0
The PRC (Notes 1 & 2)	0.9	37.1	8.0	35.2	14.8	32.2
Macau (Notes 1 & 3)	10.8	36.1	10.6	32.1	13.4	34.4
Taiwan (Notes 1 & 4)	7.0	29.6	—	—	—	—
Less: provision for slow-moving inventories, inventories written off and other costs	(1.4)		(0.7)		(2.0)	
Total	140.5	27.4	143.7	23.5	174.7	23.9

Notes:

1. The gross profit does not include the provision for slow-moving inventories, inventories written off and other costs. Accordingly, the gross profit margin is calculated as the gross profit before provision for slow-moving inventories, inventories written off and other costs over total revenue and multiplied by 100%.

2. The first retail shop in China Central Place, Beijing and the second retail shop in Sanlitun Road, Beijing commenced business in October 2008 and August 2010 respectively.

3. The retail shop in Macau commenced business in July 2007.

4. The retail shop in Taiwan commenced business in October 2007 and such business has been disposed of by the Group on 31 October 2008.

The following table shows a breakdown of the profit of MS PRC (BVI) and its subsidiaries for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'million	*HK$'million*	*HK$'million*
Revenue	2.5	22.6	46.0
Cost of sales	(1.6)	(14.6)	(32.0)
Gross profit	0.9	8.0	14.0
Other income and gains	—	—	—
Selling expenses	(1.1)	(2.6)	(4.5)
Administrative and other operating expenses	(0.4)	(1.7)	(1.7)
Finance costs	—	—	—
PROFIT BEFORE TAX	(0.6)	3.7	7.8
Income tax expense	—	(0.9)	(2.2)
PROFIT FOR THE YEAR/PERIOD	(0.6)	2.8	5.6

Note: The first retail shop in China Central Place, Beijing and the second retail shop in Sanlitun Road, Beijing, commenced business in October 2008 and August 2010 respectively.

The net loss of MS PRC (BVI), the holding company of MS Beijing and its subsidiaries, was approximately HK$0.6 million for the year ended 31 December 2008. Although MS Beijing was established in July 2008, it started its operation only in October 2008. Due to such short period of operation from October 2008 to December 2008, the revenue (about HK$2.5 million) and gross profit (about HK$0.9 million) in 2008 were much less than those of 2009 (the revenue and gross profit in 2009 were about HK$22.6 million and HK$8.0 million respectively). As a result, the gross profit generated from October 2008 to December 2008 was not enough to cover the selling expenses, the administrative and other operating expenses incurred by MS PRC (BVI) that year which were in the total amount of about HK$1.5 million and recorded net loss of HK$0.6 million for the period from October 2008 to December 2008.

Nevertheless, MS PRC (BVI) started to improve its performance and began to record net profit since 2009. The net profit after tax of MS PRC (BVI) was approximately HK$2.8 million and HK$5.6 million for each of the two years ended 31 December 2009 and 2010, respectively. The increase in net profit since 2009 was a result of the increase in overall sales of MS Beijing as compared to that of 2008 and the commencement of operation of the second retail shop in Sanlitun Road, Beijing in August 2010.

Other income and gains

Other income and gains primarily consists of bank interest income, gain on disposal of items of property, plant and equipment, gain on disposal of investment properties, gain on disposal of a subsidiary and gross rental income. The following table shows a breakdown of the components of other income and gain for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Other income and gains			
Other Income	163	41	44
Gain on disposal of property, plant and equipment	—	400	873
Gain on disposal of a subsidiary	938	—	—
Interest Income	324	95	18
Rental income	600	—	—
Total	2,025	536	935

The other income and gains for the year ended 31 December 2008 was mainly attributable to the gain on disposal of MS Taiwan in October 2008 and the gross rental income received from a sub-lease of a leased property to a third party. Since the termination of the tenancy of such lease property in August 2008, no rental income has been received by the Group. Hence, the other income and gains for the year ended 31 December 2009 decreased and mainly represented the gain on disposal of items of property, plant and equipment. The increase in other income and gains for the year ended 31 December 2010 was mainly explained by the increase in gain on disposal of a motor vehicle owned by the Group of approximately HK$780,000.

Selling expenses

The Group's selling expenses primarily consist of rental expenses, employee benefit expenses for sales staff, advertising expenses, bank debit and credit card charges and other sales related expenses.

The following table shows a breakdown of the components of the selling expenses for each of the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Selling expenses			
Advertising	(1,116)	(2,808)	(2,306)
Bank debit and credit card charges	(6,411)	(7,529)	(8,624)
Rent and rates	(30,808)	(35,678)	(43,048)
Employee benefit expenses for sales staff	(18,317)	(19,058)	(20,228)
Others *(Note)*	(5,202)	(5,955)	(9,885)
Total	(61,854)	(71,028)	(84,091)

Note: The Group has launched a loyalty membership scheme since February 2009. Under the scheme, during the period from April 2010 to November 2010, cash vouchers, which are expired within one month of issuance, were given to customers and suppliers upon their joining as members of the Group and no accounting entry was record at the time of giving the cash vouchers to the customers or the suppliers. During such period, cash vouchers of approximately HK$1.2 million were utiltised by the customers and suppliers and recorded as selling expenses. The Group recorded the amount of the cash vouchers as one of the items in the other selling expenses recorded in the income statement in accordance with the applicable accounting standards upon the utilisation of vouchers.

The principal components of selling expenses of the Group are rent and rates, employee benefit expenses for sales staff, and bank debit and credit card charges. For each of the three years ended 31 December 2008, 2009 and 2010, the Group's selling expenses represented 12.1%, 11.6% and 11.5% respectively, of its revenues.

Selling expenses increased by approximately 14.8% and 18.4% for the year ended from 31 December 2008 to the year ended 31 December 2009 and for the year ended from 31 December 2009 to the year ended 31 December 2010, respectively. The continuous increase in selling expenses during the Track Record Period was mainly attributable to (i) the increase in rent and rates for its retail shops and (ii) employee benefit expenses for sales staff.

Rental expenses and average rental per sq. ft. for the retail shops of the Group

The following table shows a breakdown of the Group's rental expenses and average rental per sq. ft. for its retail shops of the Group for each of the geographical locations for each of three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong retail shops			
- no. of retail shops	11	11	11
- Rental expenses	24,414	30,144	36,435
- Average rental per sq.ft.			
(Note 1)	473.1	487.1	525.4
The PRC retail shops			
- no. of retail shops	1	1	2
- Rental expenses	539	1,059	1,939
- Average rental per sq.ft.			
(Note 2)			
(Note 3)			
(Note 4)	55.6	54.6	62.2
Macau retail shop			
- no. of retail shop	1	1	1
- Rental expenses	3,297	3,287	3,286
- Average rental per sq.ft.			
(Note 1)			
(Note 3)	162.6	162.1	162.0
Taiwan retail shop *(Note 5)*			
- no. of retail shop	1	—	—
- Rental expenses	1,746	—	—
- Average rental per sq.ft.			
(Note 2)			
(Note 3)	317.5	—	—
All retail shops of the Group			
- no. of retail shops *(Note 5)*	13	13	14
- Total rental expenses	29,996	34,490	41,660
- Average rental per sq.ft.	294.8	327.1	344.9

Notes:

1. Based on average saleable area (sq.ft.).

2. Based on average gross floor area (sq.ft.).

3. The two PRC tenancies have a rent free period of five months and sixty days respectively and the Macau tenancy have a rent free period of one month. For details, please refer to Appendix III to this prospectus.

4. The rental expenses included a new retail shop being leased by the Group since December 2010 where located at West Nanjing Road, Shanghai, the PRC. The retail shop has not yet commenced its business.

5. The retail shop in Taiwan has been disposed of by the Group on 31 October 2008.

The year ended 31 December 2009 compared to the year ended 31 December 2008

For the year ended 31 December 2009, the rental expenses for the Hong Kong and the PRC segments increased by approximately 23.5% and 96.5%, respectively, while the rental expenses for the Macau segment decreased slightly by approximately 0.3%. The average rental per sq. ft for the retail shops in Hong Kong for the year ended 31 December 2009 increased by approximately 3.0%, while those of the PRC and Macau decreased by approximately 1.8% and 0.3%, respectively compared to those for the year ended 31 December 2008.

The increase in rental expenses for the Hong Kong segment for the year ended 31 December 2009 was caused by (i) the opening of a new retail shop at Woodhouse, Hong Kong in July 2009; (ii) the relocation and/or expansion of the retail shops in Causeway Bay, Hong Kong in April 2009 and in Mongkok, Hong Kong in May 2009; (iii) full year rental expenses for the retail shop in Yuen Long, Hong Kong, established in 2008 being recorded in the Group's results in 2009; and (iv) the renewal of certain existing tenancies at higher rental rates. The increase in the average rental per sq. ft. for the retail shops in Hong Kong was mainly attributable to the increase in the average rental per sq. ft. for shops located in Mongkok, Hong Kong and Causeway Bay, Hong Kong after their expansion in 2009.

The rental expenses for the PRC segment, which commenced the business of its first retail shop at China Central Place, Beijing in October 2008, increased after taking into account of the full year rental expenses for the year ended 31 December 2009 and the rental expenses for the Macau segment shop was remained stable expenses for the year ended 31 December 2009. There was no material fluctuation in the average rental per sq. ft. for the PRC retail shops compared to that for the year ended 31 December 2008.

The year ended 31 December 2010 compared to the year ended 31 December 2009

For the year ended 31 December 2010, the rental expenses for the Hong Kong and the PRC segments increased by approximately 20.9% and 83.1%, respectively in compared to those for the year ended 31 December 2009. The average rental per sq. ft. for the retail shops in Hong Kong and the PRC for the year ended 31 December 2010 increased by approximately 7.9% and 14.0% respectively. The rental expenses and average rental per sq. ft for Macau for the year ended 31 December 2010 were almost the same as those for the year ended 31 December 2009.

The increase in rental expenses of Hong Kong segment was caused by (i) full year rental expenses for the retail shops at Woodhouse, Hong Kong, Mongkok, Hong Kong and Causeway Bay, Hong Kong being recorded in the Group's results for 2010 after their opening or expansion in 2009; (ii) the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010; and (iii) the renewal of certain existing tenancies at higher rental rates. The increase in the average rental per sq. ft. for Hong Kong for the year ended 31 December 2010 was mainly due to (i) the relocation and expansion of a retail shop located in Tsim Sha Tsui, Hong Kong at a higher average rental rates per sq. ft. and (ii) the renewal of certain existing tenancies at higher average rental rates per sq. ft.

The increase in rental expenses of the PRC segment was caused by (i) the higher rental rate pursuant to the prescribed terms of the tenancy agreement for the retail shop located at China Central Place, Beijing in the PRC and (ii) the opening of the second retail shop located at Sanlitun Road, Beijing in August 2010 with a higher average rental per sq. ft.. Accordingly, the average rental per sq. ft for the PRC retail shops increased from that for the year ended 31 December 2009 due to the reasons mentioned above.

In addition to the increase in the rental expenses, the employee benefits expenses for sales staff were also increasing in line with the total revenue of the Group during the Track Record Period. For the year ended 31 December 2009, the increase in commission paid to sales staff was also caused by the revision of the Group's commission policy to motivate its staff. For the year ended 31 December 2010, there has a slight increase in the employee benefits expenses of the Group of approximately HK$1.2 million. The commission paid by the Group for the year ended 31 December 2009 was calculated with reference to the gross profit of the Group of that year; whereas the commission paid by the Group for the year ended 31 December 2010 was calculated with reference to the gross profit and the volume of products sold by the Group of that year. Please refer to the paragraph headed "Year-to-year analysis of the trading record" below for the details of analysis on the fluctuation of the selling expenses during the Track Record Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for senior management and administrative staff and legal and professional expenses.

The following table shows a breakdown of the components of the administrative and other operating expenses for the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Administrative and other operating expenses			
Directors' remuneration	(5,885)	(5,019)	(5,463)
Legal and professional fees	(1,458)	(498)	(1,053)
Employee benefit expenses for senior management and administrative staff	(7,225)	(5,994)	(7,404)
Others	(8,663)	(13,086)	(10,761)
Total	(23,231)	(24,597)	(24,681)

The major component of administrative and other operating expenses of the Group are directors' remuneration, employee benefit expenses for senior management and administrative staff and legal and professional expenses. For each of the three years ended 31 December 2008, 2009 and 2010, the Group's administrative and other operating expenses represented 4.5%, 4.0% and 3.4% respectively, of its revenues. Administrative and other operating expenses increased by approximately 5.9% and slightly decreased by 0.3% for the year ended from 31 December 2008 to the year ended 31 December 2009 and for the year ended from 31 December 2009 to the year ended 31 December 2010, respectively.

For the year ended 31 December 2009, the increase in administrative and other operating expenses was mainly attributable to the provision made for the future lease payment for the early termination of an operating lease contract in the amount of HK$3.1 million. Milan Station (Asia) Limited, an indirect wholly-owned subsidiary of the Group, entered into an operating lease contract with a landlord in May 2009 in relation to its retail shop located at Nos. 226-242 Cheung Sha Wan Road, Hong Kong with an original term of two years commencing on 1 September 2009. Such operating lease contract was early terminated by Milan Station (Asia) Limited. Further details of the early termination please refer to note 34 to the Accountants' Report set out in Appendix I to this prospectus. Accordingly, the Group provided for all the future minimum lease payments under the lease contract that was outstanding at 31 December 2009 as administrative and other operating expenses. On the other hand, the employment benefits expenses for senior management and administrative staff decreased by HK$1.2 million as a result of the resignation of one mid-level staff and one senior staff.

For the year ended 31 December 2010, the slight decrease in administration expenses was mainly due to provision made for the future lease payment for the early termination of an operating lease contract in the amount of HK$3.1 million was only recorded in 2009 only. On the other hand, the employee benefit expenses for senior management and administrative staff increased by HK$1.4 million as a result of the expansion of the Group's operation. Please refer to the paragraph headed "Year-to-year analysis of the trading record" for the details of analysis on the fluctuation of the administrative and other operating expenses during the Track Record Period.

Finance costs

The Group's finance costs mainly consist of interest charges from bank borrowings, overdrafts, other loans and finance leases.

The following table shows a breakdown of the components of the finance costs for the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Finance costs			
Interest on:			
Bank overdrafts	(4)	(2)	(7)
Bank loans wholly repayable within five years	(149)	(251)	(151)
Finance leases	(91)	(128)	(29)
Total	(244)	(381)	(187)

The increase in the finance costs of the Group of approximately HK$137,000 for the year ended 31 December 2009 from the year ended 31 December 2008 was mainly attributable to the increase in bank loans of the Group. The decrease in the finance costs of the Group of approximately HK$194,000 for the year ended 31 December 2010 from the year ended 31 December 2009 was mainly attributable to the decrease in bank loans and outstanding balance of finance leases of the Group. Please refer to the paragraph headed "Year-to-year analysis of the trading record" for the details of analysis on the fluctuation of the finance costs during the Track Record Period.

Income tax expenses

Income tax on the profit or loss for the year comprises current and deferred tax. The Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

The BVI and the Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong

Hong Kong profit tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% for the years ended 31 December 2008, 2009 and 2010.

As confirmed by the Directors, the Group has made all required tax filings under the relevant tax laws and regulations of Hong Kong. The Group has paid all outstanding tax liabilities and is not subject to any dispute or potential dispute with the tax authorities in Hong Kong.

Macau

Macau complementary tax has been provided at progressive rates up to a maximum of 12% on the estimated taxable profit.

As confirmed by the Directors, the Group has made all required tax filings under the laws and regulations of the Macau. The Group has paid all outstanding tax liabilities and is not subject to any dispute or potential dispute with the tax authorities of Macau and based on the search results obtained from the finances department of Macau, there are no outstanding tax liabilities or litigation record filed against the Group by any tax authorities in Macau.

The PRC

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiary operating in the PRC during the relevant periods was 25% on its taxable profit.

In estimating the withholding tax on dividends expected to be distributed by the Group's subsidiary established in the PRC, the Directors have made assessment based on factors which included dividend policy and the level of capital and working capital required for the Group's operation in the foreseeable future. The Group has no dividend policy for the time being and therefore has no plan to distribute any profit of the subsidiary operating in the PRC. Therefore, no deferred tax has been recognised for withholding tax.

As confirmed by the Directors, the Group has made all required tax filings under the laws and regulation of the PRC. The Group has paid all outstanding tax liabilities and is not subject to any dispute or potential dispute with the tax authorities in the PRC.

YEAR-TO-YEAR ANALYSIS OF THE TRADING RECORD

Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue

The Group's revenue for the year ended 31 December 2010 was HK$730.3 million, whereas the revenue of the Group for the year ended 31 December 2009 was HK$611.3 million, representing a growth of 19.5%.

Product categories

The following table provides a breakdown of the revenue growth by product categories for the year ended 31 December 2009 compared to the year ended 31 December 2010:

	Revenue growth		
	HK$' million	% Growth	% Contribution to overall growth
Handbags	122.4	20.4	102.8
Other products	(3.4)	(30.8)	(2.8)
Overall growth	119.0	19.5	100.0

The sales of handbags increased by 20.4%, or HK$122.4 million, to HK$722.8 million for the year ended 31 December 2010, as compared to the year ended 31 December 2009 primarily due to (i) changes of strategies of the Group to increase the sales proportion of handbags to other products; (ii) full year operation of the retail shops in Causeway Bay, Hong Kong, Mongkok, Hong Kong and Woodhouse, Hong Kong being recorded after their expansion or opening in April, May and July 2009 respectively; (iii) the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010; and (iv) the opening of the second retail shop located at Sanlitun Road, Beijing in August 2010. The sales of other products decreased by 30.8%, or HK$3.4 million, to HK$7.5 million in the year ended 31 December 2010, as compared to the year ended 31 December 2009 primarily due to the abovementioned change of the Group's strategies which reduced the profit contribution of other products.

Price ranges of products

The following table provides a breakdown of the revenue growth by price ranges of products for the year ended 31 December 2009 compared to the year ended 31 December 2010:

	Revenue growth		
	HK$' million	% Growth	% Contribution to overall growth
Within HK$10,000	(7.9)	(3.2)	(6.6)
HK$10,001-HK$30,000	40.5	35.9	34.0
HK$30,001-HK$50,000	10.5	88.6	8.8
Over HK$50,000	75.9	31.7	63.8
Overall growth	119.0	19.5	100.0

The increase in the sales of premium priced products is the key driver of the revenue growth for the year ended 31 December 2010 as compared to that for the year ended 31 December 2009. The sales of premium priced products of over HK$50,000 increased by 31.7%, or HK$75.9 million, to HK$315.5 million in the year ended 31 December 2010, as compared to the year ended 31 December 2009 primarily due to (i) the launch of television commercials, namely "Daily Info Service (米蘭每日小資訊)" in March 2010 and print advertising campaign to promote premium priced products; and (ii) the increasing demand from the PRC tourists towards those premium priced products.

Geographical locations

The following table provides a breakdown of the revenue growth by geographical locations for the year ended 31 December 2009 compared to the year ended 31 December 2010:

	Revenue growth		
	HK$' million	**% Growth**	**% Contribution to overall growth**
Hong Kong	89.9	16.2	75.5
The PRC	23.4	103.5	19.7
Macau	5.7	17.1	4.8
Overall growth	119.0	19.5	100.0

The sales in Hong Kong increased by 16.2%, or HK$89.9 million, to HK$645.4 million for the year ended 31 December 2010, as compared to that for the year ended 31 December 2009 mainly caused by the full year operation of the retail shops in Causeway Bay, Hong Kong, Mongkok, Hong Kong and Woodhouse, Hong Kong being recorded after their expansion or opening in April, May and July 2009, respectively, and the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010. The PRC retail shops recorded an increase in the sales by 103.5%, or HK$23.4 million, to HK$46.0 million for the year ended 31 December 2010, as compared to the year ended 31 December 2009 primarily due to the increase in sales after the enhancement in the brand awareness of the Group in the PRC after the establishment of the Group's PRC subsidiary located at China Central Place, Beijing for over a year and the commencement of the operation of the retail shop located at Sanlitun Road, Beijing in August 2010.

Cost of sales

The Group's cost of sales for the year ended 31 December 2009 amounted to HK$467.6 million and represents 76.5% of the revenue for the year ended 31 December 2009, whereas the Group's cost of sales for the year ended 31 December 2010 amounted to HK$555.6 million and represents 76.1% of the revenue for 2010. The increase of cost of sales by 18.8% or HK$88.0 million was due to the increase in the overall sales of the Group's products following the recovery of Hong Kong's economy in 2010, the increase in the sales of the Group's premium price products and the full year operation of the retail shops in Causeway Bay, Hong Kong, Mongkok, Hong Kong and Woodhouse, Hong Kong being recorded after their expansion or opening in April, May and July 2009, respectively, and the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010.

Gross profit and gross profit margin

The gross profit of the Group has increased from HK$143.7 million for the year ended 31 December 2009 to HK$174.7 million for the year ended 31 December 2010, representing an increase of 21.6 % in gross profit for the period. The gross profit margin of the Group has increased slightly from 23.5% for the year ended 31 December 2009 to 23.9% for the year ended 31 December 2010, representing a slight increase of 0.4% in gross profit margin for the period. The increase in the gross profit was attributed to the increase in the overall sales of the Group due to the full year operation of the retail shops in Causeway Bay, Hong Kong, Mongkok, Hong Kong and Woodhouse, Hong Kong being recorded after their expansion or opening in April, May and July 2009, respectively, and the relocation and expansion of the retail shop located in Tsim Sha Tsui, Hong Kong in June 2010. There was no material change in gross profit margin of the Group for the year ended 31 December 2010 as compared to that for the year ended 31 December 2009.

Other income and gains

The Group's other income and gains for each of the two years ended 31 December 2009 and 2010 was approximately HK$536,000 and HK$935,000, respectively. The increase in other income and gains for these periods were mainly attributable to the gain on disposal of a motor vehicle owned by the Group of approximately HK$780,000.

Selling expenses

The Group's selling expenses was HK$71.0 million and represents 11.6% of its revenue for the year ended 31 December 2009, whereas the selling expenses for the year ended 31 December 2010 was HK$84.1 million and represents 11.5% of its revenue for the same period. The overall increase of 18.4%, or HK$13.1 million in selling expenses for the year ended 31 December 2010 was mainly attributable to the increase in (i) rental expenses; (ii) bank debit and credit card charges; (iii) employee benefit paid to sales staff due to the increase in overall sales; (iv) advertising expenses and promotion fees due to the launch of television commercials and distribution of cash coupon to public consumers in 2010.

Administrative and other operating expenses

The Group's administrative and other operating expenses for each of the two years ended 31 December 2009 and 2010 amounted to HK$24.6 million and HK$24.7 million, respectively. There were no material changes in the administrative and other operating expenses between each of the two years ended 31 December 2009 and 2010.

Finance costs

The Group's finance costs for each of the years ended 31 December 2009 and 2010 were HK$381,000 and HK$187,000, respectively. The decrease in finance costs was mainly due to the decrease in bank loans and outstanding balance of finance leases of the Group.

Income tax expense

The Group's income tax expense for each of the two years ended 31 December 2009 and 2010 were HK$9.0 million and HK$12.3 million respectively, reflecting an effective tax rate of 18.7% and 18.5% respectively. The increase in income tax expense was due to the increase in taxable profit for the year ended 31 December 2010. The decrease in effective tax rate in 2010 was a result of taxable profit contributed by the Hong Kong segment increased for the year ended 31 December 2010. It was because the tax rate in Hong Kong was lower than that of the PRC.

Profit for the year and total comprehensive income for the year

For each of the two years ended 31 December 2009 and 2010, profit for the year amounted to HK$39.2 million and HK$54.3 million, respectively. For each of the two years ended 31 December 2009 and 2010, the net profit margin amounted to 6.4% and 7.4% respectively. The increase in profit for the year was a result of the increase in overall sales with stable gross profit margin and net profit margin.

Total comprehensive income for the years ended 31 December 2009 and 2010 amounted to HK$39.2 million and HK$54.5 million respectively. For each of the two years ended 31 December 2009 and 2010, since the exchange differences on translating foreign operation amounted to HK$9,000 and HK$230,000 only, similar results for the profit for the year and total comprehensive income for the year were recorded respectively.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

The Group's revenue for the year ended 31 December 2009 amounted to HK$611.3 million, whereas the revenue of the Group for the year ended 31 December 2008 amounted to HK$512.0 million, representing a growth of 19.4%.

Product categories

The following table provides a breakdown of the revenue growth by product categories for the year ended 31 December 2008 compared to the year ended 31 December 2009:

	Revenue growth		
	HK$' million	% Growth	% Contribution to overall growth
Handbags	103.3	20.8	104.0
Other products	(4.0)	(26.8)	(4.0)
Overall growth	99.3	19.4	100.0

Being the major product category of the Group, the sales of handbags contributed 104.0% to the overall growth of the Group's total revenue. The sales of handbags increased by 20.8%, or HK$103.3 million, to HK$600.4 million for the year ended 31 December 2009, as compared to that for the year ended 31 December 2008 primarily due to (i) the surge of the PRC tourists to Hong Kong upon the ease of travel restrictions which stimulated the sales of shops located in the main shopping districts; (ii) the change of the Group's business strategies to increase the sales proportion of handbags to other products and the sales of premium priced products; (iii) the opening of a new retail shop at Woodhouse, Hong Kong; (iv) the expansion of two retail shops of the Group in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (v) the full year sales results for the Group's new retail shops opened in 2008 (including the retail shops located at China Central Place, Beijing and Yuen Long, Hong Kong) being recorded in the Group's 2009 results. The sales of other products decreased by 26.8%, or HK$4.0 million for the year ended 31 December 2009, to HK$10.9 million, as compared to that for the year ended 31 December 2008 primarily due to the change of the Group's business strategies to reduce the sales of other products.

Price ranges of products

The following table provides a breakdown of the revenue growth by price ranges of products for the year ended 31 December 2008 compared to the year ended 31 December 2009:

	Revenue growth		
	HK$' million	% Growth	% Contribution to overall growth
Within HK$10,000	2.9	1.2	2.9
HK$10,001-HK$30,000	1.2	1.1	1.2
HK$30,001-HK$50,000	2.9	29.8	2.9
Over HK$50,000	92.3	62.8	93.0
Overall growth	99.3	19.4	100.0

The revenue growth is mainly driven by the increase in the sales of premium priced products during the Track Record Period. The sales of premium priced products of over HK$50,000 increased by 62.8%, or HK$92.3 million, to HK$239.6 million for the year ended 31 December 2009, as compared to that for the year ended 31 December 2008 primarily due to the change of the Group's business strategies to increase the sales proportion of premium priced products and the increasing demand from the PRC tourist towards premium priced products. The increase in the sales of lower priced products of within HK$10,000 was mainly caused by the clearance sales organised by the Group in early 2009.

Geographical locations

The following table provides a breakdown of the revenue growth by geographical locations for the year ended 31 December 2008 compared to the year ended 31 December 2009:

	Revenue growth		
	HK$' million	**% Growth**	**% Contribution to overall growth**
Hong Kong	99.4	21.8	100.1
The PRC *(Note 1)*	20.1	812.4	20.3
Macau	3.5	11.6	3.5
Taiwan *(Note 2)*	(23.7)	(100.0)	(23.9)
Overall growth	99.3	19.4	100.0

Notes:

1. The first retail shop in China Central Place, Beijing and the second retail shop in Sanlitun Road, Beijing commenced business in October 2008 and August 2010 respectively.

2. The retail shop in Taiwan was disposed of by the Group on 31 October 2008.

The sales in Hong Kong increased by 21.8%, or HK$99.4 million, to HK$555.5 million for the year ended 31 December 2009, as compared to that for the year ended 31 December 2008 mainly driven by (i) the increase in the number of the PRC tourists to Hong Kong; (ii) the change of the business strategies for selling more handbags and premium priced products; (iii) the opening of a new retail shop at Woodhouse, Hong Kong in July 2009; (iv) the expansion of two retail shops of the Group in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively; and (v) the full year sales results for the Group's new retail shop opened in 2008 in Yuen Long, Hong Kong being recorded in the Group's 2009 results.

The PRC retail shop of the Group recorded a significant growth in revenue since its commencement of business in October 2008. The sales in the PRC has been increased by HK$20.1 million to HK$22.6 million for the year ended 31 December 2009 as compared to that for the year ended 31 December 2008 which was mainly due to the full year sales results for the Group's new retail shop opened in 2008 at China Central Place, Beijing being recorded in the Group's 2009 results.

The sales in Macau increased by 11.6%, or HK$3.5 million, to HK$33.2 million for the year ended 31 December 2009, as compared to that for the year ended 31 December 2008 primarily due to the upsurge in the number of the PRC tourists to visit Macau.

In October 2008, the Group disposed MS Taiwan, which operates the Group's Taiwan retail shop, and therefore zero sales was recorded for Taiwan market for the year ended 31 December 2009.

Cost of sales

The Group's cost of sales for the year ended 31 December 2009 amounted to HK$467.6 million and represents 76.5% of the total revenue of 2009, whereas the Group's cost of sales for the year ended 31 December 2008 amounted to HK$371.5 million and represents 72.6% of the total revenue of 2008. The increase of cost of sales by 25.9% or HK$96.1 million was due to the increase in the sales of the Group's premium priced products.

Gross profit

The gross profit margin decreased from 27.4% for the year ended 31 December 2008 to 23.5% for the year ended 31 December 2009, which was mainly due to (i) the adverse impact arising from the financial crisis starting from the fourth quarter of 2008; and (ii) the change of Group's business strategies to increase the sales proportion of premium priced products with lower gross profit margin, which was about 13.5% in compared to the gross profit margins for other products ranged from 18.0% to 32.8% for the year ended 31 December 2008.

Other income and gains

The Group's other income and gains for each of the two years ended 31 December 2008 and 2009 was HK$2.0 million and HK$0.5 million, respectively. The other income and gains for the year ended 31 December 2008 was mainly attributable to the gain on disposal of MS Taiwan in October 2008 and the gross rental income received from a sub-lease of a leased property to a third party. Since the termination of the tenancy of such lease property in August 2008, no rental income has been received by the Group. The other income and gains for the year ended 31 December 2009 was mainly due to the gain on disposal of items of property, plant and equipment.

Selling expenses

The Group's selling expenses was HK$71.0 million and represents 11.6% of its total revenue for 2009, whereas the selling expenses for the year ended 31 December 2008 was HK$61.9 million and represents 12.1% of its total revenue for 2008. The overall increase of 14.8%, or 9.2 million in selling expenses in 2009 was mainly attributable to:

(i) the increase in rental expenses caused by the opening of a new retail shop at Woodhouse, Hong Kong, the relocation and expansion of the retail shop in Mongkok, Hong Kong, the expansion of the retail shop in Causeway Bay, Hong Kong, full year rental expenses for the retail shop located at China Central Place, Beijing and Yuen Long, Hong Kong established in 2008 being recorded in the Group's results in 2009 and the renewal of existing tenancies with higher rental;

(ii) the increase in advertising expenses;

(iii) the increase in the bank debit and credit card charges caused by the increase in overall sales of the Group; and

(iv) the increase in commission paid to sales staff caused by the revision of the Group's commission policy to motivate its staff.

Administrative and other operating expenses

The Group's administrative and other operating expenses for each of the two years ended 31 December 2008 and 2009 amounted to HK$23.2 million and HK$24.6 million, respectively. The overall increase of 5.9%, or HK$1.4 million in administrative and other operating expenses in 2009 was mainly due to the provision made for the future lease payment for the early termination of an operating lease contract in the amount of HK$3.1 million and the consultancy fee paid to professional parties for the provision of professional services in relation to the set-up of the PRC subsidiary and the written off of fixed assets in 2009 due to the relocation of retail shop located in Mongkok, Hong Kong.

Finance costs

The Group's finance costs for each of the two years ended 31 December 2008 and 2009 was HK$244,000 and HK$381,000, respectively, which was mainly incurred due to increase in bank loans of the Group.

Income tax expense

The Group's income tax expense for the year ended 31 December 2009 was HK$9.0 million, reflecting an effective tax rate of 18.7%. For the year ended 31 December 2008, the Group recorded an income tax expense of HK$11.1 million, reflecting an effective tax rate of 19.5%. The reduce in income tax expense was due to the decrease in taxable profit in the year ended 31 December 2009. The decrease in effective tax rate in 2009 was mainly due to the disposal of MS Taiwan in October 2008 resulted in no taxable profit from Taiwan being recorded for the year ended 31 December 2009.

Profit for the year and total comprehensive income for the year

The profit for the year ended 31 December 2009 decreased by 14.9%, which was mainly due to (i) the increase in selling expenses by approximately HK$9.2 million for the year ended 31 December 2009 as a result of increase in rental expenses after the opening, expansion and relocation of the retail shops, advertising expenses, bank debit and credit card charges and commission paid to sales staff; (ii) the significant decrease in other income and gains by 73.5% in 2009 as the disposal gain of MS Taiwan and the gross rental income received from a sub-leased of a leased property to a third party were recorded in 2008 only; and (iii) the provision made for the future lease payment for the early termination of an operating lease contract being recorded in 2009, which amounted to HK$3.1 million.

For each of the two years ended 31 December 2008 and 2009, total comprehensive income for the year amounted to HK$46.1 million and HK$39.2 million respectively. Since the exchange difference on translating foreign operation for the two years ended 31 December 2008 and 2009 only amounted to HK$80,000 and HK$9,000 respectively, similar results for the profit for the year and total comprehensive income for the year were recorded respectively.

KEY FINANCIAL RATIOS

The following table set forth certain of the Group's financial ratios as of the date for the years indicated:

		Year ended 31 December		
	Notes	**2008**	**2009**	**2010**
Profitability ratios				
Gross profit margin (%)	1	27.4	23.5	23.9
Net profit margin (%)	2	9.0	6.4	7.4
Return on total assets (%)	3	32.9	24.9	32.7
Return on equity (%)	4	47.8	41.9	40.7
Liquidity ratios				
Current ratio	5	5.8	3.3	4.5
Quick ratio	6	3.8	1.6	1.8
Gearing ratio (%)	7	6.7	6.1	3.7
Net debt-to-equity ratio (%)	8	N/A	N/A	N/A
Inventory turnover days	9	43.3	45.2	51.9
Debtor's turnover days	10	4.7	3.4	4.0

Notes:

1. Gross profit margin is calculated based on the gross profit for the year divided by revenue and multiplied by 100%.

2. Net profit margin is calculated based on the profit for the year of the Group divided by revenue and multiplied by 100%.

3. Return on total assets is calculated based on the profit for the year of the Group divided by the total assets at the end of the year and multiplied by 100% taking into account of the number of days in the respective years.

4. Return on equity is calculated based on the profit for the year of the Group divided by total equity at the end of the year and multiplied by 100% taking into account of the number of days in the respective years.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the year.

7. Gearing ratio is calculated based on the borrowings including interest-bearing borrowings and obligations under finance leases divided by total assets at the end of the year and multiplied by 100%.

8. Net debt-to-equity ratio is calculated by dividing net borrowings including interest-bearing borrowings and obligations under finance leases net of cash and cash equivalent by the total equity at the end of the year.

9. Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by the number of days for the respective year incurring cost of sales.

10. Debtor's turnover days is calculated based on the average of opening and closing trade receivable balances for the year, divided by total revenue during the year multiplied by the number of days for the respective year incurring revenue.

Current ratio

The current ratio decreased from 5.8 as at 31 December 2008 to 3.3 as at 31 December 2009, which was mainly due to (i) the increase in the amounts due to related parties under current liabilities from HK$3.0 million as at 31 December 2008 to HK$18.8 million as at 31 December 2009 and (ii) the increase in trade receivables from HK$5.0 million as at 31 December 2008 to HK$6.4 million as at 31 December 2009 following the significant increase in total revenue of the Group from HK$512.0 million for the year ended 31 December 2008 to HK$611.3 million for the year ended 31 December 2009.

The current ratio increased from 3.3 as at 31 December 2009 to 4.5 as at 31 December 2010, which was mainly due to (i) the increase in inventories of HK$20.0 million from HK$69.0 million as at 31 December 2009 to HK$89.0 million as at 31 December 2010; (ii) the increase in trade receivables of HK$3.3 million from HK$6.4 million as at 31 December 2009 to HK$9.7 million as at 31 December 2010; (iii) the increase in the prepayments, deposits and other receivables of HK$10.8 million from

HK$6.5 million as at 31 December 2009 to HK$17.3 million as at 31 December 2010; and (iv) the decrease in net amounts due to the related parties of the Group from HK$22.4 million as at 31 December 2009 to nil as at 31 December 2010 after setting-off all balances with the related parties of the Group on 30 December 2010.

Quick ratio

The quick ratio decreased from 3.8 as at 31 December 2008 to 1.6 as at 31 December 2009, which was mainly due to (i) the increase in the amounts due to related parties under current liabilities of HK$15.8 million from HK$3.0 million as at 31 December 2008 to HK$18.8 million as at 31 December 2009; (ii) the provision made for the future lease payment for the early termination of an operating lease contract that was outstanding as at 31 December 2009, which amounted to HK$2.6 million; and (iii) the increase in inventories from HK$46.9 million as at 31 December 2008 to HK$69.0 million as at 31 December 2009 upon expansion of its retail shops. The quick ratio slightly increased from 1.6 as at 31 December 2009 to 1.8 as at 31 December 2010, which was mainly due to the decrease in net amounts due to related parties of the Group from HK$22.4 million as at 31 December 2009 to nil as at 31 December 2010 after setting-off all balances with the related parties of the Group on 30 December 2010.

Gearing ratio

The gearing ratio of 6.1% as at 31 December 2009 remained stable as compared to that of 6.7% as at 31 December 2008. The gearing ratio decreased from 6.1% as at 31 December 2009 to 3.7% as at 31 December 2010, which was mainly due to (i) the decrease in the interest-bearing bank borrowings by HK$3.2 million from HK$9.0 million as at 31 December 2009 to HK$5.8 million as at 31 December 2010 and (ii) the increase in the total assets by HK$8.7 million from HK$157.2 million as at 31 December 2009 to HK$165.9 million as at 31 December 2010.

Net debt-to-equity ratio

The net debt-to-equity ratio was not applicable to the Group as the amount of cash and cash equivalent was higher than the borrowings of the Group during the Track Record Period.

Return on total assets

The return on total assets decreased from 32.9% for the year ended 31 December 2008 to 24.9% for the year ended 31 December 2009, which was mainly due to the decrease in net profit of the Group for the year ended 31 December 2009. The decrease in net profit of the Group was mainly explained by (i) the increase in selling expenses by approximately HK$9.2 million for the year ended 31 December 2009 as a result of increase in rental expenses, advertising expenses, bank debit and credit card charges and commission paid to sales staff; (ii) the significant decrease in other income and gains by 73.5% in 2009 as the disposal gain of MS Taiwan and the gross rental income received from a sub-leased of a leased property to a third party were recorded in 2008 only; and (iii) the provision made for the future lease payment for the early termination of an operating lease contract being recorded in 2009, which amounted to HK$3.1 million. On the other hand, the Group's inventories increased as a result of opening of new retail shop at Woodhouse, Hong Kong and the expansion of existing retail shops in Causeway Bay, Hong Kong and Mongkok, Hong Kong in 2009, which caused the total assets increased accordingly. Therefore, the return on total assets dropped.

The return on total assets for the year ended 31 December 2010 increased by 7.8% from that of the previous year to 32.7%. The increase was mainly attributable to the increase in profit for the year of the Group by 38.7% or HK$15.1 million from HK$39.2 million for the year ended 31 December 2009 to HK$54.3 million for the year ended 31 December 2010.

Return on equity

The return on equity decreased from 47.8% for the year ended 31 December 2008 to 41.9% for the year ended 31 December 2009, which was mainly due to (i) the increase in selling expenses by approximately HK$9.2 million for the year ended 31 December 2009 as a result of increase in rental expenses, advertising expenses, bank debit and credit card charges and commission paid to sales staff; (ii) the significant decrease in other income and gains by 73.5% for the year ended 31 December 2009 due to the disposal gain on MS Taiwan and the gross rental income received from a sub-leased of a leased property to a third party were recorded in 2008 only; and (iii) the provision made for the future lease payment for the early termination of an operating lease contract being recorded in 2009, which amounted to HK$3.1 million. Accordingly, the net profit decreased by 14.9% and the return on equity dropped for the period.

The return on equity decreased from 41.9% for the year ended 31 December 2009 to 40.7% for the year ended 31 December 2010. An interim dividend of HK$35.0 million was paid by the Group in 2009, which reduced the net equity of the Group as at 31 December 2009 and accordingly, the return on equity ratio was relatively high in 2009. The Group only declared dividend of HK$14.5 million for the year ended 31 December 2010, which was less than that of 2009. Hence, the return on equity was lower than that for the year ended 31 December 2009.

INVENTORY ANALYSIS

The Group's total inventories as at 31 December 2008, 2009 and 2010 were HK$46.9 million, HK$69.0 million and HK$89.0 million respectively. The total inventories of the Group are recorded after netting of general provision for slow-moving inventories.

As confirmed by the Directors, the increase in inventory was primarily due to the increase in the average inventory level in order to support the expansion of its retail network during the Track Record Period. The Group would keep additional inventories in two to four months immediately before opening a new shop. The increase in inventories to HK$69.0 million as at 31 December 2009 was mainly attributable to the increase in the average inventory level for (i) the expansion of the retail shop located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009 respectively and (ii) the opening of the retail shop located at Woodhouse, Hong Kong in July 2009.

The further increase in inventories to HK$89.0 million as at ended 31 December 2010 was mainly attributable to the increase in the average inventory level for (i) the opening of the retail shop located at Sanlitun Road, Beijing in August 2010; and (ii) the retail shops scheduled to be opened and expanded in the PRC and Hong Kong in the first half of 2011 according to the future plan of the Group.

The following table sets forth the Group's inventory turnover days as at the dates indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	days	*days*	*days*
Inventory turnover days *(Note)*	43.3	45.2	51.9

Note: Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by the number of days in the respective period incurring cost of sales.

The inventories turnover days of the Group increased from 43.3 days for the year ended 31 December 2008 to 51.9 days for the year ended 31 December 2010, which was primarily attributable to the increase in the average inventory level in order to support the expansion of its retail network.

The following table sets forth an aging analysis of inventories for the Group's handbag products as at the dates indicated:

	31 December		
Age of inventories (handbag products)	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	34,802	57,043	70,757
91 to 180 days	5,589	7,694	10,783
181 days to 1 year	2,986	2,984	5,889
over 1 year	339	384	929
Total	43,716	68,105	88,358

The following tables sets forth an aging analysis of inventories for the Group's other products as at the dates indicated:

Age of inventories (other products)	31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
0 to 45 days	1,847	348	332
46 to 90 days	484	67	125
91 days to 1 year	797	445	175
over 1 year	11	42	17
Total	3,139	902	649

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK$50,000 as at the dates indicated:

Age of inventories (handbags products over HK$50,000)	31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	15,094	26,366	42,021
91 to 180 days	1,371	2,948	3,800
181 to 365 days	989	780	2,109
over 1 year	—	114	305
Total	17,454	30,208	48,235

According to the provision policy of the Group, handbag products aged over 90 days and other products aged over 45 days will be recognized as slow-moving inventories. The Group's slow-moving inventories as at 31 December 2008, 2009 and 2010 amounted to approximately HK$10.2 million, HK$11.6 million and HK$17.9 million, representing an increase of approximately 13.8% and 54.3% for each of the two years ended 31 December 2009 and 2010, respectively.

The Group increases its average inventory level in two to four months immediately before opening a new shop in order to support its expansion of the retail network. As long as the Group has continued to expand its retail network in Hong Kong and the PRC, the slow-moving inventories of the Group increased accordingly.

The increase of slow-moving inventories from HK$10.2 million as at 31 December 2008 to HK$11.6 million as at 31 December 2009 was mainly attributable to the increase in the average inventory level to support (i) the expansion of the retail shops located in Causeway Bay, Hong Kong and Mongkok, Hong Kong in April and May 2009; and (ii) the opening of the retail shop located at Woodhouse, Hong Kong in July 2009.

The further increase of slow-moving inventories from HK$11.6 million as at 31 December 2009 to HK$17.9 million as at 31 December 2010 was mainly attributable to the increase in the average inventory level to support (i) the opening of the retail shop located at Sanlitun Road, Beijing in August 2010; and (ii) the retail shops scheduled to be opened and expanded in the PRC and Hong Kong in the first half of 2011 according to the future plan of the Group.

At the end of each reporting period, the management of the Group reviews an aging anaylsis and makes general provision for obsolete and slow-moving inventory items. The provision made by the Group on slow-moving inventories is based on the current market conditions and historical experience of selling merchandise of similar nature. During the Track Record Period, no specific provision was made on the inventories. The carrying value of the inventories was written off if the items belong to counterfeit products, products of the Group being stolen, damaged or gift or other products (such as the special edition items and not for sale items). At the end of each year, the Group makes 10% general provision on the carrying value of handbags and other products those are aged over 90 days and 45 days, respectively. Additional 10% general provision on the carrying value of the inventories will be made if another 90 days and 45 days passed for the handbags and other products respectively and so on.

As advised by the Directors, the Group normally purchases popular items with high turnover rate. The inventory turnover days were 43.3 days, 45.2 days and 51.9 days for each of the three years ended 31 December 2008, 2009 and 2010 respectively. As at 31 December 2008, 2009 and 2010, over 79.0% of the total inventories aged 90 days or below and no inventory aged over 900 days.

For inventories of handbags aged over 90 days, which are regarded as slow-moving inventories under the provision policy of the Group, the Group makes 10% general provision over the carrying value of the inventories as illustrated below. The following table sets forth the provision schedule on the handbag products and other products.

Product aging		**Residual inventory**
Handbag products (Days)	**Other products (Days)**	**value over original inventory value**
90	45	90%
180	90	80%
270	135	70%
360	180	60%
450	225	50%
540	270	40%
630	315	30%
720	360	20%
810	405	10%
900	450	Nil

As illustrated in the above table, the Group makes provision of 40%, 80% and 100% on the handbag products aged over about one year, two years and two and a half years respectively.

Despite the Group is operating in fast fashion industry with international fashion houses launching new designs every season (i.e. approximately every quarter / 90 days), the Directors consider the current provision policy is appropriate.

As advised by the management of the Group, during the Track record Period, majority of the Group's handbags over 90 days were classic and signature style handbags. As their respective international fashion houses would continue to sell these items for a number of years, these kinds of inventories will remain marketable so long as they are displayed in the retail shops of international fashion houses. As such, the Directors consider that it is not appropriate to make full or substantial provision on the inventories aged over 90 days.

As mentioned in the Accountants' Report, "During the three years ended 31 December 2008, 2009 and 2010, the Group made 10% provision on the carrying value of handbags and other products that are aged over 90 days and 45 days, respectively. Additional 10% provision on the carrying value of the inventories will be made if another 90 days and 45 days passed for the handbags and other products, respectively, and so on.", the management of the Group has applied these policies when preparing the financial information for the three years ended 31 December 2008, 2009 and 2010. The carrying amounts of inventory were stated in the combined statements of financial information of the Group at cost after provision calculated in accordance with these policies. As set out in the Accountants' Report, the reporting accountant of the Group opines that the financial information gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010, and of the combined results and combined cash flows of the Group for each of the three years ended 31 December 2008, 2009 and 2010. The aforesaid financial information include the carrying amounts of inventories of the Group as at 31 December 2008, 2009 and 2010. After having performed the relevant due diligence works, including (a) obtained and reviewed the calculation of aging analysis on the inventories as at 31 December 2008, 2009 and 2010; (b) obtained and reviewed the schedule on subsequent sales of the slow-moving inventories as at 31 December 2010 and up to 31 March 2011 provided by the Group; (c) discussed with the management of the Group in relation to the basis in calculating the provision for slow-moving inventories; (d) discussed with the reporting accountants of the Group regarding the works performed by the reporting accountant in assessing the carrying amounts of inventories as at 31 December 2010; and (e) considered the opinion given by the reporting accountants of the Group that the financial information gives a true and fair view of the state of affairs of the Group as stated above, the Sole Sponsor considers that the carrying amounts of inventories as at 31 December 2008, 2009 and 2010 are fairly stated.

The slow-moving inventories amounted to approximately HK$10.2 million, HK$11.6 million and HK$17.9 million, representing approximately 21.8%, 16.8% and 20.1% of the total inventories as at 31 December 2008, 2009 and 2010, respectively. The provisions made for each of the three years ended 31 December 2008, 2009 and 2010 amounted to HK$1.1 million, HK$0.4 million and HK$1.5 million respectively, which accounted for approximately of 2.4%, 0.6% and 1.7% of the total inventories of the Group respectively and representing a decrease of approximately 61.2% and an increase of approximately 251.3% for each of the year ended 31 December 2009 and 2010, respectively.

The relatively low levels of provision made on slow-moving inventories during the Track Record Period were mainly due to the high turnover of the inventories of the Group. The Group was able to (i) identify and purchase the trendy products from the market and (ii) maintain the strong sales in its retail shops. The inventory turnover days were 43.3 days, 45.2 days and 51.9 days for the three years ended 31 December 2008, 2009 and 2010 respectively. Therefore, the level of provision made on the slow-moving inventories during the Track Record Period was relatively low out of the total inventories.

The following table sets forth the movement of the Group's provisions on slow-moving inventories as at 31 December 2008, 2009 and 2010.

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Opening balance	1,223	2,355	2,794
Provision for the year	1,132	439	1,542
Ending balance	2,355	2,794	4,336

As at 31 December 2010, the inventories value of handbags and other products were approximately HK$88.4 million and HK$0.6 million respectively. The subsequent sales of those handbags and other products up to 31 March 2011 were approximately HK$59.2 million and HK$0.6 million respectively.

TRADE RECEIVABLES

Customers settle their purchase in the Group's retail shops by cash, bank debit or credit card on the date of purchase. Trade receivables refer to the bank debit or credit card receivables, which are fully settled with the banks within one month after the transactions occurred and are non-interest bearing. All trade receivables that were neither past due nor impaired mainly relate to bank debit or credit card receivables from banks. All trade receivables aged within one month and bank debit or credit card transactions are settled within one month. As a result, the Group's trade receivables do not represent a significant portion of the Group's current assets. As at 31 December 2008, 2009 and 2010, the Group's trade receivables balance amounted to HK$5.0 million, HK$6.4 million and HK$9.7 million. The increases in trade receivables during the Track Record Period were mainly attributable to the increase in total revenue of the Group for the relevant periods, which are settled by bank debit or credit card payments. The balance of the trade receivables as at 31 December 2010 has been fully settled as at the Latest Practicable Date. The Group does not have any amount of impairment for doubtful debts and bad debts written off during the Track Record Period.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	890	998	4,080
Deposits	7,290	9,457	14,964
Other receivables	—	383	8,970
	8,180	10,838	28,014
Less: non-current portion	—	(4,360)	(10,719)
	8,180	6,478	17,295

Prepayments, deposits and other receivables mainly include the rental deposits paid for the retail shops. As at 31 December 2008, 2009 and 2010, the rental deposits being paid for the retail shops with a lease term of over one year of approximately nil, HK$4.4 million and HK$10.7 million respectively were classified as non-current assets. The increase in prepayments of approximately HK$3.1 million as at 31 December 2010 from previous year end was mainly attributable to the prepaid listing expenses recorded. The increase in deposits of approximately HK$2.2 million as at 31 December 2009 from previous year end was attributable to the increase in the rental deposits paid for the new retail shop at Woodhouse, Hong Kong and expanded retail shops in Causeway Bay, Hong Kong and Mongkok, Hong Kong. The increase in deposits of approximately HK$5.5 million as at 31 December 2010 from previous year end was attributable to (i) the increase in the rental deposits paid for the expanded retail shop at Haiphong Road, Hong Kong; (ii) the increase in the rental deposit for another shop located at Haiphong Road, Hong Kong, which was being sub-leased to an Independent Third Party in January 2011; (iii) the deposit paid for the opening of the second retail shop located at Sanlitun Road, Beijing in August 2010; and (iv) the deposit paid for the new retail shop located at West Nanjing Road, Shanghai being rented since December 2010. The other receivables in 2010 mainly comprise the listing expenses receivable from Mr. Yiu.

AMOUNTS DUE TO AND DUE FROM RELATED PARTIES

During the Track Record Period, certain members of the Group have made certain unsecured non-interest bearing current account advances from their respective available internal resources to Yiu's Private Group; and certain members of Yiu's Private Group have also made certain unsecured non-interest bearing current account advances to certain members of the Group. For details of the aforesaid advances, please refer to notes 18 and 26 to the Accountants' Report set out in Appendix I to this prospectus of the Company in relation to the Listing.

The following table shows the total amounts due from related parties as at 31 December 2008, 2009 and 2010:

Due from related parties:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Yiu, Director	14,473	2,648	—
Related companies:			
City Forum International Limited *(Note 1)*	37	37	—
City Venture International Limited *(Note 1)*	37	37	—
Excel Trend *(Note 1)*	447	498	—
Excel Win Limited *(Note 1)*	2,523	2,523	—
Fortune Sincere *(Note 1)*	30	47	—
Global Fair *(Note 1)*	1,243	1,266	—
Gorgeous Holdings Limited *(Note 1)*	97	128	—
Power Wisdom International Limited *(Note 1)*	—	152	—
Powerful Best Limited *(Note 2)*	1,520	1,520	—
Win Hero International Ltd. *(Note 3)*	23	31	—
World Top *(Note 1)*	6,050	6,060	—
MS Taiwan *(Note 1)*	1,768	1,351	—
	13,775	13,650	—
	28,248	16,298	—

Notes:

1, As at the Latest Practicable Date, Mr. Yiu beneficially owned the entire interest in the company.

2, As at the Latest Practicable Date, Mr. Yiu beneficially owned 99.99% interest in Powerful Best Limited.

3, As at the Latest Practicable Date, Ms. Lee Lai Hung, the spouse of Mr. Yiu, beneficially owned the entire interest in Win Hero International Ltd..

During the Track Record Period, the amounts due from the related parties included the payment of expenses for the related parties, fund advancement to the related parties and consideration receivables for disposal of several companies to the related parties.

The following table shows the total amounts due to related parties as at each of the three years ended 31 December 2008, 2009 and 2010:

Due to related parties:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Yiu, Director	—	13,666	—
Related companies - current			
Excel Trend *(Note)*	—	—	—
Excel Win Limited *(Note)*	136	136	—
Fortune Sincere *(Note)*	15	15	—
World Top *(Note)*	2,890	2,890	—
MS Taiwan *(Note)*	—	2,075	—
	3,041	18,782	—
Related companies - non-current			
City Forum International Limited *(Note)*	9,989	9,982	—
City Venture International Limited *(Note)*	9,989	9,981	—
	23,019	38,745	—

Note: As at the Latest Practicable Date, Mr. Yiu beneficially owned the entire interest in the company.

During the Track Record Period, the amounts due to the related parties included the consideration payable for purchasing several companies from the related parties and fund advancement from the related parties, which were unsecured and interest-free.

The Group's amounts due to and amounts due from Yiu's Private Group were settled by cash during the year 2010.

Each of the relevant members of the Group has novated all its amounts due to and amounts due from the relevant members of Yiu's Private Group of approximately HK$30.1 million and HK$34.6 million, respectively, as at 30 December 2010 to MS HK while each of the relevant members of Yiu's Private Group has novated all its amounts due to and amounts due from the relevant members of the Group as at 30 December 2010 to Mr. Yiu, so that there was a net amounts due from Mr. Yiu of HK$4.5 million.

On 22 December 2010, the Group declared an interim dividend of HK$14.5 million by the board of directors of MS HK to Mr. Yiu. On 30 December 2010, the net amounts due from Mr. Yiu of approximately HK$4.5 million was settled by cash. As confirmed by the Directors, no more advances have been or will be made between the Group and the Yiu's Private Group after 31 December 2010.

TAX RECOVERABLE

Tax recoverable represents Hong Kong profit tax for Hong Kong incorporated subsidiaries of the Group, which include prepaid and provisional tax paid during the Track Record Period.

As at 31 December 2008, 2009 and 2010, the Group's tax recoverable balance amounted to approximately HK$1.2 million, HK$0.9 million and HK$0.7 million respectively. The amount of tax recoverable decreased by HK$0.2 million from HK$0.9 million to HK$0.7 million as a result of the decrease in taxable profit for the year ended 31 December 2009.

The amount of tax recoverable reduced as the amount of tax payable by the Group increased during the Track Record Period as the taxable profit for the year ended 31 December 2008 and 31 December 2010 was increased.

PLEDGED DEPOSIT

Pledged deposit refers to a time deposit pledged for bank loan and bank facilities.

In March 2010, the Group executed a facility letter with a bank pursuant to which the Group pledged HK$1.5 million as time deposit for bank loan and bank facilities.

ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities and other payables accounted for the expected payments for employee benefit expense for sales staff, audit fees, rental expenses, bank charges and other expenses during the Track Record Period.

As at 31 December 2008, 2009 and 2010, the Group's accrued liabilities and other payables balance amounted to approximately HK$6.3 million, HK$8.7 million and HK$19.6 million respectively. The Group settles payments for its purchases by cash or cheque payments. Therefore, there was no trade payables of the Group during the Track Record Period. The increase in accrued liabilities and other payables of HK$10.9 million to HK$19.6 million as at 31 December 2010 from HK$8.7 million was mainly due to the increase in dividend payables of HK$10.0 million declared by the board of directors of MS HK to its then equity holder, World Top for the year ended 31 December 2010, which has been settled by the Group in January 2011.

The following table sets forth the breakdown on accrued liabilities and other payables of the Group as at 31 December 2008, 2009 and 2010.

	31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Accrued liabilities	5,674	6,514	6,897
Dividend payables	—	—	10,000
Other payables	663	2,151	2,678
	6,337	8,665	19,575

The amount of accrued liabilities and other payables increased as at each of the year ends during the Track Record Period was mainly due to the increase in accrued payment made on employee benefit expenses for sales staff and rental expenses taking into account of the increase in salaries of the administrative staff and senior management and increase in rental expenses of the Group.

INTEREST-BEARING BANK BORROWINGS

Interest-bearing bank borrowings mainly represent interest-bearing bank loans borrowed for profit tax payment.

Interest-bearing bank borrowings included bank loans bearing interest being borrowed for paying profit tax and bank overdrafts. As at 31 December 2008, 2009 and 2010, the Group's interest-bearing bank borrowings amounted to approximately HK$8.0 million, HK$9.0 million and HK$5.8 million, respectively, which were denominated in Hong Kong dollars, includes interest bearing and repayable within one year or on demand and were used for payment of income taxes of group companies in Hong Kong. As a result of increase in income tax paid by the Group for the year ended 31 December 2008, tax loans borrowed by the Group increased accordingly in 2009. In view of the decrease in the taxable profit for the year ended 31 December 2009, the Group reduced the interest bearing bank borrowings by HK$3.2 million as at 31 December 2010.

OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases represent rental fee of certain motor vehicles leased by the Group.

As at 31 December 2008, 2009 and 2010, the Group's obligations under finance leases balance amounted to approximately HK$1.3 million, HK$0.6 million and HK$0.4 million, respectively.

The balance was decreasing continuously during the Track Record Period due to repayment of finance leases made on the lease of the motor vehicles during the Track Record Period.

PROVISION

The provision represents the amount payable for the early termination of an operating lease contract by Milan Station (Asia) Limited in the amount of HK$3.1 million. Further details of the early termination, please refer to note 34 to the Accountants' Report set out in Appendix I to this prospectus.

There was no provision made by the Group as at 31 December 2008. As at 31 December 2009 and 2010, the Group's obligations under provision balance amounted to approximately HK$2.6 million and HK$1.4 million.

The balance of provision decreased as at 31 December 2009 and 31 December 2010 as a result of offsetting the rental payments paid by the Group during January to August 2010 against the provision made on future lease payment for early termination of an operating contract.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Liquidity

During the Track Record Period, the Group financed its operation primarily through net cash generated from the Group's operation. The following table is a summary of the selected cash flow data of the Group for the years indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net cash flows from/(used in) operating activities	31,512	13,118	(2,595)
Net cash flows used in investing activities	(3,689)	(9,197)	(2,155)
Net cash flows from/(used in) financing activities	2,502	(7,413)	(8,818)
Net increase/(decrease) in cash and cash equivalents	30,325	(3,492)	(13,568)
Cash and cash equivalents at beginning of the year	13,040	43,445	39,962
Effect of foreign exchange rate changes, net	80	9	211
Cash and cash equivalents at end of the year	43,445	39,962	26,605

Cash flow from operating activities

The net cash used in operating activities was HK$2.6 million for the year ended 31 December 2010. This primarily reflected the profit before tax of HK$66.6 million, as adjusted by income statement items with non-operating cash inflow of HK$6.8 million and the items including (i) an increase in inventories in the amount of HK$21.5 million; (ii) movements in balances with related parties in the amount of HK$22.4 million; (iii) an increase in prepayments, deposits and other receivables in the amount of HK$17.2 million, which was mainly due to the increase in rental deposits paid for the relocation and expansion of a retail shop in Tsim Sha Tsui, Hong Kong in June 2010 and opening of a new retail shop at Sanlitun Road, Beijing in August 2010 and prepayments for the listing expenses; and (iv) the profit and income taxes in the amount of HK$11.1 million.

The net cash generated from operating activities was HK$13.1 million in the year ended 31 December 2009. This primarily reflected our profit before tax of HK$48.2 million, as adjusted by income statement items with non-operating cash inflow of HK$5.1 million and items including (i) an increase in inventories in the amount of HK$22.6 million primarily due to the opening of a new retail shop at Woodhouse, Hong Kong and the expansion of the retail shops in Mongkok, Hong Kong and Causeway Bay, Hong Kong; and (ii) the profit and income taxes in the amount of HK$10.3 million.

The net cash generated from operating activities was HK$31.5 million in the year ended 31 December 2008. This primarily reflected the profit before tax of HK$57.1 million, as adjusted by income statement items with non-operating cash inflow of HK$3.8 million and the items including (i) an increase in inventories in the amount of HK$10.8 million as a result of the opening of new retail shops at China Central Place, Beijing and Yuen Long, Hong Kong; (ii) movements in balances with related parties in the amount of HK$12.8 million; and (iii) the profit and income taxes paid by the Group in the amount of HK$9.4 million.

Cash flow from investing activities

The net cash used in investing activities was HK$2.2 million for year ended 31 December 2010, as a result of (i) the purchase of property, plant and equipment in the amount of HK$3.0 million for the leasehold improvements and the purchase of furniture, fixtures and office equipment for the relocation of a retail shop in Tsim Sha Tsui, Hong Kong and the opening of a retail shop at Sanlitun Road, Beijing; and (ii) the proceeds from disposal of an item of property, plant and equipment of HK$780,000.

The net cash used in investing activities was HK$9.2 million for the year ended 31 December 2009, a result of the purchase of property, plant and equipment in the amount of HK$9.3 million for the leasehold improvements and the purchase of furniture, fixtures and office equipment for a new retail shop at Woodhouse, Hong Kong, the expansion of the retail shop in Causeway Bay, Hong Kong and Mongkok, Hong Kong.

The net cash used in investing activities was HK$3.7 million for the year ended 31 December 2008. This primarily reflected: (i) the purchase of property, plant and equipment in the amount of HK$2.8 million for the leasehold improvements and the purchase of furniture, fixtures and office equipment for new retail shops in the PRC and Yuen Long, Hong Kong; and (ii) the disposal of MS Taiwan in October 2008.

Cash flow from financing activities

For the year ended 31 December 2010, the Group's net cash used in financing activities was HK$8.8 million, which was mainly attributable to placing a pledge time deposit in the amount of HK$1.5 million, payment of dividend in the amount of HK$4.5 million and the repayment of bank loans in the amount of HK$8.9 million and partially offsetting by drawing new bank loans by the Group in the amount of HK6.3 million.

For the year ended 31 December 2009, the Group's net cash used in financing activities was HK$7.4 million, which was mainly attributable to the payment of dividend in the amount of HK$6.5 million and the repayment of bank loans in the amount of HK$8.8 million. These amounts were partially offset by the new bank loans drawn by the Group in the amount of HK$9.1 million.

For the year ended 31 December 2008, the Group's net cash generated from financing activities was HK$2.5 million, which was mainly attributable to the new bank loans drawn by the Group in the amount of HK$10.2 million, that was partially offset by the repayment of bank loans in the amount of HK$6.7 million.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 31 December 2008, 2009 and 2010, the net current assets of the Group amounted HK$110.1 million, HK$96.9 million and HK$113.0 million. The table below sets forth the breakdown of the Group's current assets and liabilities for its operation as at 31 December 2008, 2009 and 2010:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	46,855	69,007	89,007
Trade receivables	4,968	6,443	9,691
Prepayments, deposits and other receivables	8,180	6,478	17,295
Amounts due from related parties	28,248	16,298	—
Tax recoverable	1,206	945	729
Pledged deposit	—	—	1,500
Cash and cash equivalents	43,468	40,585	26,640
Total current assets	132,925	139,756	144,862
Current liabilities			
Accrued liabilities and other payables	6,337	8,665	19,575
Interest-bearing bank borrowings	8,041	8,983	5,771
Obligations under finance leases	818	239	134
Amounts due to related parties	3,041	18,782	—
Tax payables	4,636	3,589	4,967
Provision	—	2,640	1,407
Total current liabilities	22,873	42,898	31,854
Net current assets	110,052	96,858	113,008

The Group's net current assets increased from HK$96.9 million as at 31 December 2009 to HK$113.0 million as at 31 December 2010. This increase was driven in part by the increase in inventories, the increase in the trade receivable and the prepayments, deposits and other receivables, the decrease in the interest-bearing bank borrowings and the decrease in the amounts due to related parties. These amounts were partially offset by the decrease in cash and cash equivalents, the increase in tax payables and the provision made for the future lease payment for the early termination of an operating lease contract that was outstanding as at 31 December 2010. The decrease in cash and cash equivalents of HK$14.0 million to HK$26.6 million as at 31 December 2010 from HK$40.6 million was primarily due to the cash outflows used in operating activities, which was mainly caused by (i) an increase in inventories for opening of new shops and expansion of existing shops; (ii) cash settlement in balances with related parties during the year; and (iii) an increase in prepayments, deposits and other receivables.

As at 31 December 2009, the net current assets of the Group amounted HK$96.9 million as compared to net current assets of HK$110.1 million as at 31 December 2008. The decrease of net current assets in the amount of HK$13.2 million was mainly caused by the increase in the amounts due to related parties, the decrease in the amounts due from related parties, the decrease in cash and cash equivalents and the provision made for the future lease payment for the early termination of an operating lease contract that was outstanding at 31 December 2009. These amounts were partially offset by the increase in the inventories as at 31 December 2009 as a result of the opening of new retail shop at Woodhouse, Hong Kong and the expansion of the retail shop located in Causeway Bay, Hong Kong in 2009 and the relocation and expansion of the retail shop located in Mongkok, Hong Kong in 2009.

Capital Structure

As at 31 December 2010, the Group had net assets of HK$133.6 million, comprising non-current assets of HK$21.0million, non-current liabilities of HK$0.4 million, current assets of HK$144.9 million and current liabilities of HK$31.9 million.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily relate to the expenditures for purchasing property, plant and equipment, including leasehold improvements and the purchase of furniture, fixtures and office equipment for the Group's retail shops. During the Track Record Period, the Group has funded its capital expenditures through cash flows generated from operating activities. The following table sets out the Group's capital expenditures for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold improvements	2,475	6,949	2,174
Furniture, fixtures and office equipment	308	1,036	399
Motor vehicles	—	2,235	590
Total	2,783	10,220	3,163

The Group's total capital expenditure increased by 267.2% from HK$2.8 million in 2008 to HK$10.2 million in 2009. This increase was primarily due to the opening of new retail shop at Woodhouse, Hong Kong and the expansion of retail shops in Causeway Bay, Hong Kong and Mongkok, Hong Kong. The Group's total capital expenditure for the year ended 31 December 2010 amounted to HK$3.2 million, which was primarily due to the relocation and expansion of the retail shop in Tsim Sha Tsui, Hong Kong and the opening of a retail shop in Sanlitun Road, Beijing.

Planned capital expenditures

The Group's planned capital expenditures primarily relate to the expansion of its retail network in the PRC by opening new retail shops and the enhancement of the Group's computer system within three years upon Listing.

The estimated total expenses for setting up of the 24 retails shops in the PRC will be approximately HK$209.5 million within three years upon Listing. The Directors expected that total expenses for setting-up of the first 11 new retails shops of approximately HK$96.0 million, representing 68.1% of the net proceeds from the Global Offering (assuming the Offer Price of HK$1.42 per Share, being the mid-point of the indicative price range), will be financed by the net proceeds from the Global Offering; and the total expenses of approximately HK$113.5 million for establishment of the remaining 13 new retail shops will be financed by the internal resources of the Group from its operation and/or bank borrowings

The Group plans to establish six shops in major cities such as Beijing, Shanghai and Hangzhou, eight retail shops in the other major cities of the PRC such as Guangzhou, Hangzhou and Chengdu and ten retail shops in the other cities of the PRC such as Tianjin, Shenyang and Nanjing in 2011, 2012 and 2013, respectively. The Group estimated that the total costs for setting up each retail shop is about HK$8.7 million, of which approximately HK$3.5 million, HK$2.6 million, HK$2.0 million and HK$0.6 million will be used for general working capital, purchase of the inventories, renovation expenses and miscellaneous expenses for each retail shop, respectively.

The total expenses for enhancement of the information technology system of the Group of approximately HK$3.2 million, representing 2.3% of the net proceeds from the Global Offering (assuming the Offer Price of HK$1.42 per Share, being the mid-point of the indicative price range), will be financed by the net proceeds from the Global Offering.

For more details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus. There is no guarantee that any of the planned capital expenditures will proceed as planned. As the Group continues to expand, it may incur additional capital expenditures. In the future, the Group may consider debt or equity financing, depending on market conditions, its financial performance, its capital needs and other relevant factors.

Commitments

The following table sets out the Group's outstanding operating lease and capital commitments as at 31 December 2008, 2009 and 2010:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Operating lease commitments			
With one year	31,691	25,295	47,467
In the second to fifth years	27,578	38,130	72,967
Total	59,269	63,425	120,434
Other capital expenditure commitment			
Capital contributions in respect of a subsidiary	2,000	2,000	—
Additions of property, plant and equipment	—	—	38
	2,000	2,000	38

The Group leases certain of its retail shops, office premises and warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. As at 31 December 2008, 2009 and 2010, the total future minimum lease payments under non-cancellable operating leases falling due are HK$59.3 million, HK$63.4 million and HK$120.4 million respectively. The increase was mainly due to the opening and expansion of retail shops in Hong Kong and the PRC. Moreover, the Group relocated its Haiphong Road retail shop in 2010. The substantial increase of the operating lease commitment to HK$120.4 million as at 31 December 2010 was attributable to the increase in the monthly rent from HK$350,000 (which was the monthly rent of the previous Haiphong Road shop) to HK$900,000 (which is the monthly rent of the current Haiphong Road shop). Other than the operating lease commitments, the capital expenditure commitment as at 31 December 2008 and 2009 mainly related to the capital contributions in respect of the Group's PRC subsidiary.

INDEBTEDNESS AND OBLIGATIONS

Borrowings

The Group's interest-bearing bank borrowings as at 31 December 2008, 2009 and 2010 and 31 March 2011 were HK$8.0 million, HK$9.0 million, HK$5.8 million and HK$5.0 million, respectively.

The Group's bank borrowings as at 31 December 2008, 2009, 2010 and 31 March 2011 were as follows:

	31 December			31 March
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Bank Loans				
Bank overdrafts - unsecured	23	623	35	—
- secured	—	—	—	5
Bank loans - unsecured	8,018	8,360	5,736	4,961
Total	8,041	8,983	5,771	4,966

The bank borrowings of the Group were mainly applied for the payment of income taxes. The increase in the interest-bearing bank borrowings as at 31 December 2009 was due to the increase in income tax expenses of the Group for the year ended 31 December 2008 after the increase in taxable profit, the Group reduced its interest-bearing bank borrowing as at 31 December 2010, taking into account of the decrease in income tax expenses of the Group for the year ended 31 December 2009.

The bank loans and overdrafts facilities were supported by:

(i) the pledge of a property (the "Property") of Excel Trend, a related company of the Company as Mr. Yiu and Mr. Chan Cheuk Fai ("Mr. Chan"), a director of the Company and all its subsidiaries and a former director of certain subsidiaries of the Group, respectively, are the director and the former director of Excel Trend, respectively. The carrying values of the Property as at 31 December 2008, 2009 and 2010 were approximately HK$29,900,000, HK$39,500,000 and HK$51,100,000, respectively;

(ii) a personal guarantee (the "Personal Guarantee") executed by Mr. Yiu as at 31 December 2009 and 2010. As at 31 December 2008, the bank loans were supported by a joint guarantee executed by Mr. Yiu and Mr. Chan, the director and the former director of certain subsidiaries of the Group;

(iii) a corporate guarantee executed by a subsidiary of the Company and Excel Trend (the "Corporate Guarantee") as at 31 December 2008, 2009 and 2010; and

(iv) a pledged deposit of HK$1.5 million as at 31 March 2011.

As at the Latest Practicable Date, the Group has obtained consents in principle from those creditor banks that the Property, the Personal Guarantee and the Corporate Guarantee will be released upon listing and/or replaced by other security and/or guarantees to be provided by members of the Group.

The bank borrowings were denominated in Hong Kong dollars and repayable within one year or on demand. Except for bank overdrafts which bear interest at fixed interest rate of 17.0% as at 31 December 2008 and 2009 and at fixed interest rate of 14.3% as at 31 December 2010, all other bank loans of the Group bear interest at floating interest rate with the effective interest rates at 5.8%, 2.9%, 2.8% and 2.8% as at 31 December 2008, 2009, 2010 and 31 March 2011 respectively.

As at the Latest Practicable Date, the unutilised banking facilities of the Group granted by one bank is in the aggregate amount of HK$10 million (HK$5 million being the overdraft limit and HK$5 million being the revolving loan limit) and granted by another bank is in the aggregate amount of HK$10 million (HK$10 million being the overdraft limit and HK$8 million being the revolving loan limit subject to the condition that the aggregate amount of the overdraft and revolving loan facilities shall not exceed the total sum of HK$10 million).

The maturity of the Group's bank borrowings as at 31 December 2008, 2009 and 2010 and 31 March 2011 is as follows:

	31 December			31 March
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
On demand or within one year	8,041	8,983	5,771	4,966

Security and guarantees

For each of the three years ended 31 December 2008, 2009 and 2010 and three months ended 31 March 2011, the Group provided unlimited guarantees to various banks in connection with bank loans and other banking facilities granted to certain related companies of which Mr. Yiu is a director and shareholder. In accordance with the guarantees, the Group would be liable to pay the banks if the banks are unable to recover the loans from such related companies. The banking facilities granted to those related companies that are subject to guarantees given to banks were utilized to the extent of HK$57.2 million, HK$85.7 million, HK$71.9 million and HK$70.7 million as at 31 December 2008, 2009 and 2010 and 31 March 2011 respectively and this represents the Group's maximum exposure under the guarantees. No provision for the Group's obligation under the guarantees has been made as the Directors considered that it was not probable that the repayment of the loan would be in default. As at the Latest Practicable Date, the Group has obtained consents in principle from those creditor banks that the unlimited guarantees will be released and upon Listing and/or replaced by other security and/or guarantees to be provided by Mr. Yiu and/or his associates (other than members of the Group).

As at the Latest Practicable Date, Mr. Yiu provided personal guarantee to secure, inter alia, the due performance of the obligations on the part of the subsidiaries of the Group under two tenancy agreements in respect of two retail shops leased by the Group and the Group has obtained consents in principle from the relevant landlords that the aforesaid personal guarantees be released and/ or replaced by the corporate guarantees to be provided by a subsidiary of the Group.

Contractual obligations

The Group leases certain of its motor vehicles through finance lease arrangements. The following table sets out the Group's obligations under the finance lease arrangements as at 31 December 2008, 2009 and 2010 and 31 March 2011:

		31 December		**31 March**
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Total finance lease payables	1,334	607	402	371

Contingent liabilities

Save as disclosed in the note 29 of the Accountants' Report in Appendix I to this prospectus, as at 31 December 2010, the Group was not involved in any material legal proceedings, nor aware of any pending or potential material legal proceedings involving the Group. If the Group is involved in such material legal proceedings, the Group would record any loss contingencies when it is likely that a loss has been incurred and the amount of such loss.

Off-balance sheet commitments and arrangements

The Group has not entered into any material off-balance sheet commitments or arrangements as at the Latest Practicable Date.

Disclaimers

Save as aforesaid, as at 31 March 2011, being the latest date for determining indebtedness the Group did not have any outstanding bank borrowings, overdraft facilities, mortgages, debentures, charges, loan capital, debt securities or other similar indebtedness, financial leases or hire purchase agreements, acceptance credits or acceptance liabilities, any guarantees or other material contingent liabilities. The Directors confirm that there have not been any material changes in indebtedness since 31 March 2011.

PROPERTY VALUATION

Particulars of the Group's property interests are set out in Appendix III to this prospectus. RHL Appraisal Limited, an independent property valuer, has valued the property interests of the Group as at 28 February 2011. A summary of values and valuation certificates issued by RHL Appraisal Limited are included in Appendix III to this prospectus.

RELATED PARTY TRANSACTIONS

(i) During the Track Record Period, the Group had conducted various transactions with its related parties. In addition to the amounts due to and due from the related parties as set out in the above paragraph headed "Amounts due to and due from related parties", the Group had the following material transactions with related parties during the Track Record Period:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Rental expenses paid to related companies			
Excel Trend *(Note 1)*	2,736	2,736	2,906
Excel Win Limited ("Excel Win") *(Note 2)*	816	816	778
Victory Gain Enterprise Limited ("Victory Gain") *(Note 3)*	256	896	—
Well Home Limited ("Well Home") *(Note 4)*	—	—	63
Power Wisdom International Limited ("Power Wisdom") *(Note 5)*	—	—	67
Fully Art Limited ("Fully Art") *(Note 6)*	—	—	35
	3,808	4,448	3,849
Purchases from a related company			
Yes Lady *(Note 7)*	—	7	257
Purchases of property, plant and equipment from a related company			
Simple Interior (HK) Limited ("Simple Interior") *(Note 8)*	—	—	75

Notes:

1. Mr. Yiu beneficially owned the entire interest in Excel Trend as at the Latest Practicable Date. It owns a premises situated at Area E & F on the Ground Floor of the Percival House, No.83 Percival Street, Hong Kong (the "CWB Premises") and leased the CWB Premises to Milan Station (Causeway Bay) Limited ("Milan CWB") throughout the Track Record Period. On 1 December 2010, Milan CWB and Excel Trend entered into a new lease agreement

in respect of the CWB Premises and the lease of the CWB Premises constitutes continuing connected transactions exempt from the independent shareholders' approval under the requirements of Chapter 14A of the Listing Rules. Details of which please refer to the paragraph headed "Lease agreements with Excel Trend and Excel Win" under the section headed "Connected Transactions" to this prospectus.

2. Mr. Yiu beneficially owned the entire interest in Excel Win as at the Latest Practicable Date. It owned a premises situated at Shop No. 24A, First Floor, Nam Fung Centre, Nos., 264-298, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong (the "TW Premises") and leased the TW Premises to Milan Station (Tsuen Wan) Limited during the period from 1 February 2010 to 2 November 2010. On 22 September 2010, Excel Win entered into a sale and purchase agreement with an Independent Third Party, pursuant to which the Independent Third Party agreed to purchase and Excel Win agreed to sell the TW Premises subject to existing lettings and tenancies.

   Milan TST has been leasing a premises situated at Shops F-H on the Ground Floor of the South Seas Apartments, No.81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong (the "TST Premises") from a landlord, who is an Independent Third Party (the "Independent Landlord"), for use as its retail shop throughout the Track Record Period. For each of the three years ended 31 December 2008, 2009 and 2010, the total sum of rental paid by the Group to Independent Landlord amounted to HK$900,000, HK$900,000 and HK$920,000 respectively.

   On 28 February 2011, the sale and purchase between, Excel Win and the Independent Landlord, pursuant to which the Independent Landlord agreed to sell and Excel Win agreed to purchase the TST Premises was completed. The aforesaid lease from Excel Win will constitute continuing connected transactions exempt from the independent shareholders' approval under the requirements of Chapter 14A of the Listing Rules upon the commencement of the lease term for the CWB Premises. Details of which please refer to the paragraph headed "Lease agreements with Excel Trend and Excel Win" under the section headed "Connected Transactions" to this prospectus.

3. Victory Gain was beneficially owned as to 50% by Mr. Yiu and 50% by an Independent Third Party as at the Latest Practicable Date. It owned a premises situated at Shop No. G003, Ground Floor, Kar Shing Building, Nos. 15 and 19 Kau Yuk Road, Yuen Long, New Territories, Hong Kong (the "YL Premises") before disposing it to an Independent Third Party on 8 July 2009 and leased the YL Premises to Milan Station (Yuen Long) Limited during the period from 1 October 2008 to 7 July 2009.

4. Mr. Yiu beneficially owned the entire interest in Well Home as at the Latest Practicable Date. It owns a premises situated at Flat B on the First Floor of Block 6, No. 78, King's Park Hill Road, King's Park Hill, Kowloon, Hong Kong and parking space No. P61 (the "**WH King's Park Premises**") and leases the WH King's Park Premises to the Company during the period from 1 December 2010 to 31 December 2012. The aforesaid lease from Well Home will constitute continuing connected transactions exempt from the independent shareholders' approval under the requirements of Chapter 14A of the Listing Rules. Details of which please refer to the paragraph headed "Lease agreements with Well Home Limited and Power Wisdom International Limited" under the section headed "Connected Transactions" to this prospectus.

5. Mr. Yiu beneficially owned the entire interest in Power Wisdom as at the Latest Practicable Date. It owns a premises situated at Flat B on the Ground Floor of Block 6 and garden appertaining thereto of Block 6, No. 78, King's Park Hill Road, King's Park Hill, Kowloon, Hong Kong and parking space no. P28 (the "**PW King's Park Premises**") and leases the PW King's Park Premises to the Company during the period from 1 December 2010 to 31 December 2012. The aforesaid lease from Power Wisdom will constitute continuing connected transactions exempt from the independent shareholders' approval under the requirements of Chapter 14A of the Listing Rules. Details of which please refer to the paragraph headed "Lease agreements with Well Home Limited and Power Wisdom International Limited" under the section headed "Connected Transactions" to this prospectus.

6. Fully Art was beneficially owned as to 50% by Mr. Yiu Kwan Wai, Gary, an executive Director and as to 50% by Ms. Yiu Sau Wai, an executive Director as at the Latest Practicable Date. It owns a premises situated at Flat B on the 31st Floor of Tower 1, The Waterfront, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong (the

"**Waterfront Premises**") and leases the Waterfront Premises to the Company during the period from 1 December 2010 to 31 December 2012. The aforesaid lease from Fully Art will constitute continuing connected transactions exempt from the reporting, annual review, announcement and the independent shareholders' approval under the requirements of Chapter 14A of the Listing Rules. Details of which please refer to the paragraph headed "Lease agreement with Fully Art Limited" under the section headed "Connected Transactions" to this prospectus.

7. Yes Lady is a company owned as to 3% by Ms. Wong Yu Har, the wife of Mr. Wong Hiu Chor, an executive Director, and 97% by Billion Capital Corporation Limited, a company owned 50% by Mr. Yiu and 50% owned by an Independent Third Party.

8. Mr. Wong Wai Pan, the spouse of Ms. Yiu Sau Wai, beneficially owned the entire interest in Simple Interior as at the Latest Practicable Date.

The Directors confirmed that the transactions in notes 1, 2 and 4 will continue in the future after the listing of the Company's shares and further details of the arrangement with the related companies have been set out under the section "Connected Transactions" to this prospectus.

(ii) Compensation of key management personnel of Group, including directors' remuneration is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	5,894	5,059	5,617
Post-employment benefits	48	48	51
	5,942	5,107	5,668

(iii) During the years ended 31 December 2008, 2009 and 2010, the bank loans and overdrafts of the Group were supported by personal guarantees executed by Mr. Yiu and Mr. Chan Cheuk Fai, who were directors of certain subsidiaries of the Group, of which the banking facilities were granted, and a corporate guarantee executed by Excel Trend. During the year ended 31 December 2010, the bank loans were supported by a personal guarantee executed by Mr. Yiu. In addition, Excel Trend has arranged a bank to issue bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group up to HK$435,000, HK$384,000 and HK$384,000 as at 31 December 2008, 2009 and 2010, respectively. Mr. Chan Cheuk Fai resigned as a director of certain subsidiaries of the Group on 2 February 2009.

(iv) Pursuant to the undertaking dated 2 May 2011, the Selling Shareholder and Mr. Yiu undertake to the Company that they shall bear the listing expenses (excluding the underwriting commission which shall be entirely borne by the Company) in relation to the listing of the Shares of the Company on the Main Board of the Stock Exchange in the percentage of total of the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue to the Selling Shareholder upon completion of the Reorganisation and prior to the Listing, which amounted to 1,000,000 Shares and 540,586,000 Shares respectively, over the total number of issued Shares of the

Company immediately upon Listing and take into account of the Shares to be issued pursuant to the exercises of the Over-allotment Option, if applicable. Accordingly, assuming the Over-allotment Option is fully exercised or not exercised, the Selling Shareholder and Mr. Yiu shall bear approximately 80.3% or 83.3% of the listing expenses (excluding the underwriting commission and the additional commission payable to the Sole Bookrunner which shall be entirely borne by the Company) respectively.

(v) On 31 October 2008, MS (HK), a wholly-owned subsidiary of the Company, disposed of the entire equity interests in its then wholly-owned subsidiary, Fortune Sincere Group Limited, and its wholly-owned subsidiaries, Global Fair Corporation Limited and MS (Taiwan) (the "Taiwan sub-group"), to World Top for a consideration of approximately HK$3,129,000. The consideration for the disposal of the Taiwan sub-group was determined with reference to the net assets value of the Taiwan sub-group as at 31 October 2008 and was settled through the current account with World Top.

It is the view of the Directors that each of the related party transactions set out in note 26 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business and on normal commercial terms during the Track Record Period.

MARKET RISKS

The Group's activities are exposed primarily to interest rate, foreign currency risks, credit risk and liquidity risk in the normal course of its business.

Interest rate risk

The Group's exposure to risk relating to changes in interest rate is mainly due to the interest-bearing bank loans with floating interest rates as part of the financial resources for the Group's business operation. Higher interest rates will increase the borrowing costs of the Group and may affect the profitability of the Group's operation. As at 31 December 2008, 2009 and 2010, the Group's interest-bearing bank loans with floating interest rates were HK$8.0 million, HK$8.4 million and HK$5.7 million respectively. Assuming all other variables held constant, a 100 basis point increase/decrease in the interest rate would have decreased/increased the Group's net profit by HK$80,000, HK$84,000 and HK$57,000 for three years ended 31 December 2008, 2009 and 2010 respectively. For more details of the Group's interest rate risk, please refer note 33 to the Accountants' Report in Appendix I to this prospectus.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies since some of the Group's retail shops are operated in the PRC and Macau and the Group's products are mainly originated from European countries and hence is exposed to the risk of exchange rate fluctuations. During the Track Record Period, the Group had assets and liabilities denominated in Renminbi, Macao patacas and Euro and settled its liabilities in foreign currencies, including Renminbi and Macao patacas for the purchases in the PRC and Macau respectively. The fluctuations in exchange rate may increase the costs of purchasing the Group's products as well as the selling and administrative expenses and may affect the profitability of the Group's operation. Assuming a 5 % strengthening of Renminbi against Hong Kong dollars, the Group would have incurred a decrease in profit before tax by HK$155,000, HK$155,000 and HK$103,000 for the three years ended 31 December 2008, 2009 and 2010 respectively. Assuming a 5 % strengthening of Euro against Hong Kong dollars, the Group would have incurred an increase in profit before tax by HK$124,000, HK$115,000 and 107,000 for the three years ended 2008, 2009 and 2010 respectively. The strengthening of exchange of Euro against Hong Kong dollars leading to an increase in profit is attributable to the increase in the value of the Euro saving deposit of the Group and the interests derived from such deposit.

During the Track Record Period, the Group has not adopted any measures to hedge against its foreign exchange exposure since the foreign currencies owned by the Group only constituted less than 4.9% of the Group's total assets. Upon Listing and implementation of its future plans to open new retail shops in the PRC, the Directors believe that the Group will record increasing amounts of transactions denominated in RMB. As such, the Group will hedge its exposure in RMB by way of entering into certain foreign exchange contracts. For more details of the Group's foreign currency risk, please refer note 33 to the Accountants' Report in Appendix I to this prospectus.

Credit risk

Credit risk is based on the possible inability of the Group's counterparts to meet their financial obligations to the Group. The Group's credit risk is primarily attributable to its trade and other receivable and cash and cash equivalents. The Group has no significant concentrations of credit risk of trade receivables as its customers are mainly general public and its trading terms with its customers are mainly on cash, credit card or bank debit card settlement. Cash and cash equivalents are financial assets which are potentially subject to credit risks. The Group's cash and cash equivalents comprises cash and bank balance and non-pledged time deposits. The credit risk in relation to bank balances and non-pledged time deposits is not significant as the relevant banks are reputable banking institutions. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial period in relation to each class of recognized financial assets, including cash and cash equivalents, was the carrying amounts of those assets as stated in the consolidated statements of the Group.

Liquidity risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. Based on the contractual undiscounted payments, the Group's financial liabilities payable upon demand or in less than a year were HK$12.3 million, HK$29.7 million and HK$16.8 million as at 31 December 2008, 2009 and 2010 respectively; and payable over one year were HK$20.8 million, HK$20.9 million and HK$2.1 million as at 31 December 2008, 2009 and 2010 respectively.

WORKING CAPITAL

Taking into account of the estimated net proceeds from the Global Offering, available banking facilities and cash flows from the Group's operations, the Directors confirm that the Group has sufficient working capital for the Group's present requirements and for at least the next 12 months from the date of this publication of this prospectus.

DIVIDEND POLICY

For the years ended 31 December 2008, 2009 and 2010 and up to the Latest Practicable Date, the dividends paid by the Company's subsidiaries to their then shareholders were set out as follows:-

— A final dividend for the year ended 31 December 2008 of HK$7.0 million proposed by the board of directors of MS HK was approved on 14 August 2009;

— An interim dividend for the year ended 31 December 2009 of HK$35.0 million was declared by the board of directors of MS HK to its then shareholders; and

— An interim dividend of HK$14.5 million was declared by the board of directors of MS HK to its then shareholders on 22 December 2010. Part of the interim dividend of HK$4.5 million was settled by cash and received from Yiu's Private Group to the Group.

All such dividends were settled prior to the date of this prospectus and the Group financed the payment of these dividends by net cash generated from its operating activities. The Group's historical dividend distributions in the past should not be indicative of the Group's future dividend policy.

A decision to declare or to pay any dividends, and the amount of any dividends, if paid, depend on a number of factors, including the results of operation, cash flows, financial condition, future prospects, statutory, regulatory and other restrictions the Group are obligated to observe and other factors that the Directors may consider relevant. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to the Shareholders by any means which the Directors consider legal, fair and practicable.

Any declaration and payment of dividends will be subject to the constitutional documents and the Cayman Islands Companies Law. Any future dividends may only be paid out of the Group's distributable profit as permitted under the Cayman Islands Companies Law. Final dividends paid by the Company must be approved by an ordinary resolution of the Shareholders at a general meeting and must not exceed the amount recommended by the Directors.

As part of the Group's operation is conducted through its subsidiaries incorporated in the PRC and Macau, the ability of these subsidiaries to make dividend and other payments to the Group may be restricted by the applicable laws and regulations in which these subsidiaries are subject. The PRC laws require that dividends be paid only out of net profit, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group may enter into in the futures. Dividends received from the Group's PRC subsidiary may be subject to the PRC taxes. In Macau, a company is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Caymans Island on 1 November 2007. As at 31 December 2010, the Company had no distributable reserves available for distribution to the Shareholders.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

The Directors confirm that there have been no interruptions in the Group's business that may have a significant effect on the Group's business, operation and financial performance in the last 12 months.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 December 2010 (being the date to which the latest audited consolidated financial statements were prepared, as set out in the Accountants' Report in Appendix I to this prospectus).

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the combined net tangible assets attributable to equity holders of the Company derived from the audited financial information of the Group as at 31 December 2010, as set out in Appendix I to this prospectus and adjusted as follows:

	Combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$1.17 per Share	133,595	115,306	248,901	0.38
Based on the Offer Price of HK$1.67 per Share	133,595	166,669	300,264	0.46

Notes:

(1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010 is arrived from the audited combined net assets of the Group attributable to equity holders of the Company of HK$133.6 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.17 and HK$1.67 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 650,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2010, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option.

FUTURE PLANS AND BUSINESS STRATEGIES

The consumer market of the PRC is constantly stimulated by and expanding with the growing economy of the PRC. By leveraging on (i) the established brand name of "Milan Station"; (ii) the successful business operation experience of the Group; and (iii) the rapid economic growth and the increasing affluence of brand-conscious consumers in the PRC, the Group plans to further expand its retail network in the PRC market by opening an aggregate of 24 retail shops in the PRC by the end of 2013. Out of these 24 shops, the setting up of 11 such new shops will be financed by the proceeds from the Global Offering. It is also the Group's business strategies to, among other things, expand retail network in the PRC market and refurbish of existing retail shops in Hong Kong, continue its marketing strategies and campaigns, develop private label "MS" brand products, exploration of online sales channel, enhance staff training and upgrade the Group's information technology system. Please see the section headed "Business — Business Strategies" for a detailed description of the Group's future plans and business strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering accruing to the Group (after deduction of underwriting fees and estimated expenses payable by the Group in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$141.0 million assuming an Offer Price of HK$1.42 per Share (being the mid-point of the indicative Offer Price range of HK$1.17 to HK$1.67 per Share as stated in this prospectus). The Company plans to use the net proceeds from the Global Offering for the following purposes:

(i) approximately HK$96.0 million (equivalent to approximately 68.1% of the total estimated net proceeds will be used for the expansion of its retail network in the PRC market by opening an aggregate of 11 new retail shops under the brand name of "Milan Station", of which six shops and five shops will be established in (a) the major cities such as Beijing, Shanghai and Hangzhou in 2011 and (b) other major cities such as Guangzhou, Hangzhou and Chengdu in 2012, respectively. The Group estimated that the total costs for setting up each retail shop is about HK$8.7 million, of which approximately HK$3.5 million, HK$2.6 million, HK$2.0 million and HK$0.6 million will be used for general working capital, purchase of the inventories, renovation expenses and miscellaneous expenses for each retail shop, respectively;

(ii) approximately HK$12.0 million (equivalent to approximately 8.5% of the total estimated net proceeds) will be used for (a) relocating a total of three existing retail shops in Hong Kong in 2011 and 2012; (b) redecorating a total of eight existing retail shops in Hong Kong, the PRC and Macau from 2011 to 2013; and (c) decorating one new retail shop which is due to open in 2011 in Hong Kong;

(iii) approximately HK$17.0 million (equivalent to approximately 12.0% of the total estimated net proceeds) will be used for marketing and promotion of the Group including placing advertisements in traditional media such as newspapers, magazines, television, outdoor and in new media such as websites, Internet sales platform and smartphone applications, sponsor promotional events such as movies and concert and inviting celebrities to participate the sponsorship and promotional events of the Group in Hong Kong, the PRC and Macau in 2011 and 2012;

(iv) approximately HK$4.0 million (equivalent to approximately 2.8% of the total estimated net proceeds) will be used for the design and development of its private label "MS" brand products in 2011 and 2012 including hiring experience designers and engaging subcontractors;

(v) approximately HK$2.4 million (equivalent to approximately 1.7% of the total estimated net proceeds) will be used for exploration of online sales channel in 2011 and 2012;

(vi) approximately HK$2.8 million (equivalent to approximately 2.0% of the total estimated net proceeds) will be used for staff training and development in 2011 to 2012 in order to enhance the staff's sales techniques, retail management, customer services, product examination technique and management skill;

(vii) approximately HK$3.2 million (equivalent to approximately 2.3% of the total estimated net proceeds) will be used for upgrade of the Group's information technology system in 2011 and 2012; and

(viii) the balance of approximately HK$3.6 million (equivalent to approximately 2.6% of the total estimated net proceeds) will be used for its own working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full and based on an Offer Price of HK$1.42 per Share (being the mid-point of the stated offer price range of HK$1.17 to HK$1.67 per Share), the Group will receive additional net proceeds of approximately HK$32.5 million, of which the Directors intend to apply approximately HK$30.0 million for financing the opening of some of the other 13 retail shops in the PRC market and the remaining balance will be used as general working capital of the Group.

In the event that the Offer Price is set at HK$1.67 per Share (being the upper range of the proposed offer price range) and the Over-allotment Option is not exercised at all, the amount of additional net proceeds to be received are estimated to be approximately HK$25.7 million, of which the Directors intend to apply approximately HK$22.0 million for financing the opening of some of the other 13 retail shops in the PRC market and the remaining balance will be used as general working capital of the Group.

Any deficiency in funding for the above purposes will be financed by internal funds and/or bank borrowings. To the extent that the net proceeds are not immediately used for the above purposes or the Group is unable to effect any part of the future development plan as intended, the Directors currently intend to place such proceeds on short term deposits with licence banks and/or authorised financial institutions in Hong Kong so long as it is in the Group's interest. The Group will disclose the same in the relevant annual report.

Should the Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of the Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, the Company will make appropriate announcement(s) in due course.

The Selling Shareholder will receive the net proceeds from the sale of the Sale Shares in the aggregate amount of approximately HK$52.4 million after deducting its share of the estimated listing expenses in the Global Offering and assuming an Offer Price of HK$1.42 per Share, being the mid-point of the Offer Price range set out in this prospectus and assuming the Over-allotment Option is not exercised. Based on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010, the unaudited pro forma adjusted combined net tangible assets per Share will drop by HK$0.08, from HK$0.46 per Share to HK$0.38 per Share as at 31 December 2010, represents a drop of 17.4% in unaudited pro forma adjusted combined net tangible assets per Share if the Offer Price is reduced from HK$1.67 to HK$1.17 per Share.

UNDERWRITERS

Hong Kong Underwriters

China Merchants Securities (HK) Co., Limited
Kingsway Financial Services Group Limited
VC Brokerage Limited

International Placing Underwriters

China Merchants Securities (HK) Co., Limited
Kingsway Financial Services Group Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company initially offers 16,252,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue or to be issued herein not later than 23 May 2011 (or such later date as the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may agree) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply, or procure applications, on the terms and subject to the conditions of this prospectus and the related Application Forms, for the Hong Kong Public Offer Shares not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement subject to termination by notice in writing from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Sole Global Coordinator:

(a) any statement, reasonably considered by the Sole Global Coordinator to be material, contained in this prospectus, the Application Forms, the preliminary prospectus in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Sole Global Coordinator to be material to the Global Offering; or

(c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Underwriting Agreement (other than on any of the Hong Kong Underwriters or the International Placing Underwriters or the Sole Global Coordinator); or

(d) any change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or

(e) any breach, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties under the Hong Kong Underwriting Agreement;

(2) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) which in the opinion of the Sole Global Coordinator (at its sole discretion) has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Public Offering or pursuant to the underwriting thereof; or

(b) any change or development involving a prospective adverse change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

(c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the "Specific Jurisdictions"); or

(d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the U.S. or by the EU (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or

(e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or

(f) 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 this prospectus; or

(g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or

(h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(i) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(j) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions, which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have an adverse effect on the business, financial or other conditions or prospects of the Group as a whole or in the case of paragraph (e) above, to any present or prospective Shareholder in his, her or its capacity as such; (2) has or will have or could reasonably be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

International Offering

International Placing Underwriting Agreement

The Company initially offers 92,162,000 International Offer Shares (subject to reallocation and the Over-allotment Option) for subscription and the Selling Shareholder offers 54,086,000 International Offer Shares, for sale, by way of the International Offering on and subject to the terms and conditions of this prospectus. In connection with the International Offering, it is expected that the Company and the Selling Shareholder will enter into the International Placing Underwriting Agreement on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe, purchase or procure subscribers for or purchasers of, the International Offer Shares.

The Company will grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator from the date of the International Placing Underwriting Agreement up to 30 days from Monday, 16 May 2011, being the last day for lodging applications under the Hong Kong Public Offering at the final Offer Price in connection with over-allotment in the International Offering, if any.

Undertakings of the Company

The Company has undertaken to the Sole Global Coordinator and the Hong Kong Underwriters and the Sole Sponsor that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), the Company will not without the Sole Global Coordinator's prior written consent and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); 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 Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (a), (b), (c) and (d), the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders jointly and severally undertake to each of the Sole Global Coordinator and the Hong Kong Underwriters and the Sole Sponsor to procure the Company to comply with the undertakings above in paragraphs (a), (b), (c) and (d) above.

Undertakings of the Controlling Shareholders

The Controlling Shareholders agree and undertake to each of the Company, the Sole Global Coordinator and the Hong Kong Underwriters and the Sole Sponsor that, save as pursuant to the Global Offering, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) will not, at any time during the First Six-Month Period,

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any

Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) and (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) and (iii) above, whether in each case, any of the transactions specified in paragraphs (i), (ii) and (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i), (ii), (iii) and (iv) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company; and

(c) until the expiry of the Second Six-Month period, in the event that he or it enters into any of the transactions specified in paragraphs (i), (ii), (iii) or (iv) above or offer to or agrees to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of the Company.

Lock-up

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and to the Stock Exchange that he or it will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(i) during the First Six-Month Period, dispose of, or 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 or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or

(ii) during the Second Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder of the Company.

Further, pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and to the Stock Exchange that, during the First Six-Month Period and the Second Six-Month Period, he or it will:

(i) if he or it pledges or charges any of the Company's securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of matters referred to in Note 3(i) and (ii) of Rule 10.07(2) of the Listing Rules by a Controlling Shareholder and disclose such matter by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances.

Underwriting commission and listing expenses

The Underwriters will receive a gross commission of 2.5% of the aggregate Offer Price of the Offer Shares (including Shares to be issued or sold pursuant to the exercise of the Over- allotment Option). In addition, the Company will pay an additional commission fee of 0.65% of the aggregate Offer Price of the Offer Shares (including shares to be issued or sold pursuant to the exercise of the Over-allotment Option) of the Global Offering to the Sole Bookrunner. In consideration of the Sole Sponsor's services in sponsoring the Global Offering, the Sole Sponsor will also receive a financial advisory fee. The aggregate underwriting commission, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK$41.4 million in aggregate (based on an Offer Price of HK$1.42 per Share, being the mid-point of the stated range of the Offer Price of between HK$1.17 and HK$1.67 per Share and the assumption that the Over-allotment Option is not exercised). The underwriting commission, the Stock Exchange trading fee and the SFC transaction levy will be entirely borne by the Company. Pursuant to the undertaking dated 2 May 2011, the Selling

Shareholder and Mr. Yiu undertake to the Company that they shall bear the listing expenses (excluding the underwriting commission which shall be entirely borne by the Company) in relation to the listing of the Shares of the Company on the Main Board of the Stock Exchange in the percentage of total of the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue to the Selling Shareholder upon completion of the Reorganisation and prior to the Listing, which amounted to 1,000,000 Shares and 540,586,000 Shares respectively, over the total number of issued Shares of the Company immediately upon Listing and take into account of the Shares to be issued pursuant to the exercises of the Over-allotment Option, if applicable. Accordingly, assuming the Over-allotment Option is fully exercised or not exercised, the Selling Shareholder and Mr. Yiu shall bear approximately 80.3% or 83.3% of the listing expenses including the legal and other professional fees, printing and other expenses relating to the Global Offering (excluding the underwriting commission and additional commission payable to the Sole Bookrunner which shall be entirely borne by the Company) respectively.

UNDERWRITERS' INTERESTS IN THE COMPANY

Save as disclosed above and other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

THE GLOBAL OFFERING

The Global Offering consists of the International Offering and the Hong Kong Public Offering. The 162,500,000 Offer Shares comprise 146,248,000 International Offer Shares and 16,252,000 Hong Kong Public Offer Shares. The 162,500,000 Offer Shares will represent 25 per cent. of the Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

Out of the total 162,500,000 Offer Shares, 16,252,000 Offer Shares, representing approximately 10 per cent. of the initial number of the Offer Shares, will be offered for subscription to members of the public in Hong Kong under the Hong Kong Public Offering. The number of the Hong Kong Public Offer Shares will be subject to reallocation set forth below.

Out of the total 162,500,000 Offer Shares, 146,248,000 Offer Shares, representing approximately 90 per cent. of the initial number of the Offer Shares, will be offered for subscription and purchase under the International Offering. The International Offer Shares will be placed with professional and institutional investors in Hong Kong and certain other jurisdictions.

In connection with the Global Offering, the Company will grant to the Sole Global Coordinator the Over-allotment Option which will be exercisable at any time from the date of the International Placing Underwriting Agreement up to 30 days from Monday, 16 May 2011, being the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue up to 24,374,000 additional new Shares, representing approximately 15% of initial Offer Shares, at the final Offer Price to cover over-allocations in the International Offering. The Sole Global Coordinator may also cover over-allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued and sold under the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of any option which may be granted under the Share Option Scheme, the 24,374,000 new Shares will represent 3.6 per cent. of the enlarged number of Shares in issue.

If the Sole Global Coordinator decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Offering. The International Offer Shares will be allocated prior to the Listing Date.

The net proceeds from the Global Offering, after deducting commissions and expenses and assuming an Offer Price of HK$1.42 per Share (being the mid-point of the stated range of the Offer Price between HK$1.17 to HK$1.67 per Share) and that the Over-allotment Option is not exercised, are estimated to be approximately HK$141.0 million. If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting underwriting commission, the additional commission payable to the Sole Bookrunner and expenses attributable to the exercise of the Over-allotment Option) of approximately HK$32.5 million. The net proceeds from the sale for Sale Shares are estimated to be approximately HK$53.3 million assuming an Offer Price of HK$1.42 per Share (being the mid-point of the stated range of Offer Price between HK$1.17 to HK$1.67 per Share).

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.67 per Share and is expected to be not less than HK$1.17 per Offer . Based on the maximum Offer Price of HK$1.67 per Share, plus one per cent. brokerage, SFC transaction levy of 0.003 per cent. and Stock Exchange trading fee of 0.005 per cent., one board lot of 2,000 Shares will amount to a total of HK$3,373.67.

The Offer Price is expected to be determined among the Company, Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) on or around Tuesday, 17 May 2011 but in any case no later than 6:00 p.m. on Tuesday, 17 May 2011.

Based on the level of interests expressed by prospective professional and institutional investors during the book-building process, if the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate, with the consent of the Company and Selling Shareholder, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, the 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 for lodging applications under the Hong Kong Public Offering, publish an announcement in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). Such announcement will also include any financial information which may change as a result of any such reduction. If applications for the Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

If the Offer Price is not agreed among the Company, Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) on or before 6:00 p.m. on Tuesday, 17 May 2011, the Global Offering will not proceed and will lapse.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Global Offering will be conditional upon:

(i) the Listing Committee granting a listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the Listing Date;

(ii) the Offer Price having been determined and the execution and delivery of the International Placing Underwriting Agreement and the Price Determination Agreement on the Price Determination Date; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator (on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If the above conditions are not fulfilled, all application money will be returned, without interest, on the terms set out in the section "How to apply for the Hong Kong Public Offer Shares" in this prospectus. In the meantime, such application money will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE HONG KONG PUBLIC OFFERING

The Company is initially offering 16,252,000 new Shares, representing 10 per cent. of the total number of Shares initially being offered in the Global Offering, for subscription by members of the public in Hong Kong. The Hong Kong Public Offer Shares are being offered at the maximum Offer Price, subject to refund. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement. If, for any reason, the Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The total number of the Hong Kong Public Offer Shares will be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares may be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 8,126,000 Hong Kong Public Offer Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Offering and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Offering and the Hong Kong Public Offering is subject to reallocation as described below.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Public Offer Shares will increase to 48,752,000 Shares, representing approximately 30 per cent. of the initial number of the Offer Shares. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Public Offer Shares will increase to 65,000,000 Shares, representing 40 per cent. of the initial number of the Offer Shares. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Public Offer Shares, then additional Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Public Offer Shares will increase to 81,252,000 Shares, representing approximately 50 per cent. of the initial number of the Offer Shares.

In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Offering will be correspondingly reduced.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Hong Kong Public Offer Shares to investors will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Public Offer Shares validly applied for by applicants. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

THE INTERNATIONAL OFFERING

The Company and the Selling Shareholder are initially offering 146,248,000 International Offer Shares representing an aggregate of 90 per cent. of the initial number of the Offer Shares, for subscription and purchase under the International Offering. The International Offering will be fully underwritten by the International Placing Underwriters, subject to the terms and conditions of the International Placing Underwriting Agreement. If, for any reason, the Company, the Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

Based on the maximum Offer Price at HK$1.67 per Share, the International Offer Shares comprising 92,162,000 new Shares offered by the Company and 54,086,000 Sale Shares. Based on the minimum Offer Price at HK$1.17 per Share, the International Offer Shares comprising 92,162,000 new Shares offered by the Company and 54,086,000 Sale Shares.

The International Offer Shares will be placed with professional and institutional investors in Hong Kong and certain other jurisdictions. The International Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Offer Shares. Prospective professional and institutional investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, retail investors should apply for the Hong Kong Public Offer Shares, as retail investors applying for the International Offer Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Offer Shares.

Allocation of the International Offer Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after Listing. Such allocation is generally intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its Shareholders as a whole.

The International Offering shall be offered for subscription and purchase under the restrictions set forth in the section headed "Information about this prospectus and the Global Offering" in this prospectus.

The International Offering is conditional on the same conditions as set forth under "Conditions of the Global Offering" above. The total number of the International Offer Shares to be allotted and issued may change as a result of the reallocation as described above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Hong Kong Public Offer Shares to the International Offering.

OVER-ALLOTMENT AND STABILISATION

The Over-allotment Option

In connection with the Global Offering, the Company will grant to the Sole Global Coordinator the Over-allotment Option which will be exercisable at any time from the date of the International Placing Underwriting Agreement up to 30 days from Monday, 16 May 2011, being the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue up to 24,374,000 additional new Shares at the final Offer Price to cover over-allocations in the International Offering. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued and sold under the Over-allotment Option. If the Over-allotment Option is exercised in full, on completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may fall to be issued upon the exercise of any option which may be granted under the Share Option Scheme, the 24,374,000 new Shares will represent approximately 3.6% of the enlarged number of the Shares in issue.

Stabilisation actions

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriter 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 offer price of the securities. Should stabilising transactions be effected by the Sole Global Coordinator in connection with the distribution of the Shares, they will be done at the direction, and in the absolute discretion, of the Sole Global Coordinator.

In connection with the Global Offering, the Sole Global Coordinator as stabilising manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Any stabilising action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. In this connection, the Sole Global Coordinator has been appointed as stabilising manager for purpose of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, such transactions will be conducted at the absolute discretion of the Sole Global Coordinator or any person acting for it and will be effected in accordance with the laws, rules and regulations in respect of stabilisation in Hong Kong. As part of such stabilisation actions, in addition to the Over-allotment Option, the Sole Global Coordinator may also cover over-allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

The possible stabilising actions which may be taken by the Sole Global Coordinator in connection with the Global Offering may involve (among other things) (i) over-allocation of Shares, (ii) purchase of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

An announcement will be made within seven days after the end of the stabilizing period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Sole Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Perfect One under the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules. The requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(a) the stock borrowing arrangement with Perfect One under the Stock Borrowing Agreement may only be effected by the Sole Global Coordinator for the settlement of over-allocations in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares borrowed from Perfect One will be limited to the maximum number of new Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Perfect One must be returned to it or its nominees (as the case may be) no later than three Business Days following the earlier of (i) the last day for exercising the Over-allotment Option; or (ii) the date on which the Over-allotment Option is exercised in full;

(d) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable provisions of the Listing Rules, laws and other regulatory requirements; and

(e) no payments will be made to Perfect One by the Sole Global Coordinator in respect of such stock borrowing arrangement.

Specifically, prospective applicants for the Hong Kong Public Offer Shares should note that:

— the Sole Global Coordinator may, in connection with any stabilising action, maintain a long position in the Shares;

— there is no certainty regarding the extent to which, and the time period for which, the Sole Global Coordinator will maintain such a position;

— liquidation of any such long position by the Sole Global Coordinator may have an adverse impact on the market price of the Shares;

— no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Wednesday, 15 June 2011, being the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall;

— the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

— stabilising bids may be made or transactions effected in the course of the stabilizing 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 paid by applicants for the Offer Shares.

1. WHO CAN APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can apply for the Hong Kong Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older; and
- have a Hong Kong address; and
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Public Offer Shares by means of **White Form eIPO** service (www.eipo.com.hk), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service (www.eipo.com.hk) if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

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.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company, the Sole Global Coordinator or **White Form eIPO** Service Provider, in their capacity as the Company's agents, has full discretion to reject or accept any application, in full or in part, without assigning any reason.

Except in the circumstances as permitted under the Listing Rules the Hong Kong Public Offer Shares are not available to existing beneficial owners of Shares, the Directors or the chief executive of the Company or any of its subsidiaries or any other connected persons (as defined in the Listing Rules) of the Company or any of its subsidiaries or persons who will become a connected persons of the Company or any of its subsidiaries immediately upon completion of the Global Offering or an associate (as defined in the Listing Rules) of any of the above persons who do not have a Hong Kong address nor otherwise participate in the International Offering.

You may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

2. CHANNELS TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You may apply for the Hong Kong Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- electronically instructing HKSCC to cause HKSCC Nominees Limited to apply for Public Offer Shares on your behalf;
- by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use the **White Form eIPO** service (www.eipo.com.hk) if you want the Shares to be issued in your own name.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider (individual applicant only).

3. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be registered in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

(c) Giving Electronic Application Instructions to HKSCC via CCASS on your behalf

Instead of using a **WHITE** or **YELLOW** Application Form or **White Form eIPO** service (www.eipo.com.hk), you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf via CCASS. Any Hong Kong Public Offer Shares allocated to you will be registered 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.

(d) **Apply through White Form eIPO**

You may apply for the Hong Kong Public Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** service (www.eipo.com.hk) if you want the Hong Kong Public Offer Shares to be registered in your own name. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

4. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00a.m. on Wednesday, 11 May 2011 till 12:00 noon on Monday, 16 May 2011 from:

any of the following addresses of the Hong Kong Underwriters:

China Merchants Securities (HK) Co., Limited	48/F., One Exchange Square, Central, Hong Kong
Kingsway Financial Services Group Limited	5/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong
VC Brokerage Limited	28/F., The Centrium, 60 Wyndham Street, Central, Hong Kong

or any one of the following branches of Hang Seng Bank Limited:

	Branch name	Address
Hong Kong Island	**Head Office**	**83 Des Voeux Road Central**
	Wanchai Branch	**200 Hennessy Road**
	Causeway Bay Branch	**28 Yee Wo Street**
	North Point Branch	**335 King's Road**
Kowloon	**Tsimshatsui Branch**	**18 Carnarvon Road**
	Kwun Tong Branch	**70 Yue Man Square**
	Kowloon Main Branch	**618 Nathan Road**
	Yaumati Branch	**363 Nathan Rod**
New Territories	**Shatin Branch**	**Shop 18 Lucky Plaza, Wang Pok Street, Shatin**
	Tsuen Wan Branch	**289 Sha Tsui Road, Tsuen Wan**

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 11 May 2011 until 12:00 noon on Monday, 16 May 2011 from:

(1) The depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) Your stockbroker, who may have such Application Forms and this prospectus available.

5. WHEN TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(a) WHITE or YELLOW Application Forms

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Monday, 16 May 2011, or, if the Application Lists are not open on that day, by the time and date stated in the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of receiving bankers or places listed under the paragraph headed "4. Where to Collect the Application Forms" in this section at the following times:

Wednesday, 11 May 2011 — 9:00 a.m. to 5:00 p.m.
Thursday, 12 May 2011 — 9:00 a.m. to 5:00 p.m.
Friday, 13 May 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 14 May 2011 — 9:00 a.m. to 1:00 p.m.
Monday, 16 May 2011 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 16 May 2011.

(b) Electronic application instructions to HKSCC

CCASS Clearing Participant or CCASS Custodian Participant should input **electronic application instructions** at the following times:

Wednesday, 11 May 2011 — 9:00 a.m. to 8:30 p.m.[1]
Thursday, 12 May 2011 — 8:00 a.m. to 8:30 p.m.[1]
Friday, 13 May 2011 — 8:00 a.m. to 8:30 p.m.[1]
Saturday, 14 May 2011 — 8:00 a.m. to 1:00 p.m.[1]
Monday, 16 May 2011 — 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 Participant or CCASS Custodian Participant.

CCASS Investor Participant can input **electronic application instructions** from 9:00 a.m. on Wednesday, 11 May 2011 until 12:00 noon on Monday, 16 May 2011 (24 hours daily, except on the first and last application days).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Monday, 16 May 2011 or if the Application Lists are not open on that day, by the time and date stated in the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" below.

(c) **White Form eIPO**

Please refer to the paragraph headed "7. Applying through White Form eIPO" in this section.

(d) **Application Lists**

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 16 May 2011, except as provided in the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" below. No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allocation of any such Shares will be made until after the closing of the Application Lists. Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the Application Lists but may be presented at any time thereafter.

(e) **Effect of bad weather conditions on the opening of the Application Lists**

The Application Lists will be open between 11:45 a.m. and 12:00 noon on Monday, 16 May 2011, subject to weather conditions. The Application Lists will not be open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 16 May 2011. Instead, the Application Lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** or **YELLOW** Application Form at the places as described in the paragraph headed "4. Where to Collect the Application Forms" in this section.

(b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

(c) Decide how many Hong Kong Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$1.67 per Hong Kong Public Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The Application Forms have tables set out the total amount payable for the specified number of Hong Kong Public Offer Shares.

(d) Complete the Application Form in English (save as otherwise indicated) using blue or black ink, and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, the Company and/or the Sole Global Coordinator (or their respective agents or nominees) and/or the White Form eIPO Service Provider, in their capacity as the agent of the Company, may accept or reject the application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. The Company and/or the Sole Global Coordinator and/or the designated White Form eIPO Service Provider, in their capacities as agents of the Company, have full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.

(e) Each **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
- be made payable to "Hang Seng (Nominee) Limited — Milan Station Public Offer"; and

- be crossed "Account Payee Only".

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker's cashier order must be the same as the name of the first-named joint applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to "Hang Seng (Nominee) Limited — Milan Station Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

(f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the special collection boxes by the time and at one of the locations, as respectively referred to in paragraph 5(a) above.

(g) The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Monday, 16 May 2011. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

(h) Multiple or suspected multiple applications are liable to be rejected. See the paragraph headed "12. How Many Applications You Can Make" in this section.

(i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

  — the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box in the **YELLOW** Application Form.

- If the application is made by an individual CCASS Investor Participant:

  — the **YELLOW** Application Form must contain the CCASS Investor Participant's full name and the CCASS Investor Participant's Hong Kong Identity Card number; and

  — the CCASS Participant I.D. must be inserted in the appropriate box in the **YELLOW** Application Form.

- If the application is made by a joint individual CCASS Investor Participant:

  — the **YELLOW** Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and

  — the CCASS Participant I.D. must be inserted in the appropriate box in the **YELLOW** Application Form.

- If you are applying as a corporate CCASS Investor Participant:

  — the **YELLOW** Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

  — the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant's company name) must be inserted in the appropriate box in the **YELLOW** Application Form.

- Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.

(j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

7. APPLYING THROUGH WHITE FORM eIPO

(a) General

(i) You may apply through **White Form eIPO** service (www.eipo.com.hk) by submitting an application through the designated website at **www.eipo.com.hk** if you satisfy the relevant eligibility criteria for this as set out in the paragraph headed "1. Who can apply for Hong Kong Public Offer Shares" in this section and on that website. If you apply through **White Form eIPO** service (www.eipo.com.hk), the Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application is liable to be rejected by the designated White Form eIPO Service Provider and may not be submitted to the Company.

(iii) If you give electronic application instructions through the designated website at **www.eipo.com.hk**, you will have to authorise the **White Form eIPO** Service Provider to apply on the terms and subject to the conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service (www.eipo.com.hk).

(iv) In addition to the terms and conditions set out in this prospectus, the **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service (www.eipo.com.hk). These additional terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full before making any application.

(v) By submitting an application to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk), you are deemed to have authorised the **White Form eIPO** Service Provider to transfer the details of your application to the Company and the Hong Kong Share Registrar.

(vi) You may submit an application through the **White Form eIPO** service (www.eipo.com.hk) in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(vii) You may submit your application to the **White Form eIPO** Service Provider through the designated website **www.eipo.com.hk** from 9:00 a.m. on Wednesday, 11 May 2011 until 11:30 a.m. on Monday, 16 May 2011 or such later time as described under the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" above (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 16 May 2011, the last application day, or, if the Application Lists are not open on that day, then by the time and date stated in the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" above.

You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website before 11:30 a.m., you 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 Lists close.

(viii) You should make payment for your application made by **White Form eIPO** service (www.eipo.com.hk) in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 16 May 2011, or such later time as described under the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" above, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service (www.eipo.com.hk) more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(x) **Warning:** The application for Hong Kong Public Offer Shares through the **White Form eIPO** service (www.eipo.com.hk) is only a facility provided by the **White Form eIPO** Service Provider to public investors. **The Company, the Directors and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service (www.eipo.com.hk) will be submitted to the Company or that you will be allotted any Hong Kong Public Offer Shares.**

Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "MILAN STATION HOLDINGS LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. If you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

(b) **Supplemental information**

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **White Form eIPO** service (www.eipo.com.hk) may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service (www.eipo.com.hk) that have been submitted remain valid and may be accepted. Subject to the provisions referred to in this section, an application once made through the **White Form eIPO** service (www.eipo.com.hk) is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

(c) **Power of attorney**

If your application is made by a duly authorised attorney, the Company or the Sole Global Coordinator, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

(d) **Additional information**

For the purpose of allocating Hong Kong Public Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed "17. Refund of your money — Additional Information".

8. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow these instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicant(s)) at your own risk at the address stated on the Application Form.

9. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

(b) If you are a **CCASS Investor Participant**, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling +852 2979 7888 or CCASS Internet System at *https://ip.ccass.com* (according to the procedures contained in "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
Customer Service Centre of HKSCC
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) 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 Hong Kong Public Offer Shares on your behalf.

(d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Company's Hong Kong Share Registrar.

(e) You may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table on the Application Form.

(f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and

(ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in the paragraph headed "13. Effect of Making Any Application" below.

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong 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.

(h) For the purpose of allocating the Hong Kong Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

(i) The paragraph headed "18. Personal Data" below applies to any personal data held by the Sole Global Coordinator, the Company and the Company's Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Sole Global Coordinator and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Monday, 16 May 2011 or such later time as described under the paragraph headed "(e) Effect of bad weather conditions on the opening of the Application Lists" above.

10. RESULTS OF ALLOCATIONS

The Company expects to announce the level of interest in the Hong Kong Public Offering and the International Offering, basis of allotment, the Offer Price and the results of applications under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider, on Friday, 20 May 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers (where applicable) of successful applicants under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in the Company's announcement to be posted on the website of the Company at www.milanstation.com.hk and on the website of the Stock Exchange at www.hkexnews.hk on Friday, 20 May 2011;

- Results of allocations will be made available from results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Friday, 20 May 2011 to 12:00 midnight on Thursday, 26 May 2011. A "Search by ID" function will be available on the results of allocations website at www.iporesults.com.hk. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong Business Registration number provided in his/her/its Application Form to search for his/her/its own allocation result;

- Results of allocations will be made available from the Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 20 May 2011 to Monday, 23 May 2011;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and/or sub-branches set out in the paragraphs headed "Where to collect the application forms" under this section from Friday, 20 May 2011 to Friday, 27 May 2011 at all the receiving bank branches and/or sub-branches at the addresses and places set out in the paragraph headed "4. Where to Collect the Application Forms".

11. TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

(a) If you apply for the Hong Kong Public Offer Shares in the Hong Kong Public Offering, you will be agreeing with the Company, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor as set out below.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Hong Kong Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read this prospectus carefully, including the terms and conditions set out herein and other terms and conditions of the Hong Kong Public Offering in the section headed "Structure of Global Offering — Conditions of the Global Offering" in this prospectus and the terms and conditions set out in the relevant Application Form or imposed by HKSCC (as the case may be) prior to making an application.

(e) You offer to purchase from the Company at the Offer Price the number of Hong Kong Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(f) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (where applicable) representing the Hong Kong Public Offer Shares applied for but not allocated to you and representing the difference (where applicable) between the final Offer Price and the maximum indicative Offer Price (including brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% attributable thereto), is expected to be sent to you by ordinary post and at your own risk to the address stated on your Application Form on or before Friday, 20 May 2011.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are set out below in the paragraphs headed "16. If Your Application for Hong Kong Public Offer Shares is Successful (in Whole or in Part)" and "17. Refund of Your Money — Additional Information" in this section.

(g) Any application may be rejected in whole or in part.

(h) For the avoidance of doubt, the 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** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

(i) The Hong Kong Public Offer Shares will be allocated after the Application Lists close. The Company expects to announce the level of interest in the Hong Kong Public Offering and the International Offering, basis of allotment, the Offer Price and the results of applications under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC, and to the White Form eIPO Service Provider in the manner described in the paragraph headed "10. Results of Allocations" under this section.

(j) The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(k) If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of Global Offering" in this prospectus.

(l) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other rights you may have.

12. HOW MANY APPLICATIONS YOU CAN MAKE

(a) **You may make more than one application for the Hong Kong Public Offer Shares if and only if** you are a **nominee**, in which case you may give **electronic application instructions** to HKSCC through CCASS (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO** service (www.eipo.com.hk), once you complete payment in respect of any electronic application instructions given by you or for your benefit to the White Form eIPO Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application 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 **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service (www.eipo.com.hk) and one or more applications by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

(b) **Multiple applications or suspected multiple applications are liable to be rejected.**

All of your applications for the Hong Kong Public Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk), save in the case of applications made by nominees in accordance with paragraph (a) above; or

- both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS (If you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk); or

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing Participant or a CCASS Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk) for more than 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offering as referred to under the section headed "Structure of Global Offering — Hong Kong Public Offering" in this prospectus; or

- make **electronic application instructions** through the **White Form eIPO** service that are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Offering.

(c) All of your applications for the Hong Kong Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

(d) If an application is made by an unlisted company and:

(i) the only business of that company is dealing in securities; and

(ii) you exercise statutory control over that company,

then the application will be deemed to be made for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

(i) control the composition of the board of directors of that company; or

(ii) control more than half of the voting power of that company; or

(iii) 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 profit or capital).

13. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **apply** for the desired number of Hong Kong Public Offer Shares on the terms and subject to the conditions set out in this prospectus and the relevant Application From or the **White Form eIPO** at the designated website at **www.eipo.com.hk** (as the case may be) subject to the Memorandum and the Articles;

- **instruct** and **authorise** the Company and/or the Sole Global Coordinator (or their respective agents or nominees) as agents for the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Memorandum and the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Memorandum and the Articles;

- **represent** and **warrant** that you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S);

- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk);

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorised to submit the application as that other person's agent;

- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by the Company;

- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;

- **warrant** the truth and accuracy of the information contained in your application;

- **agree** to disclose to the Company, its Hong Kong Share Registrar, receiving banker, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertake** and **agree** to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

- **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant on the Application Form by ordinary post at your own risk to the address stated on your Application Form (unless you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on your Application Form that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person then you can collect them from Computershare Hong Kong Investor Services Limited between 9:00 a.m. and 1:00 p.m. on Friday, 20 May 2011 (Hong Kong time);

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Sole Bookrunner, and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus or in the **White Form eIPO** designated website at **www.eipo.com.hk** (as the case may be);

- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of the Company) to observe and comply with the Companies Ordinance and the Memorandum and the Articles and Cayman Islands Companies Law;

- **agree** with the Company, each shareholder, director, manager and officer of the Company, and the Company acting for itself and for each director, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Memorandum and the Articles or any rights or obligations conferred or imposed by the Cayman Islands Companies Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Memorandum and the Articles, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the relevant Application Form or the **White Form eIPO** designated website at **www.eipo.com.hk** (as the case may be) and **agree** to be bound by them;

- **agree** with the Company and each shareholder of the Company that Shares are freely transferable by the holders thereof;

- **authorise** the Company to enter into a contract on behalf of you with each Director and officer of the Company whereby such Directors and officers undertake to observe and comply with their obligations to shareholders stipulated in the Memorandum and the Articles;

- **agree** that the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus, the Application Forms and any supplement to this prospectus;

- **confirm** that you are aware of the restrictions on Global Offering of the Hong Kong Public Offer Shares described in this prospectus; and

- **understand** that these declarations and representations will be relied upon by the Company and the Sole Global Coordinator and the Sole Lead Manager in deciding whether or not to allocate any Hong Kong Public Offer Shares in response to your application.

(b) If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in paragraph (a) above you **agree** (and if you are joint applicants, each of you jointly and severally) that:

- any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) **not to accept** any or part of such allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offer Shares to be **withdrawn** from CCASS and transferred into your name (or, if you are a joint applicant, to the firstnamed applicant) at your own risk and costs; and (3) to cause such **allotted Hong Kong Public Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Public Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms;

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, 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 additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- **instructed** and **authorised** HKSCC to arrange payment of the maximum offer price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the initial price per share paid on application, refund the appropriate portion of the application money by crediting your designated bank account;

- (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of person who have given electronic application instructions to apply for Hong Kong Public Offer Shares) (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the white Application Form or this prospectus; (ii) in addition to the confirmations and agreements set out in paragraph (a) above, instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:

— **agree** that the Hong Kong Public Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

— **undertake** and **agree** to accept the Hong Kong Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

— **undertake** and **confirm** that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;

— (if the **electronic application instructions** are given for your own 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 given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

— **understand** that the above declaration will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

— **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Public Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between the Company 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 only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— **agree** that the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;

— **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— **agree** to disclose to the Company, its Hong Kong Share Registrar, receiving banker, the Sole Global Coordinator and the Hong Kong Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

— **agree** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before 11 June 2011, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before 11 June 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the instructions before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by the Company;

— **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares;

(d) The Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and any of their respective directors, officers, advisers, agents and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application. In the event of the application being made by joint applicants, 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.

14. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may not be revoked before 11 June 2011. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly or to the **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk). This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before 11 June 2011 except by means of one of the procedures referred to in this prospectus. If your application or the application made by HKSCC Nominees on your behalf or the **White Form eIPO** Service Provider has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by announcement of the basis of allocation and/or making available the results of allocation publicly, 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.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives 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 have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and 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. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press 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.

(b) **If at the discretion of the Company, the Sole Global Coordinator or the White Form eIPO Service Provider (where applicable) or their respective agents or nominees, your application is rejected:**

The Company, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) or the **White Form eIPO** Service Provider (where applicable) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) **If your application is rejected:**

Your application may be rejected if:

- it is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form) or your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk** (where applicable);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Offer Shares under the International Offering;
- your application is for more than 8,126,000 Shares as referred to under the section headed "Structure of Global Offering — Hong Kong Public Offering" in this prospectus; or
- the Company believes that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

(d) **If your application is not accepted:**

Your application may not be accepted if:

- any of the Underwriting Agreements does not become unconditional; or
- any of the Underwriting Agreements is terminated in accordance with the terms thereof or otherwise.

(e) **If the allocation of the Hong Kong Public Offer Shares is void:**

Your allocation of the Hong Kong Public Offer Shares (and the allocation to HKSCC Nominees, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the Applications Lists; 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 of the Application Lists.

(f) If you are giving **electronic application instructions** to HKSCC to apply for Hong Kong Public Offer Shares on your behalf, you will also not be allocated any Hong Kong Public Offer Shares if HKSCC Nominees' application is not accepted.

15. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price of the Hong Kong Public Offer Shares is HK$1.67 each. You must also pay a brokerage of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%. The proposed board lot for trading in the Shares is 2,000 Shares. This means that for one board lot of 2,000 Hong Kong Public Offer Shares, you will pay HK$3,373.67. The Application Forms have tables showing the exact amount payable for numbers of Hong Kong Public Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% in full when you apply for the Hong Kong Public Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK$1.67 per Hong Kong Public Offer Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed "17. Refund of Your Money — Additional Information" below.

16. IF YOUR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Hong Kong Public Offer Shares.

No receipt will be issued for application monies paid.

You will receive one share certificate for all of the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS, in which case the share certificates will be deposited in CCASS).

Share certificates will only become valid share certificates of title at 8:00 a.m. on Monday, 23 May 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" has not been exercised.

(a) **If you are applying using a WHITE Application Form or by giving electronic application instructions through the White Form eIPO service (www.eipo.com.hk)**

- If you have applied for 1,000,000 Hong Kong Public Offer Shares or more on a **WHITE** Application Form or by giving **electronic application instructions** through the **White Form eIPO** service (www.eipo.com.hk) and have indicated on the Application Form that you wish to collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect the share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Share Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011 or any other date notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of collection of share certificate(s)/e-Refund payment instructions/ refund cheque(s) (where applicable).

- If you are an individual who is applying for 1,000,000 Hong Kong Public Offer Shares or more and opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

- If you do not collect your share certificates (where applicable) and/or refund cheque(s) (where applicable) in person within the time specified for collection, they are expected to be despatched on Friday, 20 May 2011 to the address as specified in your Application Form by ordinary post and at your own risk.

- If you have applied for less than 1,000,000 Hong Kong Public Offer Shares or if you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or share certificates (where applicable) in person, your refund cheque(s) and/or share certificates (where applicable) are expected to be despatched on Friday, 20 May 2011 to the address that is specified on your Application Form by ordinary post and at your own risk.

(b) **If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Hong Kong Public Offer Shares deposited directly into CCASS:**

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), on Friday, 20 May 2011 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form:*

  For Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form:*

  The Company is expected to publish the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "10. Results of Allocations" on Friday, 20 May 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 20 May 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more on a **YELLOW** Application Form and have indicated on the Application Form that you wish to collect refund cheque(s) (where applicable) in person, follow the same procedure as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque (if any) is expected to be despatched on Friday, 20 May 2011 to the address that is specified on your Application Form by ordinary post and at your own risk.

- *If you have given **electronic application instructions** to HKSCC:*

  For the purposes of allocating Hong Kong 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 each such instruction is given will be treated as an applicant.

  No temporary document of title will be issued. No receipt will be issued for sums paid on application.

  If your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account on Friday, 20 May 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

  The Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong Business Registration number or other identification code (as appropriate) in the manner described above in the paragraph headed "10. Results of Allocations" on Friday, 20 May 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 20 May 2011 or any other date HKSCC or HKSCC Nominees chooses.

- *If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** to HKSCC on your behalf:*

  You can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- *If you are applying as a CCASS Investor Participant by giving **electronic application instructions** to HKSCC:*

  You can also check the number of the Hong Kong Public Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 20 May 2011. HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

17. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

(a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of the Company) if:

- your application is not successful, in which case the Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
- your application is accepted only in part, in which case the Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
- the Offer Price (as finally determined) is less than the price per Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) initially paid by the applicant on application, in which case the Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
- the conditions of Global Offering are not fulfilled in accordance with the section headed "Structure of Global Offering — Conditions of the Global Offering" in this prospectus; and
- your application is revoked or any allotment pursuant thereto has become void.

(b) If you have applied for 1,000,000 Hong Kong Public Offer Shares or more on a **WHITE** Application Form and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from the Company's Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011 or any other date notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of collection of refund cheques, after which your refund cheque will be posted to you by ordinary post and at your own risk to the address stated on your Application Forms. The procedure for collection refund cheques for **WHITE** Application Form is set out in paragraph headed "16. If Your Application for Hong Kong Public Offer Shares is Successful (in Whole or in Part)" in this section.

(c) If you have applied for 1,000,000 Hong Kong Public Offer Shares or more on a **YELLOW** Application Form and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from the Company's Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011 or any other date notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of collection of refund cheques, after which your refund cheque will be posted to you by ordinary post and at your own risk to the address stated on your Application Form. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in paragraph (a) of the paragraph headed "16. If Your Application for Hong Kong Public Offer Shares is Successful (in Whole or in Part)" in this section.

(d) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Friday, 20 May 2011.

(e) If you are applying for 1,000,000 Hong Kong Public Offer Shares or more by submitting **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 20 May 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect share certificate(s) personally within the time specified for collection, they will then be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider promptly, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Friday, 20 May 2011, by ordinary post and at your own risk.

Please also refer to the section headed "If your application for Hong Kong Public Offer Shares is successful (in whole or in part)". The Company intends to make special efforts to avoid delays in refunding money.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to the application payment account on Friday, 20 May 2011.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Friday, 20 May 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in "Applying through White Form eIPO — Additional information".

(f) Refund cheques will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the firstnamed applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

(g) Refund cheques are expected to be despatched on Friday, 20 May 2011. The Company intends to make special efforts to avoid undue delays in refunding money where appropriate.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company, and the Sole Global Coordinator cheques for applications for certain small denominations of Hong Kong Public Offer Shares (apart from successful and reserved applications) may not be cleared.

18. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of Shares of the policies and practices of the Company and the Company's Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and the Company's Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Company's Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of e-Refund payment instructions and/or the despatch of refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and the Company's Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) **Purposes**

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Company's Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by the Company and the Company's Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and the Company's Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- the Company or its appointed agents such as financial advisers, receiving bankers and the Company's principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or the Company's Hong Kong Share Registrar in connection with the operation of their businesses;
- any broker whose company chop or other identification numbers has been placed on the Application Form;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) **Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether the Company and/or the Company's Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and the Company's Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to the Company for the attention of the Company Secretary or (as the case may be) the Company's Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

19. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 23 May 2011. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 01150.

Any share certificates in respect of Hong Kong Public Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Hong Kong Underwriting Agreement.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as may be determined by HKSCC. 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 obtain independent professional advice and seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

11 May 2011

The Board of Directors
Milan Station Holdings Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

We set out below our report on the financial information regarding Milan Station Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods"), prepared on the basis of presentation and preparation set forth in notes 1 and 2.1 of Section II in this report below, for inclusion in the prospectus of the Company dated 11 May 2011 (the "Prospectus") in connection with the proposed 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 1 November 2007 as an exempted company with limited liability. Pursuant to a group reorganisation as more fully explained in the paragraph headed "Corporate reorganisation" in "Appendix V — Statutory and general information" to the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the retailing of handbags, fashion accessories and embellishments. The Company and its subsidiaries have adopted 31 December as their financial year end date. The particulars of the Company and its subsidiaries are set out in note 1 of Section II below.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods, the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010, and the statements of financial position of the Company as at 31 December 2008, 2009 and 2010, together with the notes thereto set out in this report (the "Financial Information") have been prepared based on the audited financial statements and, where appropriate, management accounts of the companies now comprising the Group, and have been prepared on the bases set out in notes 1 and 2.1 of Section II below. No statement of adjustments as defined under Rule 4.15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") is considered necessary.

The directors of the Company (the "Directors") are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information, financial statements and management accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion thereon to you.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the Financial Information for the Relevant Periods

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation and preparation set out in notes 1 and 2.1 of Section II below gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008, 2009 and 2010 and of the combined results and combined cash flows of the Group for each of the Relevant Periods.

MILAN STATION HOLDINGS LIMITED

I. FINANCIAL INFORMATION

Combined income statements

	Notes	2008	2009	2010
		Year ended 31 December		
		HK$'000	*HK$'000*	*HK$'000*
REVENUE	5	511,998	611,273	730,259
Cost of sales		(371,546)	(467,609)	(555,599)
Gross profit		140,452	143,664	174,660
Other income and gains	5	2,025	536	935
Selling expenses		(61,854)	(71,028)	(84,091)
Administrative and other operating expenses		(23,231)	(24,597)	(24,681)
Finance costs	6	(244)	(381)	(187)
PROFIT BEFORE TAX	7	57,148	48,194	66,636
Income tax expense	10	(11,120)	(9,031)	(12,326)
PROFIT FOR THE YEAR		46,028	39,163	54,310

Details of the dividends for the Relevant Periods are disclosed in note 11 to the Financial Information.

Combined statements of comprehensive income

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
PROFIT FOR THE YEAR	46,028	39,163	54,310
Other comprehensive income:			
Exchange differences on translating foreign operations	80	9	230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,108	39,172	54,540

Combined statements of financial position

	Notes	31 December 2008 HK$'000	31 December 2009 HK$'000	31 December 2010 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	6,573	11,976	9,082
Deferred tax assets	23	334	1,060	1,231
Rental deposits	15	—	4,360	10,719
Total non-current assets		6,907	17,396	21,032
CURRENT ASSETS				
Inventories	16	46,855	69,007	89,007
Trade receivables	17	4,968	6,443	9,691
Prepayments, deposits and other receivables	15	8,180	6,478	17,295
Amounts due from related parties	18	28,248	16,298	—
Tax recoverable		1,206	945	729
Pledged deposit	19	—	—	1,500
Cash and cash equivalents	19	43,468	40,585	26,640
Total current assets		132,925	139,756	144,862
CURRENT LIABILITIES				
Accrued liabilities and other payables	20	6,337	8,665	19,575
Interest-bearing bank borrowings	21	8,041	8,983	5,771
Obligations under finance leases	22	818	239	134
Amounts due to related parties	18	3,041	18,782	—
Tax payable		4,636	3,589	4,967
Provision	14	—	2,640	1,407
Total current liabilities		22,873	42,898	31,854
NET CURRENT ASSETS		110,052	96,858	113,008
TOTAL ASSETS LESS CURRENT LIABILITIES		116,959	114,254	134,040
NON-CURRENT LIABILITIES				
Obligations under finance leases	22	516	368	268
Amounts due to related parties	18	19,978	19,963	—
Deferred tax liability	23	93	379	177
Total non-current liabilities		20,587	20,710	445
Net assets		96,372	93,544	133,595
EQUITY				
Issued capital	24	—	—	—
Reserves	25	96,372	93,544	133,595
Total equity		96,372	93,544	133,595

Combined statements of changes in equity

	Attributable to ordinary equity holders of the Company							
	Issued capital	**Share premium account**	**Capital reserve**	**Merger reserve**	**Statutory reserve fund**	**Exchange fluctuation reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)		*(Note b)*		*(Note c)*			
At 31 December 2007 and 1 January 2008	—	—*	10*	(23,782)*	—*	—*	74,036*	50,264
Exchange differences arising on translation of foreign operations	—	—	—	—	—	80	—	80
Profit for the year	—	—	—	—	—	—	46,028	46,028
Total comprehensive income for the year	—	—	—	—	—	80	46,028	46,108
At 31 December 2008 and 1 January 2009	—	—*	10*	(23,782)*	—*	80*	120,064*	96,372

	Attributable to ordinary equity holders of the Company							
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)		*(Note b)*		*(Note c)*			
At 31 December 2008 and 1 January 2009	—	—*	10*	(23,782)*	—*	80*	120,064*	96,372
Exchange differences arising on translation of foreign operations	—	—	—	—	—	9	—	9
Profit for the year	—	—	—	—	—	—	39,163	39,163
Total comprehensive income for the year	—	—	—	—	—	9	39,163	39,172
Transfer to statutory reserve	—	—	—	—	249	—	(249)	—
Final 2008 dividend paid (note 11)	—	—	—	—	—	—	(7,000)	(7,000)
Interim 2009 dividend (note 11)	—	—	—	—	—	—	(35,000)	(35,000)
At 31 December 2009 and 1 January 2010	—	—*	10*	(23,782)*	249*	89*	116,978*	93,544
Exchange differences arising on translation of foreign operations	—	—	—	—	—	230	—	230
Profit for the year	—	—	—	—	—	—	54,310	54,310
Total comprehensive income for the year	—	—	—	—	—	230	54,310	54,540
Transfer to statutory reserve	—	—	—	—	587	—	(587)	—
Interim 2010 dividend (note 11)	—	—	—	—	—	—	(14,489)	(14,489)
At 31 December 2010	—	—*	10*	(23,782)*	836*	319*	156,212*	133,595

* These reserve accounts comprise the combined reserves of HK$96,372,000 HK$93,544,000 and HK$133,595,000 in the combined statements of financial position as at 31 December 2008, 2009 and 2010, respectively.

Notes:

(a) Milan Station (BVI) Limited ("MS (BVI)") was incorporated in 2007 with an authorised share capital of US$50,000 of 50,000 shares of US$1 each and 1 share of US$1 each was issued. Since the Company acquired the entire issued share capital of MS (BVI) from Perfect One Enterprises Limited ("Perfect One"), which was incorporated on 28 July 2010 and was beneficially owned by Mr. Yiu Kwan Tat, a director and a beneficial shareholder of the Company, on 28 April 2011, the issued capital represented the share capital of MS (BVI) as at 31 December 2008, 2009 and 2010.

(b) The capital reserve of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation on 28 April 2011 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefor.

(c) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiary registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Combined statements of cash flows

	Notes	2008	2009	2010
		Year ended 31 December		
		HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		57,148	48,194	66,636
Adjustments for:				
Bank interest income	7	(324)	(95)	(18)
Gain on disposal of a subsidiary	7	(938)	—	—
Gain on disposal of items of property, plant and equipment	7	—	(400)	(873)
Write-off of items of property, plant and equipment	7	—	327	217
Provision for slow-moving inventories	7	1,132	439	1,542
Depreciation	7	3,692	4,490	5,742
Finance costs	6	244	381	187
		60,954	53,336	73,433
Increase in inventories		(10,755)	(22,591)	(21,542)
Decrease/(increase) in trade receivables		2,975	(1,475)	(3,248)
Increase in prepayments, deposits and other receivables		(844)	(2,658)	(17,176)
Movements in balances with related parties		(12,815)	(7,824)	(22,447)
Increase in accrued liabilities and other payables		1,633	2,328	910
Increase/(decrease) in provision		—	2,640	(1,233)
Cash generated from operations		41,148	23,756	8,697
Interest paid		(153)	(253)	(158)
Interest element on finance lease rental payments		(91)	(128)	(29)
Hong Kong profits tax paid		(9,308)	(9,562)	(8,759)
Overseas taxes paid		(84)	(695)	(2,346)
Net cash flows from/(used in) operating activities		31,512	13,118	(2,595)

	Notes	2008	2009	2010
		Year ended 31 December		
		HK$'000	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		324	95	18
Purchases of items of property, plant and equipment		(2,783)	(9,292)	(2,953)
Disposal of a subsidiary	27	(1,230)	—	—
Proceeds from disposal of items of property, plant and equipment		—	—	780
Net cash flows used in investing activities		(3,689)	(9,197)	(2,155)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		10,182	9,110	6,251
Repayment of bank loans		(6,718)	(8,768)	(8,875)
Increase in a pledged time deposit		—	—	(1,500)
Dividends paid		—	(6,500)	(4,489)
Capital element of finance lease payables		(962)	(1,255)	(205)
Net cash flows from/(used in) financing activities		2,502	(7,413)	(8,818)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		30,325	(3,492)	(13,568)
Cash and cash equivalents at beginning of year		13,040	43,445	39,962
Effect of foreign exchange rate changes, net		80	9	211
CASH AND CASH EQUIVALENTS AT END OF YEAR		43,445	39,962	26,605
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the combined statements of financial position	19	43,468	40,585	26,640
Bank overdrafts	21	(23)	(623)	(35)
Cash and cash equivalents as stated in the combined statements of cash flows		43,445	39,962	26,605

Statement of financial position

		31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES				
Due to a subsidiary		—	—	28
Accrued liabilities	20	—	—	165
Total current liabilities		—	—	193
Net liabilities		—	—	(193)
DEFICIENCY IN ASSETS				
Issued capital	24	—	—	—
Accumulated loss		—	—	(193)
Total deficiency in assets		—	—	(193)

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

On 28 April 2011, the companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the existing group structure for the purpose of the Company's proposed listing of its shares on the Main Board of the Stock Exchange.

For the purpose of this report, the Financial Information has been prepared to reflect the reorganisation of the entities under common control. The Company and its subsidiaries are ultimately controlled by Mr. Yiu Kwan Tat, a director and a beneficial shareholder of the Company, before and after the completion of the Reorganisation.

The Reorganisation upon completion is accounted for as reorganisation under common control using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The Financial Information as set out in this report is prepared on a combined basis as prescribed by Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies in Hong Kong (or, if incorporated/established outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment and operation	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Subsidiaries					
MS (BVI) [1]	British Virgin Islands ("BVI") 28 September 2007	US$1	100	—	Investment holding
Milan Station (Hong Kong) Limited ("MS (HK)") [2]	Hong Kong 27 June 2001	HK$10,000	—	100	Investment holding
Milan Station Fashion (Causeway Bay) Limited [2]	Hong Kong 12 July 2002	HK$10,000	—	100	Dormant
Milan Station (Tsuen Wan) Limited [2]	Hong Kong 18 December 2002	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Shatin) Limited [2]	Hong Kong 29 January 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (TST) Limited [2]	Hong Kong 10 March 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Fashion (TST) Limited [2]	Hong Kong 17 October 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation

Company name	Place and date of incorporation/ establishment and operation	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Milan Station (Causeway Bay) Limited [2]	Hong Kong 12 March 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Trading Limited [2]	Hong Kong 26 March 2003	HK$10,000	—	100	Engaged in trading of handbags, fashion accessories and embellishments operation
Profit Power Limited [3]	Hong Kong 15 September 2003	HK$10,000	—	100	Dormant
Milan Station (Mongkok) Limited [2]	Hong Kong 17 October 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Central) Limited [2]	Hong Kong 19 March 2003	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Union Will Limited [2]	Hong Kong 5 March 2003	HK$2	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Trilink Global Limited ("Trilink Global") [1]	BVI 18 May 2005	US$1	—	100	Investment holding
Milan Station (Asia) Limited ("MS (Asia)") [2]	Hong Kong 9 June 2005	HK$10,000	—	100	Dormant

Company name	Place and date of incorporation/ establishment and operation	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Milan Station Fashion (Hong Kong) Limited [2]	Hong Kong 8 March 2007	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Macau) Limited (formerly "Italy Station (Macau) Limited")[1]	Macau 28 May 2007	MOP30,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (PRC) Limited ("MS (PRC)") [1]	BVI 28 September 2007	US$1	—	100	Investment holding
Milan Station (E-Business) Limited [2]	Hong Kong 23 October 2007	HK$10,000	—	100	Dormant
Milan Station (D & M) Limited [2]	Hong Kong 25 October 2007	HK$10,000	—	100	Dormant
Milan Station (PRC) Limited [2]	Hong Kong 2 November 2007	HK$10,000	—	100	Investment holding
Milan Station (Yuen Long) Limited [2]	Hong Kong 13 October 2008	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站亞太零售(北京)有限公司 *	The PRC/ Mainland China 30 July 2008	RMB7,000,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Woodhouse) Limited [2]	Hong Kong 27 March 2009	HK$10,000	—	100	Engaged in retailing of handbags, fashion accessories and embellishments operation

As at the date of this report, no statutory audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation described in "Appendix V — Statutory and general information" to the Prospectus.

Notes:

* Registered as a wholly-foreign-owned enterprise under the laws of the People's Republic of China. The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by 北京文信會計師事務所有限責任公司.

1 No audited financial statements have been prepared for these subsidiaries since they are not subject to any statutory audit requirements under their jurisdiction of incorporation.

2 The statutory financial statements for the period/year ended 31 December 2008 and 2009 were audited by Ernst & Young, certified public accountants registered in Hong Kong.

3 The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by FTW & Partners CPA Limited, certified public accountants registered in Hong Kong.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The HKICPA issued a number of new or revised HKFRSs which are generally effective for annual periods beginning on or after 1 January 2008, 1 January 2009 and 1 January 2010.

For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised HKFRSs that are relevant to the Group's operations as at the beginning of the Relevant Periods.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in preparing the Financial Information.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes — *Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 — *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the Relevant Periods is accounted for using the acquisition method of 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 or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The combined income statements 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 common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination.

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its holding company;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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. The principal annual rates used for this purpose are as follows:

Motor vehicles	30%
Furniture, fixtures and office equipment	20%
Leasehold improvements	Over the shorter of the lease terms and 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.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and 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 the combined income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 the combined income statement 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 other than goodwill 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) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the combined income statement in the period in which it arises.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the combined income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor to sub-lease the leased assets under operating lease; such rentals receivable under the operating leases are credited to the combined income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentive received from the lessor are charged to the combined income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, a pledged deposit, trade and other receivables, deposits and amounts due from related parties.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the combined income statement. The loss arising from impairment is recognised in the combined income statement in other operating expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only 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 (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the combined income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the combined income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank borrowings, obligations under finance leases, other payables and amounts due to related parties.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the combined income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the combined income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 sale 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;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the combined income statement.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statements 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.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central social security scheme.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the combined income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the combined income statement.

For the purpose of the combined statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

Provision for obsolete and slow-moving inventories

Management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving items. During the three years ended 31 December 2008, 2009 and 2010, the Group made 10% provision on the gross carrying value of handbags and other products that are aged over 90 days and 45 days, respectively. Additional 10% provision on the gross carrying value of the inventories will be made if another 90 days and 45 days passed for the handbags and other products, respectively, and so on. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change as a result of changes in market conditions. Such changes will have impact on the carrying amounts of inventories and the allowance of the inventories in the period in which such estimates have been changed. The Group reassesses these estimates at the end of each reporting period. Provisions for slow-moving inventories amounted to HK$2,355,000, HK$2,794,000 and HK$4,336,000 as at 31 December 2008, 2009 and 2010, respectively.

4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the retailing of handbags, fashion accessories and embellishments. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the location of the customers, and the non-current assets information is based on the location of property, plant and equipment.

Geographical information

	Hong Kong	Macau	Taiwan	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Revenue from external customers	456,067	29,748	23,703	2,480	511,998
Non-current assets	4,744	856	—	973	6,573
Capital expenditure	1,777	28	—	978	2,783
Year ended 31 December 2009					
Revenue from external customers	555,449	33,196	—	22,628	611,273
Non-current assets	10,422	769	—	785	11,976
Capital expenditure	10,039	162	—	19	10,220
Year ended 31 December 2010					
Revenue from external customers	645,357	38,857	—	46,045	730,259
Non-current assets	6,861	497	—	1,724	9,082
Capital expenditure	1,868	4	—	1,291	3,163

The non-current asset information excludes financial instruments and deferred tax assets.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the Relevant Periods, no information about major customers is presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sale of goods	511,998	611,273	730,259
Other income and gains			
Bank interest income	324	95	18
Gain on disposal of items of property, plant and equipment	—	400	873
Gain on disposal of a subsidiary	938	—	—
Gross rental income	600	—	—
Others	163	41	44
	2,025	536	935
	514,023	611,809	731,194

6. FINANCE COSTS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank overdrafts	4	2	7
Bank loans wholly repayable within five years	149	251	151
Finance leases	91	128	29
	244	381	187

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold	371,546	467,609	555,599
Provision for slow-moving inventories	1,132	439	1,542
Depreciation	3,692	4,490	5,742
Minimum lease payments under operating leases in respect of land and buildings	30,657	35,448	42,177
Provision for early termination of a tenancy agreement	—	3,075	—
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Wages and salaries	24,723	24,226	26,734
Pension scheme contributions	819	826	898
	25,542	25,052	27,632
Gross rental income	600	—	—
Less: Direct operating expenses	(544)	—	—
Net rental income	56	—	—
Auditors' remuneration	980	1,105	1,000
Write-off of items of property, plant and equipment	—	327	217
Gain on disposal of items of property, plant and equipment	—	(400)	(873)
Gain on disposal of a subsidiary	(938)	—	—
Bank interest income	(324)	(95)	(18)

8. DIRECTORS' REMUNERATION

Details of the directors' remuneration are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Fees	—	—	—
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	5,837	4,971	5,415
Pension scheme contributions	48	48	48
	5,885	5,019	5,463

(a) **Non-executive directors**

Mr. Tam B Ray, Billy, Mr. So Hon Cheung, Stephen, Mr. Ip Shu Kwan and Mr. Lau Kin Hok were appointed as the non-executive directors of the Company on 28 April 2011. There were no fees or other emoluments payable to non-executive directors during the Relevant Periods.

Mr. So Hon Cheung, Stephen, Mr. Ip Shu Kwan and Mr. Lau Kin Hok are independent non-executive directors of the Company.

(b) **Executive directors**

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Mr. Yiu Kwan Tat ("Mr. Yiu")	—	3,768	12	—	3,780
Mr. Yiu Kwan Wai, Gary	—	693	12	—	705
Ms. Yiu Sau Wai ("Ms. Yiu")	—	618	12	—	630
Mr. Wong Hiu Chor ("Mr. Wong")	—	758	12	—	770
	—	5,837	48	—	5,885
Year ended 31 December 2009					
Mr. Yiu	—	3,020	12	—	3,032
Mr. Yiu Kwan Wai, Gary	—	653	12	—	665
Ms. Yiu	—	562	12	—	574
Mr. Wong	—	736	12	—	748
	—	4,971	48	—	5,019
Year ended 31 December 2010					
Mr. Yiu	—	3,258	12	—	3,270
Mr. Yiu Kwan Wai, Gary	—	702	12	—	714
Ms. Yiu	—	650	12	—	662
Mr. Wong	—	805	12	—	817
	—	5,415	48	—	5,463

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Directors	5,255	4,445	4,801
Non-director, highest paid employees	1,408	1,239	1,392
	6,663	5,684	6,193

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	1,384	1,215	1,368
Pension scheme contributions	24	24	24
	1,408	1,239	1,392

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
Nil to HK$1,000,000	2	2	2

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the Relevant Periods.

10. INCOME TAX

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% for the years ended 31 December 2008, 2009 and 2010. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the "New PRC Tax Law") of the PRC being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiary operating in the PRC during the Relevant Periods was 25% on its taxable profit. Macau complementary tax has been provided at progressive rates up to a maximum of 12% on the estimated taxable profits.

The major components of the income tax expense for the Relevant Periods are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current - Hong Kong			
Charged for the year	9,933	7,731	9,926
Underprovision/(overprovision) in prior years	(97)	222	(77)
Current - Elsewhere	1,177	1,518	2,850
Deferred (note 23)	107	(440)	(373)
Total tax charge for the year	11,120	9,031	12,326

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates to the tax expense at the Group's effective tax rates is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	57,148	48,194	66,636
Tax at the applicable tax rates	9,429	8,068	11,355
Adjustment in respect of current tax of previous periods	(97)	222	(107)
Income not subject to tax	(210)	(79)	(145)
Expenses not deductible for tax	506	781	193
Tax losses not recognised	107	660	567
Tax losses from previous periods utilised	(345)	(80)	(20)
Others	1,730	(541)	483
Tax charge at the Group's effective tax rates	11,120	9,031	12,326

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared by the Company's subsidiaries to their then shareholders during the Relevant Periods were as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend	—	35,000	14,489
Proposed final dividend	7,000	—	—

The final dividend for the year ended 31 December 2008 of HK$7,000,000 proposed by the board of directors of MS (HK) to its then equity holder, World Top Trading Limited ("World Top") was approved on 14 August 2009.

The interim dividend for the year ended 31 December 2009 of HK$35,000,000 was declared by the board of directors of MS (HK) to its then equity holder, World Top.

The interim dividend for the year ended 31 December 2010 of HK$14,489,000 was declared by the board of directors of MS (HK) to its then equity holder, World Top on 22 December 2010.

The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	**Furniture, fixtures and office equipment**	**Leasehold improvements**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008				
Cost:				
At 1 January 2008	3,529	2,294	9,901	15,724
Additions	—	308	2,475	2,783
Disposal of a subsidiary (note 27)	—	(86)	(723)	(809)
At 31 December 2008	3,529	2,516	11,653	17,698
Accumulated depreciation:				
At 1 January 2008	1,304	1,262	5,145	7,711
Depreciation charge for the year	854	386	2,452	3,692
Disposal of a subsidiary (note 27)	—	(29)	(249)	(278)
At 31 December 2008	2,158	1,619	7,348	11,125
Net book value:				
At 31 December 2008	1,371	897	4,305	6,573
At 31 December 2007	2,225	1,032	4,756	8,013

	Motor vehicles *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
31 December 2009				
Cost:				
At 1 January 2009	3,529	2,516	11,653	17,698
Additions	2,235	1,036	6,949	10,220
Disposals/write-offs	(913)	(82)	(1,396)	(2,391)
At 31 December 2009	4,851	3,470	17,206	25,527
Accumulated depreciation:				
At 1 January 2009	2,158	1,619	7,348	11,125
Depreciation charge for the year	959	379	3,152	4,490
Disposals/write-offs	(913)	(62)	(1,089)	(2,064)
At 31 December 2009	2,204	1,936	9,411	13,551
Net book value:				
At 31 December 2009	2,647	1,534	7,795	11,976
At 31 December 2008	1,371	897	4,305	6,573

	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2010				
Cost:				
At 1 January 2010	4,851	3,470	17,206	25,527
Additions	590	399	2,174	3,163
Disposals/write-offs	(2,401)	—	(2,467)	(4,868)
Exchange realignment	—	2	21	23
At 31 December 2010	3,040	3,871	16,934	23,845
Accumulated depreciation:				
At 1 January 2010	2,204	1,936	9,411	13,551
Depreciation charge for the year	1,322	496	3,924	5,742
Disposals/write-offs	(2,284)	—	(2,250)	(4,534)
Exchange realignment	—	—	4	4
At 31 December 2010	1,242	2,432	11,089	14,763
Net book value:				
At 31 December 2010	1,798	1,439	5,845	9,082
At 31 December 2009	2,647	1,534	7,795	11,976

The net book values of the Group's motor vehicles held under finance leases amounted to HK$1,371,000, HK$626,000 and HK$317,000 as at 31 December 2008, 2009 and 2010, respectively.

14. PROVISION

MS (Asia), an indirect wholly-owned subsidiary of the Company, entered into a non-cancellable operating lease contract (the "Contract") with a landlord (the "Landlord") in relation to its retail shop (the "Retail Shop") with an original term of two years in May 2009. The Retail Shop was closed down in November 2009. On 6 August 2010, a notice was issued by MS (Asia) to the Landlord in relation to the early termination of the Contract. The Landlord considered MS (Asia) had repudiated the Contract and a statement of claim against MS (Asia) for the remaining outstanding minimum lease payment was issued by the Landlord on 10 August 2010. Accordingly, the Group provided for all the future minimum lease payments under the Contract during the year ended 31 December 2009. The Group has paid lease payments of the Retail Shop of a total of HK$1,233,000 during the year ended 31 December 2010.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	890	998	4,080
Deposits	7,290	9,457	14,964
Other receivables	—	383	8,970
	8,180	10,838	28,014
Less: non-current portion	—	(4,360)	(10,719)
	8,180	6,478	17,295

At 31 December 2008, 2009 and 2010, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. INVENTORIES

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Goods held for resale	46,855	69,007	89,007

17. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing.

All receivables that were neither past due nor impaired relate mainly to credit card receivables from banks for whom there was no recent history of default.

18. BALANCE WITH DIRECTOR AND RELATED COMPANIES

Due from related parties:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Director	14,473	2,648	—
Related companies	13,775	13,650	—
	28,248	16,298	—

Due to related parties:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Director	—	13,666	—
Related companies - current	3,041	5,116	—
Related companies - non-current	19,978	19,963	—
	23,019	38,745	—

Particulars of the amounts due from a director and related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2008

Name	31 December 2008	Maximum amount outstanding during the year	1 January 2008
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Yiu	14,473	14,575	2,366
Related companies			
World Top	6,050	6,050	17
台灣米蘭站股份有限公司 ("MS Taiwan")	1,768	4,255	—
Fortune Sincere Group Limited ("Fortune Sincere")	30	30	—
Global Fair Corporation Limited ("Global Fair")	1,243	1,243	—
Win Hero International Ltd. ("Win Hero")	23	23	18
Powerful Best Limited ("Powerful Best")	1,520	4,259	1,520
Excel Win Limited ("Excel Win")	2,523	2,523	2,523
Excel Trend Limited ("Excel Trend")	447	447	447
Gorgeous Holdings Limited ("Gorgeous") (formerly "Milan Station Holdings Limited" and a company incorporated in Hong Kong)	97	97	79
City Venture International Limited ("City Venture")	37	37	37
City Forum International Limited ("City Forum")	37	37	37
	13,775	19,001	4,678

Year ended 31 December 2009

Name	31 December 2009	Maximum amount outstanding during the year	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Yiu	2,648	23,782	14,473
Related companies			
World Top	6,060	6,060	6,050
MS Taiwan	1,351	1,768	1,768
Fortune Sincere	47	47	30
Global Fair	1,266	1,266	1,243
Win Hero	31	31	23
Powerful Best	1,520	1,520	1,520
Excel Win	2,523	2,523	2,523
Excel Trend	498	498	447
Gorgeous	128	128	97
City Venture	37	37	37
City Forum	37	37	37
Power Wisdom International Limited ("Power Wisdom")	152	152	—
	13,650	14,067	13,775

Year ended 31 December 2010

Name	**31 December 2010**	**Maximum amount outstanding during the year**	**1 January 2010**
	HK$'000	*HK$'000*	*HK$'000*
Director			
Mr. Yiu	—	15,832	2,648
Related companies			
World Top	—	8,953	6,060
MS Taiwan	—	1,729	1,351
Fortune Sincere	—	52	47
Global Fair	—	1,583	1,266
Win Hero	—	31	31
Powerful Best	—	1,520	1,520
Excel Win	—	3,963	2,523
Excel Trend	—	498	498
Gorgeous	—	128	128
City Venture	—	37	37
City Forum	—	37	37
Power Wisdom	—	3,152	152
	—	21,683	13,650

The balances with director and related companies in which Mr. Yiu has beneficial interest are unsecured and interest-free. Except for the amounts due to related companies of HK$19,978,000 and HK$19,963,000 as at 31 December 2008 and 2009, respectively, of which those related companies have undertaken not to demand repayment within twelve months after the end of each of the reporting periods, the other balances with related companies have no fixed terms of repayment.

During the year ended 31 December 2010, balances with related companies were transferred to Mr. Yiu and were settled by way of cash.

19. CASH AND CASH EQUIVALENTS AND A PLEDGED DEPOSIT

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances	22,429	27,776	24,015
Time deposits with original maturity of less than three months when acquired	21,039	12,809	4,125
	43,468	40,585	28,140
Less: Time deposit pledged for bank loan and bank overdraft facilities	—	—	(1,500)
Cash and cash equivalents	43,468	40,585	26,640
Cash and cash equivalents are denominated in:			
HK$	38,474	32,954	20,898
Renminbi ("RMB")	1,488	3,731	1,857
Macao patacas ("MOP")	1,027	1,602	1,749
Euro	2,479	2,298	2,136
	43,468	40,585	26,640

RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

20. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group			Company		
	31 December			31 December		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accrued liabilities	5,674	6,514	6,897	—	—	165
Other payables	663	2,151	2,678	—	—	—
Dividend payable	—	—	10,000	—	—	—
	6,337	8,665	19,575	—	—	165

Other payables are non-interest-bearing and have an average term of one month.

21. INTEREST-BEARING BANK BORROWINGS

	31 December 2008			31 December 2009			31 December 2010		
	Effective interest rate (%)	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current									
Bank overdrafts - unsecured	17	On demand	23	17	On demand	623	14.25	On demand	35
Bank loans - unsecured	5.75	2009	8,018	2.9	2010	8,360	2.8	2011	5,736
			8,041			8,983			5,771

As at 31 December 2008, 2009, and 2010, all bank loans and overdrafts were denominated in HK$ and repayable within one year or on demand.

Except for bank overdrafts which bear interest at fixed interest rates, all other borrowings of the Group bear interest at floating interest rates. The bank loans bore interest at 0.5% above the Prime Lending Rate as at 31 December 2008, 2.35% below the Prime Lending Rate as at 31 December 2009, and 2.45% below the Prime Lending Rate as at 31 December 2010.

The bank loans and overdrafts facilities were supported by:

(i) the pledge of a property (the "Property") of Excel Trend, a related company of the Company as Mr. Yiu and Mr. Chan Cheuk Fai ("Mr. Chan"), a director of the Company and all its subsidiaries and a former director of certain subsidiaries of the Group, respectively, are the director and the former director of Excel Trend, respectively. The carrying values of the Property as at 31 December 2008, 2009 and 2010 were approximately HK$29,900,000, HK$39,500,000 and HK$51,100,000, respectively;

(ii) a personal guarantee (the "Personal Guarantee") executed by Mr. Yiu as at 31 December 2009 and 2010. As at 31 December 2008, the bank loans were supported by a joint guarantee executed by Mr. Yiu and Mr. Chan, the director and the former director of certain subsidiaries of the Group;

(iii) a corporate guarantee executed by a subsidiary of the Company and Excel Trend (the "Corporate Guarantee") as at 31 December 2008, 2009 and 2010; and

(iv) the pledge of a deposit of HK$1,500,000.

As at the latest practicable date, the Group has obtained consents in principle from those creditor banks that the Property, the Personal Guarantee and the Corporate Guarantee will be released upon listing.

22. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles. At 31 December 2008, 2009 and 2010, the total future minimum lease payments under finance leases and their present values were as follows:

(i) **Minimum lease payments**

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Amounts payable:			
Within one year	881	267	153
In the second year	528	119	119
In the third to fifth years, inclusive	—	289	170
Total minimum finance lease payments	1,409	675	442
Future finance charges	(75)	(68)	(40)
Total net finance lease payables	1,334	607	402
Portion classified as current liabilities	(818)	(239)	(134)
Non-current portion	516	368	268

(ii) **Present value of minimum lease payments**

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Amounts payable:			
Within one year	818	239	134
In the second year	516	99	105
In the third to fifth years, inclusive	—	269	163
Total minimum lease payments	1,334	607	402

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and supported by a personal guarantee executed by Mr. Yiu.

As at the latest practicable date, the Group has obtained consent in principle from the creditor bank that the personal guarantee will be released upon listing.

23. DEFERRED TAX

The movements in deferred tax assets and liability during the Relevant Periods are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance	**Provision for inventories**	**Losses available for offsetting against future taxable profit**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	348	—	—	348
Deferred tax charged to the combined income statement during the year (note 10)	(14)	—	—	(14)
At 31 December 2008 and 1 January 2009	334	—	—	334
Deferred tax credited to the combined income statement during the year (note 10)	250	390	86	726
At 31 December 2009 and 1 January 2010	584	390	86	1,060
Deferred tax credited to the combined income statement during the year (note 10)	—	171	—	171
At 31 December 2010	584	561	86	1,231

Deferred tax liability

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 January 2008	—
Deferred tax charged to the combined income statement during the year (note 10)	93
At 31 December 2008 and 1 January 2009	93
Deferred tax charged to the combined income statement during the year (note 10)	286
At 31 December 2009 and 1 January 2010	379
Deferred tax credited to the combined income statement during the year (note 10)	(202)
At 31 December 2010	177

Certain subsidiaries of the Group has tax losses arising in Hong Kong in total of HK$2,542,000, HK$6,057,000 and HK$9,372,000 as at 31 December 2008, 2009 and 2010, respectively that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the New PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. In estimating the withholding tax on dividends expected to be distributed by the Group's subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. As at 31 December 2008, 2009 and 2010, no deferred tax has been recognised for withholding tax that would be payable on the unremitted earnings of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute its earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with the Group's investment in the subsidiary in Mainland China for which a deferred tax liability has not been recognised totalled approximately RMB194,000 and RMB644,000 at 31 December 2009 and 2010, respectively.

24. ISSUED CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One nil-paid share was issued and allotted to Codan Trust Company (Cayman) Limited, which was transferred to World Top on the same day. On 21 September 2010, World Top transferred the share to Perfect One at par value.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

26. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this report, the Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Rental expenses paid to related companies	(a)	3,808	4,448	3,849
Purchases from a related company	(b)	—	7	257
Purchases of property, plant and equipment from a related company	(c)	—	—	75

Notes:

(a) The Group has entered into lease agreements with certain related companies of the Company of which Mr. Yiu, Mr. Yiu Kwan Wai, Gary and Ms. Yiu are also directors of these related companies. The rental expenses paid to related companies were based on mutually agreed terms.

(b) Purchases from a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms.

(c) Purchases of property, plant and equipment from a related company, in which the husband of Ms. Yiu has beneficial interest, were made on mutually agreed terms.

The Directors confirmed that the transactions in notes (b) and (c), and certain lease arrangements in note (a) will continue in the future after the listing of the Company's shares.

(ii) Compensation of key management personnel of Group, including directors' remuneration as disclosed in note 8 to the Financial Information, is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	5,894	5,059	5,617
Post-employment benefits	48	48	51
	5,942	5,107	5,668

(iii) During the year ended 31 December 2008, the bank loans and overdrafts of the Group were supported by personal guarantees executed by Mr. Yiu and Mr. Chan, who were directors of certain subsidiaries of the Group, and a corporate guarantee executed by Excel Trend. During the years ended 31 December 2009 and 2010, the bank loans and overdrafts were supported by a personal guarantee executed by Mr. Yiu and a corporate guarantee executed by Excel Trend and a finance lease was supported by a personal guarantee executed by Mr. Yiu. In addition, Excel Trend has arranged a bank to issue bank guarantees in lieu of rental deposits in relation to certain shops leased by the Group up to HK$435,000, HK$384,000 and HK$384,000 as at 31 December 2008, 2009 and 2010, respectively. Mr. Chan resigned as a director of certain subsidiaries of the Group on 2 February 2009.

(iv) During the years ended 31 December 2009 and 2010, Mr. Yiu, a director of the Company, provided personal guarantees to landlords of certain group companies for default of rental payment or other payables in accordance with the tenancy agreements.

(v) Balances with a director and related companies are disclosed in note 18 to the Financial Information.

(vi) Pursuant to undertakings dated 2 May 2011, Perfect One and Mr. Yiu, the sole beneficial owner of Perfect One, agreed to bear the listing expenses (excluding the underwriting commission) in relation to the listing of the shares of the Company on the Stock Exchange ("Listing") in the percentage of 541,586,000 shares over the total number of issued shares of the Company immediately upon Listing, and take into account of the number of shares to be issued pursuant to the exercises of the over-allotment option to be granted by the Company as further detailed in the paragraph headed "Over-allotment and Stabilisation" on page 349 to the Prospectus, if applicable.

(vii) On 31 October 2008, MS (HK), a wholly-owned subsidiary of the Company, disposed of the entire equity interests in its then wholly-owned subsidiary, Fortune Sincere, and its wholly-owned subsidiaries, Global Fair and MS (Taiwan) (the "Taiwan sub-group"), to World Top for a consideration of approximately HK$3,129,000. The consideration for the disposal of the Taiwan sub-group was determined with reference to the net assets value of the Taiwan sub-group as at 31 October 2008 and was settled through the current account with World Top.

27. DISPOSAL OF A SUBSIDIARY

	Notes	**Year ended 31 December 2008** *HK$'000*
Net assets disposed of:		
Property, plant and equipment	13	531
Inventories		3,760
Trade receivables		189
Prepayments, deposits and other receivables		842
Due from a fellow subsidiary		15
Cash and bank balances		1,230
Due to a director		(18)
Due to fellow subsidiaries		(2,806)
Accrued liabilities and other payables		(603)
Tax payable		(949)
		2,191
Gain on disposal of a subsidiary	7	938
Consideration		3,129

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 31 December 2008 *HK$'000*
Cash and bank balances disposed of and net cash outflow in respect of the disposal of a subsidiary	(1,230)

28. NOTES TO THE STATEMENTS OF CASH FLOWS

Major non-cash transactions

(i) During the year ended 31 December 2008, the Group disposed of the Taiwan sub-group to World Top for a consideration of HK$3,129,000, which was settled via the current account with World Top.

(ii) During the year ended 31 December 2009, the Group entered into a finance lease arrangement in respect of an item of property, plant and equipment with a capital value at the inception of the lease of HK$528,000.

(iii) During the year ended 31 December 2009, the Group part exchanged a fully-depreciated motor vehicle for a new motor vehicle for an allowance of HK$400,000.

(iv) During the year ended 31 December 2009, a final dividend for 2008 of HK$500,000 and an interim dividend for 2009 of HK$35,000,000 were settled through the balance with a director.

(v) During the year ended 31 December 2010, the Group part exchanged a motor vehicle with a carrying amount of HK$117,000 for a new motor vehicle for an allowance of HK$210,000.

(vi) During the year ended 31 December 2010, an interim dividend for 2010 of HK$14,489,000 was declared, of which an amount of HK$10,000,000 remained unpaid and included in accrued liabilities and other payables as at 31 December 2010.

29. CONTINGENT LIABILITIES

During the Relevant Periods, MS (HK) provided unlimited financial guarantees (the "Unlimited Guarantees") to a bank in connection with the bank loans and other banking facilities granted to certain of its related companies of which Mr. Yiu is also a director and shareholder. The banking facilities granted to those related companies that are subject to guarantees given to the banks were utilised to the extent of approximately HK$57,179,000, HK$85,747,000 and HK$71,893,000 as at 31 December 2008, 2009 and 2010, respectively.

As at the latest practicable date, the Group has obtained consents in principle from those creditor banks that the Unlimited Guarantees will be released upon listing.

30. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its shops, office premises and warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

As at 31 December 2008, 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

(a) As lessor

The Group sub-leases a premise under operating lease arrangements. Lease for this property is negotiated for a term of two years. The term of the lease also requires the tenant to pay a security deposit. As at 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating lease falling due as follows:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	—	—	6,698
In the second to fifth years, inclusive	—	—	6,960
	—	—	13,658

(b) As lessee

The Group leases certain of its shops, office premises and warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

As at 31 December 2008, 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	31,691	25,295	47,467
In the second to fifth years, inclusive	27,578	38,130	72,967
	59,269	63,425	120,434

31. COMMITMENTS

Other than the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of the reporting periods:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Capital contributions in respect of a subsidiary	2,000	2,000	—
Additions of property, plant and equipment	—	—	38
	2,000	2,000	38

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

The Group's financial assets as at the end of each reporting period which are categorised as loans and receivables are as follows:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	4,968	6,443	9,691
Financial assets included in prepayments, deposits and other receivables	7,290	9,600	23,538
Due from related parties	28,248	16,298	—
Pledged deposit	—	—	1,500
Cash and cash equivalents	43,468	40,585	26,640
	83,974	72,926	61,369

Financial liabilities

The Group's financial liabilities as at the end of each reporting period which are categorised as financial liabilities at amortised cost are as follows:

	31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in accrued liabilities and other payables	663	2,151	12,678
Interest-bearing bank borrowings	8,041	8,983	5,771
Obligations under finance leases	1,334	607	402
Due to related parties	23,019	38,745	—
	33,057	50,486	18,851

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing borrowings. The Group has various other financial assets and liabilities such as trade receivables, other receivables, other payables and balances with related parties.

It is, and has been, throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's debt obligation with floating interest rates.

The interest rates of the interest-bearing bank borrowings of the Group are disclosed in note 21 to the Financial Information. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank borrowings).

	Increase in interest rate	**Decrease in profit before tax**
	(basis points)	*HK$'000*
Year ended 31 December 2010	100	57
Year ended 31 December 2009	100	84
Year ended 31 December 2008	100	80

Foreign currency risk

The Group carries on its trading transactions mainly in HK$, RMB and Euro. In respect of transactional exposures of the Group in currencies other than the functional currency, the Group ensures that the net exposure is kept to an acceptable level. It is the policy of the Group to continue maintaining the balances of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the RMB and Euro exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**
	%	*HK$'000*
Year ended 31 December 2008		
If HK$ weakens against RMB	5	(155)
If HK$ strengthens against RMB	(5)	155
Year ended 31 December 2009		
If HK$ weakens against RMB	5	(155)
If HK$ strengthens against RMB	(5)	155
Year ended 31 December 2010		
If HK$ weakens against RMB	5	(103)
If HK$ strengthens against RMB	(5)	103

	Increase/ (decrease) in Euro rate	Increase/ (decrease) in profit before tax
	%	*HK$'000*
Year ended 31 December 2008		
If HK$ weakens against Euro	5	124
If HK$ strengthens against Euro	(5)	(124)
Year ended 31 December 2009		
If HK$ weakens against Euro	5	115
If HK$ strengthens against Euro	(5)	(115)
Year ended 31 December 2010		
If HK$ weakens against Euro	5	107
If HK$ strengthens against Euro	(5)	(107)

Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group is not exposed to significant credit risk in relation to other financial assets such as cash and cash equivalents and amounts due from related parties.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2008		
	On demand or less than 1 year	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in accrued liabilities and other payables	326	337	663
Interest-bearing bank borrowings	8,041	—	8,041
Obligations under finance leases	881	528	1,409
Due to related parties	3,041	19,978	23,019
	12,289	20,843	33,132

	31 December 2009		
	On demand or less than 1 year	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in accrued liabilities and other payables	1,651	500	2,151
Interest-bearing bank borrowings	8,983	—	8,983
Obligations under finance leases	267	408	675
Due to related parties	18,782	19,963	38,745
	29,683	20,871	50,554

	31 December 2010		
	On demand or less than 1 year	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in accrued liabilities and other payables	10,911	1,767	12,678
Interest-bearing bank borrowings	5,771	—	5,771
Obligations under finance leases	153	289	442
	16,835	2,056	18,891

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

34. EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed in notes 21, 22 and 29 to the Accountants' Report, on 11 May 2011, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in paragraph headed "Corporate reorganisation" in "Appendix V — Statutory and general information" to the Prospectus.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information 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 out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA COMBINED EARNINGS PER SHARE

The following unaudited pro forma combined earnings per Share for the year ended 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it has taken place on 1 January 2010. This unaudited pro forma combined earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Reorganisation and the Global Offering.

Combined profit attributable to equity holders for the year ended 31 December 2010 *(Note 1)*	HK$54.31 million
Unaudited pro forma combined earnings per Share *(Note 2)*	HK$0.0836

Notes:

(1) The combined profit attributable to equity holders for the year ended 31 December 2010 is extracted from the Accountants' Report as set out in Appendix I in this prospectus.

(2) The calculation of the unaudited pro forma combined earnings per Share of HK$0.0836 is based on the combined profit attributable to equity holders of the Company for the year ended 31 December 2010, assuming that the Company had been listed since 1 January 2010 and a total of 650,000,000 Shares have been in issue during the entire year. The calculation of the pro forma combined earnings per Share does not take into account any Shares which may be issued up the exercise of Over-allotment Option. If the Over-allotment Option is exercised in full, the number of Shares in issue would be 674,374,000 Shares, and the pro forma combined earnings per Share mentioned above would be HK$0.0805.

B. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the combined net tangible assets attributable to equity holders of the Company derived from the audited financial information of the Group as at 31 December 2010, as set out in Appendix I to this prospectus and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$1.17 per Share	133,595	115,306	248,901	0.38
Based on the Offer Price of HK$1.67 per Share	133,595	166,669	300,264	0.46

Notes:

(1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010 is arrived from the audited combined net assets of the Group attributable to equity holders of the Company of approximately HK$133.6 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.17 and HK$1.67 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 650,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2010, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option.

C. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

11 May 2011

The Directors
Milan Station Holdings Limited
Units 1818-1819, 18th Floor
Nam Fung Commercial Centre
19 Lam Lok Street
Kowloon Bay, Hong Kong

and

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
Central, Hong Kong

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets and unaudited pro forma earnings per share (the "Unaudited Pro Forma Financial Information") of Milan Station Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Director") for illustrative purposes only, to provide information about how the global offering of 162,500,000 shares of HK$0.01 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 11 May 2011 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2010 or any future dates; or
- the combined earnings per share of the Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are 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 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from RHL Appraisal Limited, an independent valuer, in connection with its valuation as at 28 February 2011 of the property interests leased by Milan Station Holdings Limited and its subsidiaries.

RHL International

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RHL Appraisal Limited
Corporate Valuation & Advisory

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Tsimshatsui, Hong Kong

Licence No.: C-015672

11 May 2011

The Board of Directors
Milan Station Holdings Limited
Unit Nos. 18-19 on 18th Floor,
Nan Fung Commercial Centre,
No. 19 Lam Lok Street,
Kowloon Bay,
Kowloon,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instruction for us to value the property interests leased by Milan Station Holdings Limited (the "Company") and its subsidiaries (the "Group") located in Hong Kong, the People's Republic of the China (the "PRC") and Macau. We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 28 February 2011 (the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

As all of the property interests in Groups I, II and III are leased by the Group, we have attributed no commercial value to the property interests due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent as at the Valuation Date.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practices Note 12 and 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

VALUATION ASSUMPTIONS

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interests and have caused searches for Hong Kong and Macau properties. We have not examined the original documents to verify the existing title to the property interests or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group and the Company's the PRC Legal Adviser, Hills and Co., concerning the validity of the Group's title to the property interests.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed site measurement to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

CURRENCY

We have valued the property interests in Hong Kong Dollar (HKD).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)
Managing Director

Leo S. D. Cheung
MHKIS, MRICS, RPS(GP), MFin, MSc, BSc
Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Leo S. D. Cheung is a Registered Professional Surveyor (GP) with 15 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Mr. Cheung is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I — Property interests leased by the Group in Hong Kong

	Property	**Capital Value in existing state as at 28 February 2011** *HKD*
1	Shops F-H on Ground Floor, South Sea Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
2	Shops E & F on Ground Floor, Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	No commercial value
3	Shop K on Ground Floor, Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	No commercial value
4	Shop No. 15B on 3rd Floor, Shatin Plaza, Nos. 21-27 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	No commercial value
5	Shop No. 24A on 1st Floor, Nan Fung Centre, Nos. 264-298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	No commercial value
6	Ground Floor, Chic Corner, No. 26 Wellington Street, Central, Hong Kong	No commercial value

Property		Capital Value in existing state as at 28 February 2011 *HKD*
7	Units Nos. 4-6 on Ground Floor, Cigna Tower, Nos. 470-484 Jaffe Road, Causeway Bay, Hong Kong	No commercial value
8	Shops Nos. 13-15 on Ground Floor, Pakpolee Commercial Centre, No. 1A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	No commercial value
9	Shops B-D on Ground Floor, Parmanand House, Nos. 51-52 Haiphong Road, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
10	Left Portion of Ground Floor of No. 60 Russell Street and Portion of Rear Portion of Ground Floor of No. 74 Percival Street, Causeway Bay, Hong Kong	No commercial value
11	Shop No. 13 on Basement Level, Chungking Mansion, Nos. 36-44 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
12	Shop No. G003 on Ground Floor, Kar Shing Building, Nos. 15 & 19 Kau Yuk Road, Yuen Long, New Territories, Hong Kong	No commercial value

	Property	Capital Value in existing state as at 28 February 2011 *HKD*
13	Office Units Nos. 18-19 on 18th Floor, Nan Fung Commercial Centre, No. 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong	No commercial value
14	Workshop No. 5 on 4th Floor, Kinetic Industrial Centre, No. 7 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	No commercial value
15	Flat B on Ground Floor of Block 6 and the Garden appertaining thereto, and Car Parking Space No. P28 on Lower Ground 1st Level, King's Park Hill, Homantin, Kowloon, Hong Kong	No commercial value
16	Flat B on 1st Floor of Block 6 and Car Parking Space No. P61 on Lower Ground 1st Level, King's Park Hill, Homantin, Kowloon, Hong Kong	No commercial value
17	Flat B, 31st Floor, Tower 1, The Waterfront, No.1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
18	Ground Floor, No. 41 Haiphong Road, Kowloon, Hong Kong	No commercial value
	Sub-total:	Nil.

Group II — Property interests leased by the Group in Macau

Property	Capital Value in existing state as at 28 February 2011 *HKD*
19 No. 6A, Rue De S. Doimgos, Macau	No commercial value
20 Kam Loi 2 Andar D, Avenida Do Infante D. Henrique No. 40, Macau	No commercial value
Sub-total:	Nil.

Group III — Property interests leased by the Group in the PRC

Property	Capital Value in existing state as at 28 February 2011 *HKD*
21 Levels 1-2, Unit No. L08B of Commercial Street, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	No commercial value
22 Unit No. 1009 on Level 10, Block 2, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	No commercial value
23 Unit Nos. 1-16 on Level 1, Yard No. 19, Sanlitun Road, Chaoyang District, Beijing, the PRC	No commercial value

	Property	Capital Value in existing state as at 28 February 2011 *HKD*
24	Unit No. 2-2312 on Level 20, Block 16, Nansanlitun Road, Sanlitun, Chaoyang District, Beijing, the PRC	No commercial value
25	Unit 103, Shanghai Exhibition Centre Business Towers, No. 1333 Nanjin West Road, Jingan District, Shanghai, the PRC	No commercial value
26	Unit 305, No. 31 Yongjia Road, Luwan District, Shanghai, the PRC	No commercial value
27	Left Portion of Ground Floor, No.3-3, Backalley of Yulin West Street, Wuhou District, Chengdu City, Sichuan Province, the PRC	No commercial value
	Sub-total:	Nil.
	Total:	**Nil.**

VALUATION CERTIFICATE

Group I — Property interests leased by the Group in Hong Kong

	Property	**Description and tenancy details**	**Particulars of occupancy**	**Capital value in existing state as at 28 February 2011** *HKD*
1.	Shops F-H on Ground Floor, South Sea Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong	The property comprises 3 retail shop units on ground floor of a 19-storey composite building completed in 1962. The property has a saleable area of approximately 38.46 sq.m. (414 sq.ft.) The property is leased to the Group from Excel Win Limited, a connected party, for a term commencing on 1 March 2011 and expiring on 31 December 2012 at a monthly rental of HKD95,000 for the period from 1 March 2011 to 31 December 2011 and HKD105,000 for the period from 1 January 2012 to 31 December 2012 inclusive of rates and management fees.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (TST) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Excel Win Limited vide Memorial No. 11032200860021 dated 28 February 2011.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
2.	Shops E & F on Ground Floor, Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	The property comprises 2 retail shop units on ground floor of an 11-storey composite building completed in 1959. The property has a saleable area of approximately 23.32 sq.m. (251 sq.ft.) The property is leased to the Group from Excel Trend Limited, a connected party, for a term of 25 months commencing on 1 December 2010 and expiring on 31 December 2012 at a monthly rental of HKD278,000 for the period from 1 December 2010 to 31 December 2011 and HKD308,000 for the period from 1 January 2012 to 31 December 2012 inclusive of government rents, rates and management fees.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Causeway Bay) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Excel Trend Limited vide Memorial Nos. UB9216949 and 07062700710045 dated 23 April 2004 and 31 May 2007 respectively.

3. The property is subject to two legal charges in favor of Wing Hang Bank, Limited for all moneys vide memorial Nos. UB9216950 and 07062700710055 dated 23 April 2004 and 31 May 2007 respectively.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
3.	Shop K on Ground Floor, Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong	The property comprises a retail shop unit on ground floor of an 11-storey composite building completed in 1959. The property has a saleable area of approximately 17.84 sq.m. (192 sq.ft.) The property is leased to the Group from Maston Limited, an independent third party, for a term of 5 years commencing on 15 April 2009 and expiring on 14 April 2014 at a monthly rental of HKD160,000 for the first three years and HKD180,000 for the last two years exclusive of rates, management fees and air-conditioning charges.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Causeway Bay) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Easy Spread Investment Limited vide Memorial No. 09080500530046 dated 16 July 2009.

3. The property is subject to a mortgage in favor of The Hongkong and Shanghai Banking Corporation Limited for all moneys vide memorial No. 09080500530059 dated 16 July 2009 and an assignment of rentals of the property in favor of The Hongkong and Shanghai Banking Corporation Limited for all moneys vide memorial No. 09080500530061 dated 16 July 2009.

4. The registered owner of the property has not obtained the written consent from the mortgagee for leasing of the property to the lessee.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
4.	Shop No. 15B on 3rd Floor, Shatin Plaza, Nos. 21-27 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	The property comprises a retail shop unit on 3rd floor of a 3-storey commercial podium of a residential development completed in 1987. The property has a saleable area of approximately 17.65 sq.m. (190 sq.ft.) The property is leased to the Group from Bloomark Investment Limited and Lifuoy Investment Limited, both being independent third parties, for a term of 2 years commencing on 27 May 2010 and expiring on 26 May 2012 at a monthly rental of HKD83,000 or 5% of turnover in the relevant calendar month (whichever is the higher) exclusive of rates, management fees, air-conditioning charges and promotional levy.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Shatin) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Bloomark Investment Limited (77.55% share) and Lifuoy Investment Limited (22.45% share) vide Memorial Nos. ST542668 and ST604816 dated 8 August 1990 and 10 September 1991 respectively.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
5.	Shop No. 24A on 1st Floor, Nan Fung Centre, Nos. 264-298 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a retail shop unit on 1st floor of a 2-storey (with basement) commercial podium of a commercial development completed in 1983. The property has a saleable area of approximately 13.02 sq.m. (140 sq.ft.) The property is leased to the Group from Joint Rich (Hong Kong) Limited, an independent third party, for a term of 3 years commencing on 1 February 2010 and expiring on 31 January 2013 at a monthly rental of HKD71,000 inclusive of government rents, rates and exclusive of management fees.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Tsuen Wan) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Joint Rich (Hong Kong) Limited vide Memorial No. 10112200930062 dated 3 November 2010.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
6.	Ground Floor, Chic Corner, No. 26 Wellington Street, Central, Hong Kong	The property comprises 1 retail shop unit on ground floor of a 6-storey commercial building completed in 1972. The property has a saleable area of approximately 29.73 sq.m. (320 sq.ft.) The property is leased to the Group from Concord Max Limited, an independent third party, for a term of 2 years commencing on 12 July 2009 and expiring on 11 July 2011 at a monthly rental of HKD230,000 exclusive of rates, management fees and other outgoings.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Central) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Concord Max Limited vide Memorial No. UB6910924 dated 7 January 1997.

3. The property is subject to a mortgage to secure general banking facilities in favor of Wing Lung Bank, Limited for all moneys vide memorial No. UB6910925 dated 7 January 1997.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
7.	Units Nos. 4-6 on Ground Floor, Cigna Tower, Nos. 470-484 Jaffe Road, Causeway Bay, Hong Kong	The property comprises 3 retail shop units on ground floor of a 25-storey commercial building completed in 1993. The property has a saleable area of approximately 108.70 sq.m. (1,170 sq.ft.) The property is leased to the Group from Siu On Realty Company Limited, an independent third party, for a term of 2 years commencing on 1 May 2010 and expiring on 30 April 2012 at a monthly rental of HKD198,000 exclusive of rates, management fees and air-conditioning fee.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station Fashion (Hong Kong) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Siu On Realty Company Limited vide Memorial Nos. UB4070994, UB4070996, UB 4070998, UB4071000, UB4111565, UB4118619, UB4438179, UB5208886, UB5842370 and UB5842371 dated between 6 May 1988 and 1 November 1993.

3. The property is subject to a legal charge in favor of Citibank N.A. vide memorial No. UB5842372 dated 1 November 1993.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
8.	Shops Nos. 13-15 on Ground Floor, Pakpolee Commercial Centre, No. 1A Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong	The property comprises 3 retail shop units on ground floor of a 23-storey commercial building completed in 1984. The property has a saleable area of approximately 98.83 sq.m. (1,064 sq.ft.) The property is leased to the Group for terms of 5 years commencing on 1 May 2009 and expiring on 30 April 2014. (Please refer to Notes 2 and 3 below for details).	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Mongkok) Limited, is a wholly-owned subsidiary of the Company.

2. Pursuant to a tenancy agreement entered into between Chau Kam Chuen, an independent third party, and Milan Station (Mongkok) Limited dated 30 April 2009, shop No. 13 of the property is leased to Milan Station (Mongkok) Limited for a term of 5 years commencing on 1 May 2009 and expiring 30 April 2014 at a monthly rental of HKD166,000 for the first 3 years and HKD190,900 for the last 2 years exclusive of rates and management charges.

3. Pursuant to a tenancy agreement entered into between Sun Ngai Knitting & Garment Factory Limited, an independent third party, and Milan Station (Mongkok) Limited dated 30 April 2009, shops Nos. 14 & 15 of the property are leased to Milan Station (Mongkok) Limited for a term of 5 years commencing on 1 May 2009 and expiring on 30 April 2014 at a monthly rental of HKD334,000 for the first 3 years and HKD384,100 for the last 2 years exclusive of rates and management charges.

4. The registered owner of shop No. 13 of the property is Chau Kam Chuen vide Memorial No. UB3238047 dated 28 November 1986.

5. The registered owner of shops Nos. 14 & 15 of the property is Sun Ngai Knitting & Garment Factory Limited vide Memorial No. UB4728669 dated 31 January 1991.

6. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
9.	Shops B-D on Ground Floor, Parmanand House, Nos. 51-52 Haiphong Road, Tsim Sha Tsui, Kowloon, Hong Kong	The property comprises 3 retail shop units on ground floor of a 9-storey (with mezzanine floor) composite building completed in 1961. The property has a saleable area of approximately 79.34 sq.m. (854 sq.ft.) The property is leased to the Group from Region One Investment Limited, an independent third party, for a term of 3 years commencing on 1 May 2010 and expiring on 30 April 2013 (with a rent free period of 31 days from 1 May 2010 to 31 May 2010) at a monthly rental of i) HKD900,000 for the first 2 years and HKD1,000,000 for the last year and ii) 5% of monthly gross sales turnover exceeds the monthly base rent in the relevant calendar month exclusive of rates, government rents and management fees.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station Fashion (TST) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Region One Investment Limited vide Memorial No. UB7081022 dated 1 May 1997.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
10.	Left Portion of Ground Floor of No. 60 Russell Street and Portion of Rear Portion of Ground Floor of No. 74 Percival Street, Causeway Bay, Hong Kong	The property comprises a retail shop unit on ground floor of a 9-storey residential building completed in 1960s. The property has a saleable area of approximately 31.08 sq.m. (335 sq.ft.) The property is leased to the Group from Top Active Limited, an independent third party, for a term of 1 year commencing on 23 March 2010 and expiring on 22 March 2011 at a monthly rental of HKD540,000 exclusive of rates, management fees and all other outgoings with a renewal option of 1 year commencing on 23 March 2011 and expiring on 22 March 2012 at a monthly rental of HKD820,000.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Union Will Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Top Active Limited vide Memorial No. UB6682036 dated 24 June 1996.

3. The property is subject to a mortgage in favor of The Hongkong and Shanghai Banking Corporation Limited for part of all moneys vide memorial No. 05033002070044 dated 1 March 2005.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
11.	Shop No. 13 on Basement Level, Chungking Mansion, Nos. 36-44 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	The property comprises a retail shop unit on basement level of a 17-storey (with basement) composite building completed in 1961. The property has a saleable area of approximately 55.56 sq.m. (598 sq.ft.) The property is leased to the Group from Famous Concept Investment Limited, an independent third party, for a term of 2 years commencing on 1 October 2010 and expiring on 30 September 2012 at a monthly rental of HKD28,000 with an option to renew for a further term of 1 year exclusive of rates, management fees, air-conditioning charges.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Woodhouse) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Fook Tai Investment Company Limited vide Memorial No. UB1415756 dated 5 August 1977.

3. The property is free from any mortgages and third parties' encumbrances.

4. The headlease agreement cannot be identified by the lessee and the subject sub-lease agreement has not been registered with the Hong Kong Land Registry.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
12.	Shop No. G003 on Ground Floor, Kar Shing Building, Nos. 15 & 19 Kau Yuk Road, Yuen Long, New Territories, Hong Kong	The property comprises a retail shop unit on ground floor of a 15-storey residential building completed in 1980. The property has a gross floor area of approximately 70.61 sq.m. (760 sq.ft.) and a saleable area of approximately 35.30 sq.m. (380 sq.ft.). The property is leased to the Group from Victory Gain Enterprise Limited, an independent third party, for a term of 3 years commencing on 1 October 2008 and expiring on 30 September 2011 at a monthly rental of HKD128,000 exclusive of government rents, rates and management fees.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Yuen Long) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Menswinton Limited vide Memorial No. 09080700470113 dated 8 July 2009.

3. The property is subject to a mortgage in favor of Bank of Communications Co., Ltd. for all moneys vide memorial No. 09080700470129 dated 8 July 2009.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
13.	Office units Nos. 18-19 on 18th Floor, Nan Fung Commercial Centre, No. 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong	The property comprises 2 office units on 18th floor of a 17-storey office building completed in 1993. The property has a total gross floor area of approximately 407.47 sq.m. (4,386 sq.ft.) and a total saleable area of approximately 302.58 sq.m. (3,257 sq.ft.) The property is leased to the Group from Shin Chak Development Limited, an independent third party, for a term of 3 years commencing on 15 July 2009 and expiring on 14 July 2012 at a monthly rental of HKD35,088 exclusive of government rents, rates, management fees and air-conditioning charges.	The property is occupied by the Group for office use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Hong Kong) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owner of the property is Shin Chak Development Limited.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
14.	Workshop No. 5 on 4th Floor, Kinetic Industrial Centre, No. 7 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	The property comprises an industrial unit on 4th floor of an 8-storey industrial building completed in 1988. The property has a saleable area of approximately 84.13 sq.m. (906 sq.ft.) The property is leased to the Group from Lee Ming and Ma Pui Ieng, independent third parties, for a term of 3 years commencing on 5 May 2011 and expiring on 4 May 2014 at a monthly rental of HKD10,800 inclusive of government rents, rates and management fees.	The property is occupied by the Group for warehouse use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Hong Kong) Limited, is a wholly-owned subsidiary of the Company.

2. The registered owners of the property are Lee Ming and Ma Pui Ieng (Joint Tenants) vide Memorial No. 10100701660459 dated 15 September 2010.

3. The property is subject to a mortgage in favor of Wing Lung Bank, Limited for all moneys vide memorial No. 10100701660463 dated 15 September 2010.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
15.	Flat B on Ground Floor of Block 6 and the Garden appertaining thereto, and Car Parking Space No. P28 on Lower Ground 1st Level, King's Park Hill, Homantin, Kowloon, Hong Kong	The property comprises a residential unit on ground floor of a 6-storey residential building with a gross floor area of approximately 155.52 sq.m. (1,674 sq.ft) with a garden area of approximately 157.19 sq.m. (1,692 sq.ft.) completed in 2000. The property also comprises a car parking space on lower ground 1st level of a single-storey car park. The property is leased to the Group from Power Wisdom International Limited, a connected party, for a term of 25 months commencing on 1 December 2010 and expiring on 31 December 2012 at a monthly rent of HKD67,000 inclusive of government rates, government rents and management fees.	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. The property is leased by the Company.

2. The registered owner of the property is Power Wisdom International Limited vide Memorial No. 09060302700020 dated 4 May 2009.

3. The property is subject to a legal charge in favor of Wing Hang Bank, Limited to secure part of all moneys in respect of general banking facilities vide 09060302700033 dated 4 May 2009.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
16.	Flat B on 1st Floor of Block 6 and Car Parking Space No. P61 on Lower Ground 1st Level, King's Park Hill, Homantin, Kowloon, Hong Kong	The property comprises a residential unit on 1st floor of a 6-storey residential building with a gross floor area of approximately 171.03 sq.m. (1,841 sq.ft) completed in 2000. The property also comprises a car parking space on lower ground 1st level of a single-storey car park. The property is leased to the Group from Well Home Limited, a connected party, for a term of 25 months commencing on 1 December 2010 and expiring on 31 December 2012 at a monthly rent of HKD63,000 inclusive of government rates, government rents and management fees.	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. The property is leased by the Company.

2. The registered owner of the property is Well Home Limited vide Memorial No. 10021100600213 dated 12 January 2010.

3. The property is subject to legal charge / mortgage in favor of Citic Ka Wah Bank Limited for part of all monies vide Memorial No. 10021100600224 dated 12 January 2010.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
17.	Flat B, 31st Floor, Tower 1, The Waterfront, No.1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	The property comprises a residential unit on 31st floor of a 36-storey residential building with a gross floor area of approximately 128.95 sq.m. (1,388 sq.ft) completed in 2000. The property is leased to the Group from Fully Art Limited, a connected party, for a term of 25 months commencing on 1 December 2010 and expiring on 31 December 2012 at a monthly rent of HKD35,000 inclusive of government rates, government rents and management fees.	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. The property is leased by the Company.

2. The registered owner of the property is Fully Art Limited vide Memorial No. 05042601130083 dated 31 March 2005.

3. The property is subject to a legal charge in favor of Wing Hang Bank, Limited vide Memorial No. 05042601130097 dated 31 March 2005.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
18.	Ground Floor, No. 41 Haiphong Road, Kowloon, Hong Kong	The property comprises a retail shop unit on ground floor of a 6-storey (with mezzanine floor) composite building completed in 1948. The property has a gross floor area of approximately 90.66 sq.m. (976 sq.ft.) The property is leased to the Group from Dragon Pal Limited, an independent third party, and sub-leased to Tak Hing Medicine Limited, an independent third party, for a term of 2 years commencing on 1 January 2011 and expiring on 31 December 2012 (Please refer to Notes 1. and 2. below for details).	The property is occupied for retail use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Dragon Pal Limited (the "Lessor") and Milan Station Fashion (TST) Limited (the "Lessee"), a wholly-owned subsidiary of the Company, the property is leased to the Lessee for a term of 2 years commencing on 1 January 2011 at a monthly rental of HKD485,000 with an option to renew for a further term of 1 year at a monthly rental of HKD533,500 exclusive of rates and management fees.

2. Pursuant to a tenancy agreement entered into between the Lessee and Tak Hing Medicine Limited (the "Sub-Lessee"), an independent third party, the property with a gross floor area of approximately 90.66 sq.m. has been sub-leased to the Sub-Lessee for a term of 2 years commencing on 1 January 2011 and expiring on 31 December 2012 (with a rent free period from 1 January 2011 to 14 January 2011) at a monthly rental of HKD580,000 exclusive of rates and management fees.

3. The registered owner of the property is Dragon Pal Limited vide Memorial No. UB5530904 dated 17 December 1992.

4. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

Group II — Property interests leased by the Group in Macau

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
19.	No. 6A, Rue De S. Doimgos, Macau	The property comprises the whole of a 3-storey composite building completed in 1970s. The property has a saleable area of approximately 157.00 sq.m. (1,690 sq.ft.) The property is leased to the Group from Tang Loi Peng and Wong Wai Kun, both being independent third parties, for a term of 6 years commencing on 30 June 2007 and expiring on 29 June 2013 at a monthly rental of HKD250,000 for the first two years and HKD287,500 for the next two years and HKD385,000 for the last two years (with rent free period from 30 May 2007 to 29 June 2007) inclusive of rates.	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Macau) Limited, is a wholly-owned subsidiary of the Company.

2. Pursuant to a property registration report issued by Property Registration Bureau of Macau, the registered owner of the property is Tang Loi Peng.

3. The property is subject to a mortgage in favor of Banco Weng Hang, S.A.R.L. for a consideration of HKD3,500,000.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
20.	Kam Loi 2 Andar D, Avenida Do Infante D. Henrique No. 40, Macau	The property comprises a residential unit on 2nd floor of a 4-storey composite building completed in 1970. The property has a saleable area of approximately 63.95 sq.m. (688 sq.ft.) The property is leased to the Group from Ou Hai Hang, an independent third party, for a term of 2 years commencing on 1 June 2010 and expiring on 31 May 2012 at a monthly rental of HKD5,500 inclusive of rates and exclusive of management fees.	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. The lessee of the property, Milan Station (Macau) Limited, is a wholly-owned subsidiary of the Company.

2. Pursuant to a property registration report issued by Property Registration Bureau of Macau, the registered owner of the property is Ou Hai Hang.

3. The property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

Group III — Property interests leased by the Group in the PRC

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
21.	Levels 1-2, Unit No. L08B of Commercial Street, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	The property comprises a retail shop unit of a 2-storey commercial building completed in between 2006-2007. The property has a gross floor area of approximately 180.30 sq.m. (1,941 sq.ft.) The property is leased to the Group from Wu Xiang Dong (吳向東), an independent third party, for a term of 5 years commencing on 1 January 2008 and expiring on 31 December 2012. (Please refer to Note 1. below for details).	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Wu Xiang Dong (the "Lessor") and Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 180.30 sq.m. has been leased to the Lessee for a term of 5 years commencing on 1 January 2008 and expiring on 31 December 2012 at a monthly rental of RMB90,871.20 for the first two years, RMB98,083.20 for the next two years and RMB105,295.20 for the last year (with rent free period from 1 January 2008 to 31 May 2008) inclusive of rates and exclusive of management fees.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the PRC Legal Adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;

   ii. the Lessor has the rights to lease the property to the Lessee;

   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

   v. the property is subject to a mortgage but this will not affect the validity of the tenancy agreement, the rights of the Lessee is protected under the PRC laws.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
22.	Unit No. 1009 on Level 10, Block 2, China Central Place, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	The property comprises 1 residential unit on level 10 of an 11-storey residential building completed in 2005. The property has a gross floor area of approximately 160.00 sq.m. (1,722 sq.ft.) The property is leased to the Group from Zou Hong Xing (鄒鴻興), an independent third party, for a term commencing on 1 March 2009 and expiring on 31 March 2012. (Please refer to Note 1. below for details.)	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement and its supplemental agreements entered into between Zou Hong Xing (the "Lessor") and Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 160.00 sq.m. has been leased to the Lessee for a term commencing on 1 March 2009 and expiring on 31 March 2012 at a monthly rental of RMB11,550 inclusive of rates and management fees.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the PRC Legal Adviser, which contains, inter alia, the following:

    i. the property is legally held by the Lessor;

    ii. the Lessor has the rights to lease the property to the Lessee;

    iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

    iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

    v. the property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
23.	Unit Nos. 1-16 on Level 1, Yard No. 19, Sanlitun Road, Chaoyang District, Beijing, the PRC	The property comprises a retail shop unit on ground floor of a 4-storey commercial building completed in 2008. The property has a gross floor area of approximately 122.00 sq.m. (1,313 sq.ft.) The property is leased to the Group from Beijing Sanlitan South Zone Property Management Company Limited (北京三里屯南區物業管理有限公司), an independent third party, for a term of 3 years commencing on 15 April 2010. (Please refer to Note 1. below for details.)	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Beijing Sanlitan South Zone Property Management Company Limited (the "Lessor") and Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 122.00 sq.m. has been leased to the Lessee for a term of 3 years commencing on 15 April 2010 (with rent free period of 60 days from 15 April 2010 to 13 June 2010) at a monthly rental of RMB80,000 for the first year, RMB92,900 for the second year and RMB105,100 for the last year or turnover rental of 5% in the relevant calendar month (whichever is the higher), the rentals are exclusive of rates and management fees.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the PRC Legal Adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;

   ii. the Lessor has the rights to lease the property to the Lessee;

   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

   v. the property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
24.	Unit No. 2-2312 on Level 20, Block 16, Nansanlitun Road, Sanlitun, Chaoyang District, Beijing, the PRC	The property comprises a residential unit on level 20 of a 26-storey residential building completed in 2004. The property has a gross floor area of approximately 100.67 sq.m. (1,084 sq.ft.) The property is leased to the Group from Song Ji Fang (宋繼芳), an independent third party, for a term of 1 year commencing on 25 June 2010 and expiring on 24 June 2011. (Please refer to Note 1. below for details.)	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Song Ji Fang (the "Lessor") and Milan Station Asia Pacific Retail (Beijing) Co., Ltd. (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 100.67 sq.m. has been leased to the Lessee for a term of 1 year commencing on 25 June 2010 and expiring on 24 June 2011 at a monthly rental of RMB7,500 exclusive of rates and inclusive of management fees.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the PRC Legal Adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;

   ii. the Lessor has the rights to lease the property to the Lessee;

   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

   v. the property is subject to a mortgage but this will not affect the validity of the tenancy agreement, the rights of the Lessee is protected under the PRC laws.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
25.	Unit 103, Shanghai Exhibition Centre Business Towers, No.1333 Nanjin West Road, Jingan District, Shanghai, the PRC	The property comprises a retail shop unit on ground floor of a 3-storey composite building completed in 1955. The property has a gross floor area of approximately 40.00 sq.m. (431 sq.ft.) The property is leased to the Group from Shanghai Baichang Investment Management Company Limited (上海佰暢投資管理有限公司), an independent third party, for a term of 5 years commencing on 1 December 2010. (Please refer to Note 1. below for details.)	The property is occupied by the Group for retail use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Shanghai Baicheng Investment Management Company Limited (the "Lessor") and Milan Station (PRC) Limited (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 40.00 sq.m. has been leased to the Lessee for a term of 5 years commencing on 1 December 2010 at a monthly rental of RMB54,750 (with half rent period for 3 months) exclusive of electric, water and air-conditioning charges.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the Group's PRC Legal Adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;
   ii. the Lessor has the rights to lease the property to the Lessee;
   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;
   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and
   v. the property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
26.	Unit 305, No. 31 Yongjia Road, Luwan District, Shanghai, the PRC	The property comprises an apartment unit on 3rd floor of a 22-storey composite building completed in about 2003. The property has a gross floor area of approximately 88.11 sq.m. (948 sq.ft.) The property is leased to the Group from Yu Run Hong (俞潤弘), an independent third party, for a term of 2 years commencing on 1 April 2011. (Please refer to Note 1. below for details.)	The property is occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Yu Run Hong (the "Lessor") and Milan Station (PRC) Limited (米蘭站(中國)有限公司) (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 88.11 sq.m. has been leased to the Lessee for a term of 2 years commencing on 1 April 2011 and expiring on 31 March 2013 at a monthly rental of RMB8,000 inclusive of rates and management fees.

2. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the Group's PRC legal adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;

   ii. the Lessor has the rights to lease the property to the Lessee;

   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

   v. the property is free from any mortgages and third parties' encumbrances.

VALUATION CERTIFICATE

	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 28 February 2011 *HKD*
27.	Left Portion of Ground Floor, No.3-3, Backalley of Yulin West Street, Wuhou District, Chengdu City, Sichuan Province, the PRC	The property comprises a retail shop unit on ground floor of a 6-storey composite building completed in about 2003. The property has a gross floor area of approximately 12.00 sq.m. (129 sq.ft.). The property is leased to the Group from Luo Yanling (羅艷玲), an independent third party, for a term expiring on 16 June 2012. (Please refer to Notes 1 and 2. below for details.)	The property is occupied for retail use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Luo Yanling (the "Lessor") and Pu Min (蒲敏), an independent third party, the property with a gross floor area of approximately 12.00 sq.m. has been leased to Pu Min for a term of 4 years commencing on 17 June 2008 and expiring on 16 June 2012 at an annual rental of RMB39,600 for the first two years and RMB40,800 for the last two years exclusive of rates and management fees.

2. Pursuant to a Contract for Transfer of Lease Rights of Retail Shop (商鋪租賃權轉讓合同) entered into between Pu Min and Milan Station (PRC) Limited (米蘭站 (中國) 有限公司) (the "Lessee"), a wholly-owned subsidiary of the Company, dated 7 April 2011, and a tenancy agreement entered into between the Lessor and the Lessee, Pu Min has agreed to vacate the property and the Lessee will continue to lease the property in place of Pu Min with the same tenure and rentals since the date of the aforesaid Contract.

3. We have been provided with a legal opinion on the legality regarding to the tenancy agreement issued by the Group's PRC Legal Adviser, which contains, inter alia, the following:

   i. the property is legally held by the Lessor;

   ii. the Lessor has the rights to lease the property to the Lessee;

   iii. the tenancy agreement is legal, valid and binding on both parties under the PRC laws;

   iv. the tenancy agreement has not been registered but this will not affect the rights of the Lessee to use the property; and

   v. the property is free from any mortgages and third parties' encumbrances.

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 1 November 2007 under the Cayman Islands Companies Law. The Memorandum of Association and the Articles of Association 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 Cayman Islands 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 28 April 2011. 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 profit 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, profit 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 Cayman Islands 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 associates 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 associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his 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 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 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 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;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) 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 associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his 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 profit 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 profit 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; or

(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 Cayman Islands 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 Cayman Islands 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.

(xi) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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.

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)).

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 Cayman Islands 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.

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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 profit of the Company, realised or unrealised, or from any reserve set aside from profit 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 Cayman Islands 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 on every business day 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 profit. In addition, section 34 of the Cayman Islands 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 Cayman Islands 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 (1999 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 profit, 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 20 November 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profit, 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 Cayman Islands 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.

(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, 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 Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI. 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 THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation and registration under Part XI of the Companies Ordinance

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 1 November 2007. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business and head office in Hong Kong at Unit 18 & 19, 18th Floor, Nan Fung Commercial Centre, No. 19 Lam Lok Street, Kowloon Bay, Hong Kong. The Company has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 15 December 2010, with Mr. Wong Hiu Chor of Flat G, 8th Floor, Block 5, Tanner Garden, North Point, Hong Kong and Mr. Lo Wai Shing of Flat C, 8/F., The Panorama, 520-526 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong appointed as the authorised representatives of the Company for the acceptance of service of process and any documents and notices on behalf of the Company in Hong Kong.

The Company was incorporated in the Cayman Islands and is subject to the Cayman Islands Companies Law. Its constitution comprises the Memorandum of Association and Articles of Association. A summary of various provisions of the Memorandum of Association and Articles of Association and relevant aspects of the Cayman Islands Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

As at the date of incorporation of the Company, its authorised share capital was HK380,000 divided into 38,000,000 shares of HK0.01 each. Following its incorporation, one subscriber's Share had been allotted and issued as fully paid to Codan Trust Company (Cayman) Limited on 1 November 2007.

Pursuant to the written resolutions of the sole Shareholder passed on 28 April 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 Shares.

On 28 April 2011, in consideration of the transfer of the entire issued share capital of MS BVI from Perfect One to the Company, the Company allotted and issued 999,999 new Shares, credited as fully paid, to Perfect One.

Immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option), the issued share capital of the Company will be HK$6,500,000 divided into 650,000,000 Shares fully paid or credited as fully paid. Other than pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. **Written resolutions of the sole Shareholder**

On 28 April 2011, among other matters, resolutions in writing were passed by the sole Shareholder:

(a) approving an increase of the authorised share capital of the Company from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares;

(b) that conditional on (i) 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, (ii) the entering into of the agreement on the Offer Price of the Shares in relation to the Global Offering between the Sole Global Coordinator (on behalf of the Underwriters), the Company and the Selling Shareholder on the Price Determination Date; and (iii) the obligations of the Underwriter(s) under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Summary of the terms of the Share Option Scheme" in the section headed "Share Option Scheme" of this appendix, were approved and adopted and the Directors were authorised, among others, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to capitalise a maximum amount of HK$5,405,860 standing to the credit of the share premium account of the Company and to appropriate such amount in paying up in full at par 540,586,000 Shares for allotment and issue to the holders of issued Shares whose names appear on the register of members of the Company at close of business on 28 April 2011 (or as it may direct), and the Directors were authorised to give effect to such capitalisation and distribution;

(iv) a general unconditional mandate was granted to the Directors to allot, issue and deal with unissued Shares in the capital of the Company (otherwise than pursuant to (i) a rights issue; or (ii) the exercise of any of the subscription rights attaching to any options which may be granted under the Share Option Scheme; or (iii) any scrip dividend scheme or similar arrangement providing for allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association; or (iv) the Global Offering; or (v) the Capitalisation Issue; or (vi) the exercise of the Over-allotment Option with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued under the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the nominal amount of the share capital of the Company repurchased by the Company pursuant to the authority granted to the Directors as referred in paragraph (e) or (f) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) that a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued under the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first;

(vi) that the general unconditional mandate as mentioned in sub-paragraph (d) or (e) above was extended by the addition to the aggregate nominal amount of the Shares which may be allotted, issued or dealt with by the Directors pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the Shares in the capital of the Company repurchased by the Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (e) or (f) above; and

(vii) conditionally approving and adopting the Articles of Association, the terms of which are summarized in Appendix IV to this prospectus.

4. **Corporate reorganisation**

The companies comprising the Group underwent a reorganization in preparation for the listing of the Shares on the Stock Exchange which involved the following:

(a) the transfer of the one subscriber's Share from World Top to Perfect One at par value on 21 September 2010;

(b) the transfer of one share of HK$1.00 each in the capital of MS HK from Win Hero International Ltd., which held such share on trust for the benefit of World Top, to World Top at nil consideration on 28 April 2011;

(c) the transfer of the one share of US$1.00 each in the capital of MS BVI from World Top to Perfect One at the nominal cash consideration of US$1.00 on 28 April 2011;

(d) the acquisition of the entire issued share capital of each of the following companies by MS BVI from World Top in consideration of which MS BVI will allot and issue an aggregate of three shares of US$1.00 each in its share capital to Perfect One, at the direction of World Top on 28 April 2011:

(i) Trilink;

(ii) MS HK; and

(iii) MS PRC (BVI);

(e) the acquisition of the entire issued share capital of MS BVI by the Company from Perfect One on 28 April 2011 in consideration of the allotment and issue of 999,999 Shares, all credited as fully paid up, to Perfect One.

5. **Changes in the share capital of subsidiaries of the Company**

The subsidiaries of the Company are listed in the Accountants' Report set out in Appendix I to this prospectus. In addition to the alternations described in paragraph 4 above, the following alternations in the share capital of each of the Company's subsidiaries took place during the two years immediately preceding the date of this prospectus:

(a) Milan Station (Woodhouse) Limited was incorporated in Hong Kong on 27 March 2009 and its authorised share capital is HK$10,000 divided into 10,000 shares of HK$1.00 each, of which 10,000 shares have been allotted and issued and fully paid / credited as fully paid. Its entire issued share capital is beneficially owned by MS HK; and

(b) Trilink has combined the two quotas share capital of MS Macau both with nominal value of MOP15,000.00 to one quota with nominal value of MOP30,000.00 on 6 January 2011.

Save as disclosed above, there has been no alternation in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Relevant legal and regulatory requirements*

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) *Shareholder's approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

A general unconditional mandate (the "**Repurchase Mandate**") was granted to the Directors by the Shareholders pursuant to a written resolution passed on 28 April 2011 authorising them to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest.

(c) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum of association of the Company and the Articles, the Listing Rules and the applicable laws of the Cayman Islands. Under the Cayman Islands law, any repurchase by the Company may be made out of profit of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of the profit of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by its articles of association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(d) ***Trading restrictions***

The Company may repurchase up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). The Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by the Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

(e) ***Status of repurchased securities***

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(f) ***Suspension of repurchase***

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(g) ***Reporting requirements***

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(h) ***Connected persons***

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the Company on the Stock Exchange.

(i) ***Reasons for repurchases***

The Directors believe that it is in the best interest of the Company and Shareholders for the Directors to have a general authority from the Shareholders to enable the Company 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 asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(j) ***Funding of repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 650,000,000 Shares in issue immediately after the completion of the Capitalisation Issue and the Global Offering, would result in up to 65,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(k) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The 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 the Cayman Islands.

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the 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 could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the listing of the Shares on the Stock Exchange.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contacts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the confirmatory deed dated 14 August 2009 entered into between MS HK as the vendor and World Top as the purchaser by way of deed revising the consideration of the sale and purchase of the entire issued share capital in Fortune Sincere to HK$4,580,201.38;

(b) the sale and purchase agreement dated 28 April 2011 entered into between World Top as the vendor and Perfect One as the purchaser for the sale and purchase of the entire issued share capital of MS BVI in consideration of US$1.00;

(c) the sale and purchase agreement dated 28 April 2011 entered into between World Top as the vendor and MS BVI as the purchaser for the sale and purchase of the entire issued share capital in Trilink in consideration of HK$12,628,254.53 to be settled by MS BVI allotting and issuing one share of US$1.00 each in the capital of MS BVI to Perfect One at the direction of World Top;

(d) the sale and purchase agreement dated 28 April 2011 (the "MS HK Agreement") entered into between World Top as the vendor and MS BVI as the purchaser for the sale and purchase of the entire issued share capital in MS HK in consideration of HK$112,805,437.81 to be settled by MS BVI allotting and issuing one share of US$1.00 each in the capital of MS BVI to Perfect One at the direction of World Top;

(e) the supplemental agreement dated 28 April 2011 entered into between World Top as the vendor and MS BVI as the purchaser revising the consideration of the sale and purchase of the entire issued share capital in MS HK pursuant to the MS HK Agreement to HK$113,027,803.90 to be settled by MS BVI allotting and issuing one share of US$1.00 each in the capital of MS BVI to Perfect One at the direction of World Top;

(f) the sale and purchase agreement dated 28 April 2011 entered into between World Top as the vendor and MS BVI as the purchaser for the sale and purchase of the entire issued share capital in MS PRC (BVI) in consideration of HK$8,161,380.01 to be settled by MS BVI allotting and issuing one share of US$1.00 each in the capital of MS BVI to Perfect One at the direction of World Top;

(g) the sale and purchase agreement dated 28 April 2011 entered into between Perfect One as the vendor and the Company as the purchaser for the sale and purchase of the entire issued share capital in MS BVI in consideration of HK$133,595,072.35 to be settled by the Company allotting and issuing an aggregate of 999,999 Shares, all credited as fully paid, to Perfect One;

(h) the deed of indemnity dated 28 April 2011 executed by Mr. Yiu and Perfect One, in favour of the Company (for itself and as trustee for its subsidiaries) containing indemnities in respect of all tax liabilities and other liabilities referred to in the sub-paragraph headed "Indemnity on liabilities" under the paragraph headed "Other Information" of this appendix;

(i) the Deed of Non-Competition dated 28 April 2011 executed by Mr. Yiu and Perfect One in favour of the Company, details of which are set out in the paragraph headed "Non-Competition Undertaking" under the section headed "Relationship with Controlling Shareholders" in this prospectus;

(j) a cornerstone investor agreement dated 5 May 2011 entered into between the Company, Mr. Cheng Wai Tao and China Merchants Securities (HK) Co., Limited pursuant to which Mr. Cheng Wai Tao agreed to acquire 18,000,000 Offer Shares at the Offer Price (excluding 1% brokerage fee, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%);

(k) a cornerstone investor agreement dated 5 May 2011 entered into between the Company, Mr. Lee Man Chun, Raymond and China Merchants Securities (HK) Co., Limited pursuant to which Mr. Lee Man Chun, Raymond agreed to acquire 5,600,000 Offer Shares at the Offer Price (excluding 1% brokerage fee, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%);

(l) a cornerstone investor agreement dated 5 May 2011 entered into between the Company, Mr. Tang Kui Ming and China Merchants Securities (HK) Co., Limited pursuant to which Mr. Tang Kui Ming agreed to acquire 3,000,000 Offer Shares at the Offer Price (excluding 1% brokerage fee, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%);

(m) a cornerstone investor agreement dated 5 May 2011 entered into between the Company, CCB International Asset Management Limited and China Merchants Securities (HK) Co., Limited pursuant to which CCB International Asset Management Limited agreed to acquire 8,126,000 Offer Shares at the Offer Price (excluding 1% brokerage fee, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%); and

(n) the Hong Kong Underwriting Agreement, the principal terms of which are summarised in the paragraphs headed "Hong Kong Public Offering" under the section headed "Underwriting" in this prospectus.

2. Intellectual property rights

(i) Trademarks

As a the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:

Trademark	Class	Place of Registration	Registered Owner	Registration No.	Date of Registration	Expiry Date
米蘭站 EXIT Milan Station	35 (*Notes 2 & 3*)	Hong Kong	MS HK	2003B14292	13 Jan 2003	13 Jan 2020
	35 (*Note 2*)	Thailand	MS HK	Bor 40130	18 Sep 2007	17 Sep 2017
	35 (*Note 2*)	Singapore	MS HK	T0717332J	17 Aug 2007	17 Aug 2017
	35 (*Note 2*)	Taiwan	MS HK	01090861	1 Apr 2004	31 Mar 2014
	35 (*Note 2*)	Macau	MS HK	N/012748	7 Apr 2004	7 Apr 2011
	35 (*Note 2*)	PRC	MS HK	6848070	14 Mar 2011	13 Mar 2021
法國站 FRANCE	18, 35 (*Notes 1 & 2*)	Hong Kong	MS HK	301700487	27 Aug 2010	26 Aug 2020
	35 (*Note 2*)	Singapore	MS HK	T0717336C	17 Aug 2007	17 Aug 2017
	35 (*Note 2*)	Taiwan	MS HK	01333573	16 Oct 2008	15 Oct 2018
	35 (*Note 2*)	Macau	MS HK	N/032929	23 Jun 2008	23 Jun 2015
	18, 35 (*Notes 1 & 2*)	Hong Kong	MS HK	300987256	6 Nov 2007	5 Nov 2017
	35 (*Note 2*)	Taiwan	MS HK	01324532	16 Aug 2008	15 Aug 2018
	18 (*Note 1*)	Macau	MS HK	N/032928	23 Jun 2008	23 June 2015
	18 (*Note 1*)	The PRC	MS HK	6409131	28 Sep 2010	27 Sep 2020

As a the Latest Practicable Date, the Group had applied for registration of the following trademarks, but registration of which had not yet been granted:

Trademark	Class	Place of Registration	Applicant	Application No.	Date of Application
米蘭站 EXIT Milan Station	35 (*Note 2*)	Malaysia	MS HK	07017349	4 Sep 2007
法國站 FRANCE	35 (*Note 2*)	Malaysia	MS HK	07017350	4 Sep 2007

Notes:

1. Based on the NICE Classification by the World Intellectual Property Organisation, the products covered under Class 18 includes leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.

2. Based on the NICE Classification by the World Intellectual Property Organisation, the services covered under Class 35 includes advertising; business management; business administration; office functions.

3. Based on the trademark records shown on the Trade Mark Registry, Intellectual Property Department of Hong Kong, the specification of the trademark is "retailing and/or wholesaling of used/unused bags, shoes, clothing and accessories; all included in Class 35".

(ii) Copyright

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following copyright:

Copyright	Place of Registration	Applicant	Registration No.	Registration Date
出米蘭站	The PRC	MS HK	2010-F-032439	8 November 2010

(iii) Domain name

As at the Latest Practicable Date, the Group has registered the following domain names:

Domain Name	Registrant	Registration Date	Expiry Date
www.milanstation.com.hk	Milan Station Fashion (Causeway Bay) Limited	23 Oct 2003	28 Oct 2013
www.milanstation.net	Milan Station Fashion (Causeway Bay) Limited	19 Oct 2002	19 Oct 2011
www.milanstation.cc	Milan Station Fashion (Causeway Bay) Limited	12 May 2009	12 May 2011
www.francestation.com.hk	Milan Station Fashion (Causeway Bay) Limited	29 Oct 2010	15 Nov 2015
www.francestation.hk	Milan Station Fashion (Causeway Bay) Limited	29 Oct 2010	15 Nov 2015

Save as aforesaid, there are no other trade or service marks, patents, copyright, other intellectual or industrial property rights which are material in relation to the Group's business.

3. **Further information about the Group's PRC establishments**

The Group has interests in the registered capital of one wholly foreign-owned enterprises established under the laws of the PRC, namely MS Beijing. A summary of the corporate information of MS Beijing is set out as follows:

MS Beijing

Date of establishment:	30 July 2008
Nature:	wholly foreign-owned enterprise
Total investment amount:	RMB10,000,000
Registered capital:	RMB7,000,000
Equity holder:	MS PRC (HK)
Attributable interest to the Group:	100%
Term:	30 years from 30 July 2008 to 29 July 2038
Scope of business:	Wholesale and retail trade of luggage bags, ornaments and used goods of the above products; import and export of goods. (Excluding commodities under State-owned trade administration; commodities under quota or licensing administration are subject to application procedures in accordance with the relevant requirements of the State.)

Further, the Group is in the process of establishing a wholly foreign-owned enterprise in Shanghai. As at the Latest Practicable Date, MS PRC (HK) has obtained the Notice on Pre-approval on Enterprise Name (企業名稱預先核准通知書) for Milan Station Commercial (Shanghai) Limited (米蘭站商業(上海)有限公司) in Shanghai, the PRC. Upon completion of the establishment, Milan Station Commercial (Shanghai) Limited (米蘭站商業(上海)有限公司) will become a wholly-owned subsidiary of the Company with a proposed registered capital of RMB14,000,000.

C. FURTHER INFORATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. **Disclosure of Interests**

(a) Save as disclosed herein and in the paragraph headed "Summary of material contracts" in this appendix, none of the Directors or the experts in the paragraph headed "Consents and qualification of experts" in this appendix has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus; and

(b) Save as disclosed in the paragraph headed "Summary of material contracts" in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

2. **Particulars of service contracts**

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date, which may be terminated by not less than 3 months' notice in writing served by either party on the other. Under the service contracts, after each completed year of service, the remuneration payable to each of the executive Directors may be adjusted at the discretion of the Board and each of to them may be entitled to a discretionary bonus determined by the Board by reference to the performance of the Group and each of the executive Directors. Under the service contracts, the initial basic remuneration payable to each of the executive Directors per annum is as follows:

	HK$
Mr. Yiu	3,900,000
Mr. Yiu Kwan Wai, Gary	845,000
Mr. Wong Hiu Chor	845,000
Ms. Yiu Sau Wai	585,000

Each of Mr. Yiu and Ms. Yiu Sau Wai is also entitled to a housing allowance. Please refer to the section headed "Connected Transactions" in this prospectus for details.

Each of the non-executive Director and independent non-executive Directors is appointed for an initial term of 3 years commencing on the Listing Date. Under the appointment letter between the Company and the non-executive Director, the non-executive Director may be entitled to a discretionary bonus determined by the Board by reference to the performance of the Group and non-executive Director. The annual fee payable to each of the independent non-executive Directors in as follows:

	HK$
Non-executive Director	
Mr. Tam B Ray, Billy	300,000
Independent non-executive Director	
Mr. Ip Shu Kwan, Stephen	200,000
Mr. So Stephen Hon Cheung	200,000
Mr. Lau Kin Hok	200,000

3. **Directors' remuneration**

Remuneration and benefits in kind granted to the Directors, or approximately HK$5.0 million and HK$5.5 million in aggregate were paid and granted by the Group to the Directors in respect of the year ended 31 December 2009 and 2010 respectively.

For further information on remuneration of the Directors, please refer to Note 8 of the Accountant's Report, the text of which is set out in Appendix I of this prospectus.

4. **Interests and short position of Directors in the shares, underlying shares or debentures of the Company and its associated corporations**

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be taken up under the Global Offering and the exercise of the Over-allotment Option), the Directors will have the following interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the 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 taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange, once the Shares are listed:

Name of Directors	Capacity/nature of interests	Number of Shares directly or indirectly held	Approximate percentage of issued share capital
Mr. Yiu	Interest of a controlled corporation (*Note*)	487,500,000 (long position)	75%

Note: The entire issued share capital of Perfect One is wholly and beneficially owned by Mr. Yiu. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 487,500,000 Shares held by Perfect One.

5. **Interests and short position of Substantial Shareholders in the shares or underlying shares of the Company**

Immediately following completion of the Global Offering and the Capitalisation Issue, as far as known to the Directors (taking no account of Shares which may be taken up under the Global Offering and the exercise of the Over-allotment Option), the Directors will have the following (not being a Director or chief executive of the Company) interest or short position in the Shares or underlying Shares which would fall to be disclosed to the 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 the Group:

Name of Shareholders	Capacity/nature of interests	Number of Shares directly or indirectly held	Approximate percentage of issued share capital
Perfect One	Beneficial owner *(Note 1)*	487,500,000 (long position)	75%
Ms. Lee Lai Hung	Interest of spouse *(Note 2)*	487,500,000 (long position)	75%

Note 1: The entire issued share capital of Perfect One is wholly and beneficially owned by Mr. Yiu. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 487,500,000 Shares held by Perfect One.

Note 2: The shares are held by Perfect One, the entire issued share capital of which is owned by Mr. Yiu, the spouse of Ms. Lee Lai Hung. Accordingly, Ms. Lee Lai Hung is deemed to be interested in the entire 487,500,000 Shares by virtue of the SFO.

6. **Related Party Transactions**

Details of the related party transactions of the Group entered into within two years immediately preceding the date of this prospectus, please refer to note 26 of the accountants' report set out in Appendix I to this prospectus.

7. **Agency fees or commission**

Save as disclosed in this prospectus, within the two years immediately 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 the Company or any of its subsidiaries.

8. **Disclaimers**

Save as disclosed in this document, as at the Latest Practicable Date:

(a) none of the Directors or chief executive of the Company has any interest, any long and short positions in Shares and underlying Shares, listed or unlisted derivatives of, or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed;

(b) 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 the Directors and any member of the Group;

(c) none of the Directors or the experts named in the paragraph headed "Consents and 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 the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors or experts named in the paragraph headed "Consents and qualifications of experts" in this appendix 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 the Group taken as a whole;

(e) taking no account of Shares which may be taken up under the Global Offering, the Capitalisation Issue and Shares falling to be issued upon exercise of the Over-allotment Option, none of the Directors is aware of any person (not being a Director or chief executive of the Company) who will immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Global Offering or Shares falling to be allotted and issued upon the exercise of the Over-allotment Option) be interested or have a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 member of the Group; and

(f) none of the experts named in the paragraph headed "Consents and qualifications of experts" in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant or in employment of an officer or servant of the Group.

So far as is known to the Directors, none of the Directors, their associates, or any of the Shareholders (who to the knowledge of the Directors own more than 5% of the Company's share capital of the Company) immediately following completion of the Global Offering had any interests in any of the Group's five largest traders since the implementation of the trader registration policy.

So far as is known to the Directors, none of the Directors, their associates, or any of the Shareholders (who to the knowledge of the Directors own more than 5% of the Company's share capital of the Company) immediately following completion of the Global Offering had any interests in any of the Group's five largest customers registered under the loyalty membership scheme for the period from February 2009 to 31 December 2009 and the year ended 31 December 2010.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity").

(ii) Who may join

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

(1) any employee (whether full time or part time employee, including any executive director but not the non-executive directors) of the Company, its subsidiaries and any Invested Entity;

(2) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of the Group or any Invested Entity; and

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

(iii) Maximum number of Shares

(1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 65,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (assuming that the Over-allotment option is not exercised) unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit ("Scheme

Mandate Limit") under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

(3) The Company may seek approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Mandate Limit provided that options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as "refreshed". For the purpose of seeking the approval of the Shareholders, a circular containing the information as required under the Listing Rules must be sent to the Shareholders.

(4) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. For the purpose of seeking the approval of the Shareholders, the Company must send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(iv) **Maximum entitlement of each eligible person**

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue, unless:

(1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible person and his associates shall abstain from voting;

(2) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and

(3) the number and terms (including the subscription price) of such option are fixed before the general meeting of the Company at which the same are approved.

(v) **Grant of options to connected persons**

(1) The grant of options to a Director, chief executive or Substantial Shareholder of the Company ("Connected Person") or any of their respective associates requires the approval of all the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

(2) Where an option is to be granted to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; (2) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK$5 million, such grant shall not be valid unless (3) a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting); and (4) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons of the Company shall abstain from voting in favour of the grant.

(3) Where any change is to be made to the terms of any option granted to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders by way of poll in general meeting.

(vi) **Time of acceptance and exercise of an option**

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer letter issued by the Company, being a date not later than 21 Business Days from the date upon which it is made, by which the eligible person must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his legal personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) **Performance targets**

There is no performance target that has to be achieved before the exercise of any option.

(viii) **Subscription price for Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day on which the Board passes a resolution approving the making of an offer of grant of an option to an eligible employee; (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer letter of the option; and (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five Business Days after the listing of the Shares on the Stock Exchange, the offer price shall be taken to be the closing price for any Business Day before the Listing.

(ix) **Ranking of Shares**

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Company's constitutional documents for the time being in force and shall rank pari passu in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(x) **Restrictions on the time of grant of options**

No option shall be granted after a price sensitive development concerning the Company or any subsidiary has occurred or a price sensitive matter concerning the Company or any subsidiary has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its 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, no option shall be granted.

(xi) **Period of the Share Option Scheme**

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted.

(xii) **Rights on cessation of employment**

Where the grantee of an outstanding option ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xxi)(e), the grantee may exercise the option up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) within the period of 1 month following the date of such cessation. The date of such cessation shall be his last actual working day at his work place with the Company or any Subsidiary whether salary is paid in lieu of notice or not.

(xiii) **Rights on death**

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months of the date of death.

(xiv) **Rights on a general offer**

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase 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 association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option within 14 days after the date on which the offer becomes or is declared unconditional.

(xv) **Rights on winding-up**

In the event that a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his legal representative(s)) shall be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

(xvi) **Rights on compromise or arrangement between the Company and its creditors**

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(xvii) **Reorganisation of capital structure**

In the event of any alteration in the capital structure of the Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profit or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), the Company shall (if applicable) make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005) to:

(1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or

(2) the subscription price; and/or

(3) the maximum number of Shares referred to in paragraphs (iii) and (iv) above provided that:

(aa) no such alteration shall be made in respect of an issue of Shares or other securities by the Company as consideration in a transaction;

(bb) any such alterations must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;

(cc) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and

(dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to the Directors as satisfying the requirements of provisos paragraphs (bb) and (cc) above.

(xviii) **Cancellation of options**

The Company may cancel an option granted but not exercised with the approval of the Board. Any options cancelled by approval of the Board cannot be re-granted to the same eligible person.

(xix) **Termination of the Share Option Scheme**

The Company, by 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 option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xx) **Rights are personal to grantee**

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option.

(xxi) **Lapse of option**

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(a) the expiry of the period to be determined and notified by the Board to the grantee;

(b) the expiry of the periods referred to in sub-paragraphs (xii) or (xiii);

(c) the date on which the offer referred to in sub-paragraph (xiv) closes;

(d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);

(e) the date on which the grantee ceases to be an eligible person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an eligible person, on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(f) subject to sub-paragraph (xv) above, the date of the commencement of the winding-up of the Company;

(g) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or purport to do any of the foregoing in breach of the Share Option Scheme; and

(h) the date on which the Directors shall at their absolute discretion determine that the grantee (other than an eligible employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally. In such event, his options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xxii) **Alterations to the Share Option Scheme**

(1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of the Board except that the following alteration must be approved by a resolution of the Shareholders in general meeting:

(aa) any changes to the definitions of eligible person, grantee and option period;

(bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;

(cc) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;

(dd) any change to the terms of options granted; and

(ee) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the option granted under the Share Option Scheme.

(2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(3) The Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiii) **Conditions**

(1) The Share Option Scheme is conditional on:

(aa) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme up to the initial Scheme Mandate Limit;

(bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(cc) the commencement of trading of the Shares on the Stock Exchange.

(2) ***Present status of the Share Option Scheme***

(i) *Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme were approved and conditionally adopted by the Shareholders on 28 April 2011.

(ii) *Approval of the Listing Committee required*

The Share Option Scheme is conditional, among other matters, on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the initial Scheme Mandate Limit.

(iii) *Application for approval*

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 65,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(iv) *Grant of option*

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Indemnity on liabilities

The Controlling Shareholders (the ''**Indemnifiers**'') have entered into a deed of indemnity ("**Deed of Indemnity**") (being a material contract referred to in the paragraph headed ''Summary of material contracts'' of this appendix) to provide the following indemnities in favour of the Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes with each of the members of the Group that he/it will indemnify each of the members of the Group against, amongst others, the following:

(i) taxation falling on any or all members of the Group resulting from or by reference to any income, profit or gains earned, accrued or received (or deemed to be so earned, accrued or received) or transactions, events, acts, omissions, matters or things entered into or occurring on or before the date when the Global Offering becomes unconditional (the ''**Effective Date**'');

(ii) any depletion or reduction in value of the assets of any member of the Group or increase in their respective liabilities, or any loss or depreciation of any relief against estate duty of any member of the Group, as a consequence of, and in respect of any amount which the members of the Group or any of them may become liable to pay, being any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group and any claim which has arisen or may arise wholly or partly in respect of or in consequence of any act or omission occurring at any time on or before the Effective Date; and

(iii) all necessary costs (including all legal costs), expenses, interests, penalties or other liabilities incurred by any members of the Group due to any present, contingent or potential legal proceedings (including without limitation any court proceeding, administrative proceedings or other proceedings commenced or instituted by any regulatory body or governmental department) against any member of the Group in relation to, arising out of or in connection with any cause of action, subject matter, dispute or breach, infringement or contravention of any law, regulation, legal right or proprietary right (whether intellectual, property or otherwise) occurred in anywhere in the world prior to the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others:

(a) provision, reserve or allowance has been made for such taxation in the audited accounts of the Group for each of the three years ended 31 December 2008, 2009 and 2010 (''**Accounts**'');

(b) where any liability or taxation claim falling on any of the members of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 January 2011 and ending on the Effective Date where such liability or taxation claim would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction that are:

   (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 January 2011; or

   (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2010; or

   (iii) consisting of any of the members of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of or taxation; or

   (iv) to the extent of any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

(c) the taxation arises or is incurred as a result of a retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in Cayman Islands, being jurisdiction in which the company comprising the Group is incorporated.

2. **Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands.

3. **Litigation**

Save as disclosed in this prospectus, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors or the Company to be pending or threatened by or against any member of the Group.

4. **Sole Sponsor**

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

5. **Promoters**

There is no promoter of the Company.

6. **Preliminary expenses**

The estimated preliminary expenses borne by the Company are approximately HK$13.0 million, assuming an Offer Price of HK$1.42 per Share (being mid-point of the indicative offer price range of HK$1.17 and HK$1.67 per Share) and the Over-allotment Option is not exercised, and are payable by the Company.

7. Consents and qualifications of experts

Each of China Merchants Securities (HK) Co., Limited, Ernst & Young, Conyers Dill & Pearman, Hills & Co., the Hong Kong Legal Counsel, the Taiwan Legal Adviser, Leong Hon Man Law Office and RHL Appraisal Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificates, 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.

Name	Qualification
China Merchants Securities (HK) Co. Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Hills & Co.	Legal advisers of the Company as to the PRC laws
Mr. Ling Chun Wai	A Barrister-at-Law in Hong Kong, the Hong Kong Legal Counsel of the Company
Lee and Li, Attorneys-at-law	Legal advisers of the Company as to Taiwan laws
Leong Hon Man Law Office	Legal advisers of the Company as to Macau laws
Conyers Dill & Pearman	Legal advisers of the Company as to Cayman Islands laws
RHL Appraisal Limited	Property valuer

Save as disclosed in the paragraph headed "Underwriters' interests in the Company" in the section headed "Underwriting" in this prospectus, none of the Sole Sponsor, Ernst & Young, Conyers Dill & Pearman, Hills & Co., the Hong Kong Legal Counsel, the Taiwan Legal Adviser, Leong Hon Man Law Office and RHL Appraisal Limited:

(a) is interested beneficially or non-beneficially in any shares in any member of the Group: or

(b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

8. Binding effect

This prospectus shall have the effect, if any 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 Ordinance so far as applicable.

9. Share registrar

The Company's register of members will be maintained in Hong Kong by its registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by the share registrar and transfer office in Hong Kong.

10. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with the Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of or of the fair value of the Shares being sold or transferred, whichever is the higher. Profit from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of Shares 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 or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of the Company, the Directors or the other parties involved in the Introduction can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as below:

Name	Perfect One Enterprises Limited
Place of Incorporation	The BVI
Date of Incorporation	28 July 2010
Registered Office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Sale Shares	54,086,000 Shares

12. **Miscellaneous**

(a) Save as disclosed in this document:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its 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 two years immediately preceding the date of this prospectus, no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately 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 capital of the Company or any of its subsidiaries;

(iv) within the two years preceding the date of this prospectus, no commission has been paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of the Company or any of its subsidiaries;

(v) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus; and

(vi) the Directors confirm that save as disclosed in the paragraph headed "Material Adverse Change" in the section headed "Financial Information" of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2010 (being the date to which the latest audited consolidated financial statements of the Group were made up).

(b) the Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

13. **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 IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in paragraph headed "Consents of Experts" under the section headed "Other Information" in Appendix V to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of Material Contracts" under the section headed "Further Information about the Business of the Group" in Appendix V to this prospectus and statement on the particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of DLA Piper Hong Kong at 17/F., Edinburgh Tower, The Landmark, 15 Queen's Road 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 of Association and Articles of Association;

(b) the Accountants' Report of the Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) such audited financial statements as have been prepared for companies comprising the Group for each of the three years ended 31 December 2008, 2009 and 2010 or from their respective dates of incorporation where this is a shorter period;

(d) the unaudited pro forma financial information of the Group prepared by Ernst & Young in respect of the, the text of which is set out in Appendix II to this prospectus;

(e) the valuation report prepared by RHL Appraisal Limited relating to the property interest of the Group, the text of which are set out in Appendix III to this prospectus;

(f) the PRC legal opinion dated 11 May 2011 issued by Hills & Co., the PRC Legal Adviser;

(g) the Macau legal opinion dated 11 May 2011 issued by Leong Hon Man Law Office, the Macau Legal Adviser;

(h) the Hong Kong legal opinion dated 11 May 2011 issued by Mr. Ling Chun Wai, the Hong Kong Legal Counsel;

(i) the Taiwan legal opinion dated 11 May 2011 issued by Lee and Li, Attorneys-at-law, the Taiwan Legal Adviser;

(j) the rules of the Share Option Scheme;

(k) the Cayman Islands Companies Law of the Cayman Islands;

(l) the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to Appendix IV to this prospectus;

(m) the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix V to this prospectus;

(n) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;

(o) the written consents referred to in the paragraph headed “Consents and qualifications of experts” in Appendix V to this prospectus; and

(p) the statement of particulars of the Selling Shareholder.

Milan Station Holdings Limited
米蘭站控股有限公司