
OUR HISTORY AND REORGANIZATION

BUSINESS DEVELOPMENT

Our business dates back to the 1970's when it was founded and operated by Mr. Yeung Michael Wah Keung, the Chairman and an executive Director, and Mr. Yeung Wo Fai, the chief executive officer and an executive Director, under the name of Sitoy Hand Bag Fty. Sitoy Hand Bag Fty. was a sole proprietorship in Hong Kong principally engaged in the manufacture and trading of handbags, and Mr. Yeung Michael Wah Keung was the sole proprietor. With a view to formalizing the operations of our business, the business of the sole proprietorship was subsequently transferred to Sitoy Handbag, a Hong Kong private limited company incorporated in 1982. At that time, we principally engaged in the manufacture of handbags in the PRC and Hong Kong and we sold our products to trading companies in Hong Kong. Our handbags were largely made of PVC, PU, fabric, canvas and nylon.

As our business continued to expand, we attracted customers, such as importers and large department store chains that operated in Europe and the United States, which directly placed orders for our handbags. We began to build our in-house handbag design and development capabilities through our involvement in product design and development process of these customers. During that period, substantially all of our revenues were generated from the manufacture of private label handbags for importers and department store chains that operated in Europe and the United States. Since 1992, we have been selected by international fashion brand companies to manufacture their branded handbags. Our first U.S. luxury brand customer, Coach, has been placing orders with us since 1998. Our Directors believe that our leading market position at that time together with our history and experience in the industry attracted the international high-end and luxury brand companies to place orders with us. Recognizing the potential demand by the international handbag industry for manufacturing products in the PRC, we have since that time shifted our business focus towards development and manufacture of leather handbags and small leather goods for global high-end and luxury brand companies.

In 2000, our Group relocated the manufacturing facility to The Third Industrial District in Dongguan, Guangdong Province, in an area subsequently acquired by our Group as a self-owned production site. This relocation marked a new stage of our operation and we had since then devoted more time, effort and resources to enhance our management and production efficiency and continued to strengthen our in-house expertise and capabilities in product research, development, design and commercialization.

We manufactured handbags and small leather goods for our first European luxury brand customer in 2003 and since then our revenues have been increasingly generated from the manufacture of international high-end and luxury branded handbag and small leather goods.

As a result of the continued increase in demand from our customers, in 2005 our management decided to diversify our production base and expand our production capabilities by acquiring land and constructing manufacturing facilities in Yingde, Guangdong Province, which commenced production in April 2009. We also further expanded our production capabilities through commencement of production at our Xiabian Branch and Qiaonan Branch leased manufacturing facilities in Dongguan, Guangdong Province, in 2010. In order to better evaluate our manufacturing performance and enhance our operational efficiency, we installed our ETS system and ERP system at our manufacturing facilities in 2007.

In order to further capitalize on our expertise in manufacturing handbags and small leather goods, we introduced men's products in 2007 and further diversified our product portfolio by introducing travel goods for leisure and business travel in 2009. Our Directors believe that our leading market position and our history and experience in the industry attracted high-end travel brands, such as Tumi. We launched the "TUSCAN'S" brand of handbags and small leather goods for sale in our own retail stores in the PRC in 2011.

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Set out below is a summary of the key milestones in the development of our business.

Year	Key milestones
1977	Acquisition of a property based in Kwun Tong, Hong Kong, which is the first factory owned by our Group in Hong Kong
1982	Commencement of operation of Shenzhen Sitoy Handbag Factory* (深圳時代手袋廠) in Shenzhen, Guangdong Province, as the first PRC factory of our Group
1987	Commencement of operation of Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) (previously known as Dongguan Nanwu Sitoy Handbag Factory) in Dongguan, Guangdong Province
1992	Establishment of Sitoy Dongguan and commencement of production of its manufacturing facility in Dongguan, Guangdong Province
1995	Consolidation of Shenzhen Sitoy Handbag Factory* (深圳時代手袋廠) into our manufacturing facilities in Dongguan, Guangdong Province
1998	Commencement of handbag manufacturing business for U.S. luxury brands A shift in business strategy of the Group to focus our business on the manufacture of leather goods
2003	Commencement of handbag manufacturing business for European luxury brands
2007	Installation of our ETS system and ERP system in our manufacturing facilities to evaluate our manufacturing performance and enhance our operational efficiency Diversification of our product portfolio to include men's products
2009	Commencement of production of our Yingde manufacturing facility in Yingde, Guangdong Province Diversification of our product portfolio to include travel goods for leisure and business travel
2010	Further expansion of manufacturing capabilities through commencement of production of leased manufacturing facilities of our Xiabian Branch and Qiaonan Branch in Dongguan, Guangdong Province
2011	Introduction of the "TUSCAN'S" brand of handbags and small leather goods and the opening of our first retail store in Guangzhou, Guangdong Province

OUR HISTORY AND REORGANIZATION

CORPORATE DEVELOPMENT

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2008. As of the Latest Practicable Date, our Company had nine subsidiaries.

Sitoy Handbag

The corporate structure of our Group originated with the incorporation of Sitoy Handbag on 9 July 1982 by Mr. Yeung Michael Wah Keung, the Chairman and an executive Director, and Mr. Yeung Wo Fai, the chief executive officer and an executive Director, and their brother, Mr. Yeung Wo Cheung, as a private limited company in Hong Kong with a view to succeeding and formalizing the growing handbag manufacturing business of Sitoy Hand Bag Fty. The share capital of Sitoy Handbag was fully allotted and issued and held as to 90% by Mr. Yeung Michael Wah Keung, 5% by Mr. Yeung Wo Fai and 5% by Mr. Yeung Wo Cheung on 26 June 1985.

On 29 March 1999, with a view to expanding our operations, the share capital of Sitoy Handbag was increased to HK\$4,000,000 and after the full issue and allotment of the share capital to its then shareholders on the same date, Sitoy Handbag became owned as to 65% by Mr. Yeung Michael Wah Keung, 20% by Mr. Yeung Wo Fai and 15% by Mr. Yeung Wo Cheung.

In 2007, Mr. Yeung Wo Cheung retired from the management of our Group. His entire shareholding interests in Sitoy Handbag were transferred to Mr. Yeung Michael Wah Keung on 29 August 2006 at a consideration based on fair market value of Sitoy Handbag, who held such shares on trust for Mr. Yeung Wo Fai. The legal interests in these shares were transferred back to Mr. Yeung Wo Fai on 30 March 2007. Since then and immediately prior to the Reorganization, Sitoy Handbag had been owned as to 65% by Mr. Yeung Michael Wah Keung and 35% by Mr. Yeung Wo Fai. The entire issued share capital of Sitoy Handbag was transferred to Sitoy Factory in the Reorganization as described in “Reorganization” below.

Sitoy Handbag is our operating subsidiary principally engaged in the manufacture and trading of handbags, small leather goods and travel goods.

Sitoy Company

On 29 July 1986, Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai and Mr. Yeung Wo Cheung incorporated Sitoy Company as a private limited company in Hong Kong. Its issued share capital was owned as to 50% by Mr. Yeung Michael Wah Keung, 25% by Mr. Yeung Wo Fai and 25% by Mr. Yeung Wo Cheung as of 3 November 1986.

In 1987, as a way of carrying out manufacturing operations in the PRC, Sitoy Company entered into a processing agreement with Dongguan External Processing and Assembly Services Company* (東莞市對外加工裝配服務公司) and Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) (previously known as Dongguan Nanwu Sitoy Handbag Factory) in respect of the operation of Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) in Dongguan, Guangdong Province and its undertaking of our Group’s manufacturing activities. Under such processing agreement and its supplements and subsequent renewals, the responsibilities of the Group and the PRC party are set forth below.

The Group’s responsibilities were to:

- provide machinery and equipment for the operation of the manufacturing facility; and
- provide raw materials, ancillary materials and packing materials required in the manufacturing process of the manufacturing facility.

OUR HISTORY AND REORGANIZATION

The PRC party's responsibilities were to:

- provide factory premises for the manufacturing operation;
- provide labor; and
- provide electric power.

Our Group had to pay a processing fee for the processing services provided by Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠). As confirmed by our PRC legal advisers, Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) was not a separate legal entity and it had operated in the form of “three types of processing plus compensation trades” under the processing agreement and its supplements and subsequent renewals. Under such arrangement, our Group supplied raw materials and machinery to Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) for processing, upon completion of which Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) would return the processed materials to our Group. This investment mode was introduced by the PRC government in the late 1970s as a result of its economic reform in the PRC. “Three types of processing plus compensation trades” refers to the business of processing with supplied materials, processing with supplied samples, assembly with supplied parts, and compensation trade. Foreign participants of this investment mode would receive certain benefits, including tax incentives, in the PRC. It served as an attempt to attract foreign investments by creating a new form of business relationship with manufacturers outside the PRC. The investment mode was particularly popular in Guangdong Province. As disclosed in note 12 “Income Tax Expense” in the Accountants’ Report in Appendix I to this prospectus, our Group received concessionary tax treatment in Hong Kong as a result of the processing arrangement during the Track Record Period.

On 2 August 1994, Mr. Yeung Wo Fai and Mr. Yeung Wo Cheung transferred 150 shares and 350 shares, both at par value, respectively, in Sitoy Company to Mr. Yeung Michael Wah Keung and, on 4 August 2006, Mr. Yeung Wo Cheung and Mr. Yeung Michael Wah Keung transferred 400 shares and 50 shares, both at par value, respectively, to Mr. Yeung Wo Fai. Since 4 August 2006 and before the Reorganization, Sitoy Company had been owned as to 65% by Mr. Yeung Michael Wah Keung and 35% by Mr. Yeung Wo Fai. The entire issued share capital of Sitoy Company was transferred to Sitoy Investment in the Reorganization as described in “Reorganization” below.

Dongguan Houjie Qiaotou Sitoy Handbag Factory* (東莞厚街橋頭時代手袋廠) ceased operations in 2011 and consolidated its manufacturing facility into Sitoy Dongguan. It was a policy of Guangdong provincial government to encourage foreign investors to transform and upgrade their “three types of processing plus compensation trades” to corporate bodies in the PRC. As a sizeable enterprise in Guangdong Province, we followed such policy to cooperate with the Guangdong provincial government. Before its cessation of operation, the manufacturing facility occupied a gross floor area of approximately 9,000 sq.m. with 18 production lines and a total number of approximately 1,000 employees. Our Directors believe that the business and operations of our Group will not be adversely affected by the cessation of operation of the manufacturing facility because its manufacturing activities have been fully taken up by Sitoy Dongguan.

Sitoy Company is our operating subsidiary principally engaged in the manufacture and trading of handbags, small leather goods and travel goods.

Sitoy Dongguan

Sitoy Dongguan was established in the PRC as a limited liability company on 13 July 1992 pursuant to a joint venture agreement dated 16 June 1992 entered between Sitoy Handbag and Dongguan

OUR HISTORY AND REORGANIZATION

Houjie Nanwu Economic Development Company* (東莞市厚街南五經濟發展公司) (“Dongguan Nanwu”), for a period of 10 years from 13 July 1992 to 12 July 2002 with an initial registered capital and total investment of HK\$12 million. Pursuant to the joint venture agreement, Sitoy Handbag contributed to the registered capital of Sitoy Dongguan by way of machinery and cash while Dongguan Nanwu contributed by way of factory and dormitories (including water and electricity facilities) located in Dongguan, Guangdong Province. The sino-foreign joint venture was then owned as to 60% by Sitoy Handbag and 40% by Dongguan Nanwu. It was initially established to engage in the manufacture and sale of synthetic leather handbags.

On 10 March 1997, a supplemental agreement was entered into between the parties to extend the scope of business to cover the manufacture and sale of synthetic leather, leather, cotton, linen, canvas, nylon and polypropylene grass handbags. On 8 May 2002, Sitoy Handbag and Dongguan Nanwu entered into a second supplemental agreement to extend the term of the joint venture to 12 July 2007.

On 10 October 2003, a third supplemental agreement was entered into between the parties for, among other things, (1) the return of Dongguan Nanwu’s interests in Sitoy Dongguan and the corresponding reduction in the registered capital and total investment of Sitoy Dongguan to HK\$7.2 million (the reduction of the HK\$4.8 million represented the value of the factory and dormitories (including water and electricity facilities) invested by Dongguan Nanwu); (2) the amendment of the scope of business to cover the manufacture and sale of various types of handbags and leather products; and (3) the extension of the term of operation to 12 July 2017.

Upon the withdrawal of Dongguan Nanwu from the investment of Sitoy Dongguan, which became effective in 2004, Sitoy Dongguan became a wholly foreign-owned enterprise owned by Sitoy Handbag. The manufacturing facility of Sitoy Dongguan was relocated to The Third Industrial District in Dongguan, Guangdong Province in 2000, in an area subsequently acquired by our Group as a self-owned production site. To provide funds for expansion of our operation, improvement of our management system and purchase of factory equipments, the registered capital and total investment of Sitoy Dongguan were increased to HK\$15.2 million on 19 September 2008 and to HK\$60 million on 14 July 2010, all of which was contributed by Sitoy Handbag. Since 14 July 2010, the scope of business of Sitoy Dongguan has covered the manufacture and sale of various types of handbags and leather products, and the research and development of leather products, clothing and travel goods. Xiabian Branch, Qiaotou Branch and Qiaonan Branch, branch companies of Sitoy Dongguan, were established in the PRC on 2 September 2010, 14 April 2011 and 14 April 2011, respectively.

Sitoy Yingde

Sitoy Yingde was established by Sitoy Company in the PRC as a limited liability company on 11 December 2006 for a period of 20 years from 11 December 2006 to 11 December 2026 with an initial registered capital and total investment of HK\$50 million. In 2008, Sitoy Yingde designed and constructed a manufacturing facility in two phases in Yingde, Guangdong Province, on land owned by our Group.

Upon commencement of production of our Yingde manufacturing facility, Sitoy Yingde further increased its registered capital and total investment to HK\$90 million on 5 March 2009, to HK\$170 million on 3 September 2009 and to HK\$220 million on 25 November 2010, to provide funds for the construction and operation of the production site and purchase of factory equipment. On 25 November 2010, the term of operation of Sitoy Yingde was extended to a period of 50 years expiring on 11 December 2056.

Since its establishment, Sitoy Yingde has been wholly-owned by Sitoy Company and has been principally engaged in the research, development, design and manufacture of handbags, small leather goods and travel goods in Yingde, Guangdong Province.

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Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 February 2008 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On its date of incorporation, one subscriber share of US\$1 was transferred by its subscriber to Mr. Yeung Michael Wah Keung, the Chairman and an executive Director, at a consideration of US\$1 based on par value and an aggregate of 99 shares of US\$1 each were allotted and issued as to (i) 64 shares of US\$1 each to Mr. Yeung Michael Wah Keung; and (ii) 35 shares of US\$1 each to Mr. Yeung Wo Fai, the chief executive officer and an executive Director.

Since its incorporation, our Company has been owned as to 65% by Mr. Yeung Michael Wah Keung and 35% by Mr. Yeung Wo Fai. As a result of our Reorganization, our Company became the ultimate holding company of our Group.

Sitoy International

On 10 September 2010, Sitoy International was incorporated in the BVI. Since its incorporation, Sitoy International has been directly and wholly-owned by our Company and it has been the holding company of Sitoy Retailing.

Sitoy Retailing

On 21 September 2010, Sitoy Retailing was incorporated as a private limited company in Hong Kong to engage in the retail business of our “TUSCAN’S” handbags and small leather goods. Since its incorporation, Sitoy Retailing has been beneficially wholly-owned by Sitoy International.

Sitoy Guangzhou

Sitoy Guangzhou is principally engaged in the operation of our retail stores for “TUSCAN’S” brand of handbags and small leather goods. It was established by Sitoy Retailing in the PRC as a limited liability company on 18 January 2011 for a period of 30 years from 18 January 2011 to 18 January 2041 with an initial registered capital of HK\$25 million and a total investment of HK\$50 million. Since its establishment, Sitoy Retailing has been the sole registered owner of Sitoy Guangzhou. Sitoy Guangzhou established branch companies, Guangzhou Gaode branch, Guangzhou Zhengjia branch, Shenzhen branch and Beijing Dongcheng branch, in the PRC on 31 March 2011, 24 June 2011, 21 October 2011 and 25 October 2011, respectively, to engage in the operation of our retail stores.

REORGANIZATION

In preparation for the Listing, we carried out the Reorganization which involved the following steps:

Incorporation of Sitoy Factory and Sitoy Investment

On 23 May 2011, Sitoy Factory was incorporated in the BVI, and 65 shares of no par value and 35 shares of no par value in Sitoy Factory were issued and allotted to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively.

On 23 May 2011, Sitoy Investment was incorporated in the BVI, and 65 shares of no par value and 35 shares of no par value in Sitoy Investment were issued and allotted to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively.

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Share transfers of Sitoy Handbag and Sitoy Company

On 20 June 2011, Mr. Yeung Michael Wah Keung transferred 260,000 shares in Sitoy Handbag and Mr. Yeung Wo Fai transferred 140,000 shares in Sitoy Handbag (together representing the entire issued share capital of Sitoy Handbag) to Sitoy Factory, in consideration of an issue and allotment of 65 shares of no par value and 35 shares of no par value in Sitoy Factory to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively, based on the market value of Sitoy Handbag as of 31 May 2011.

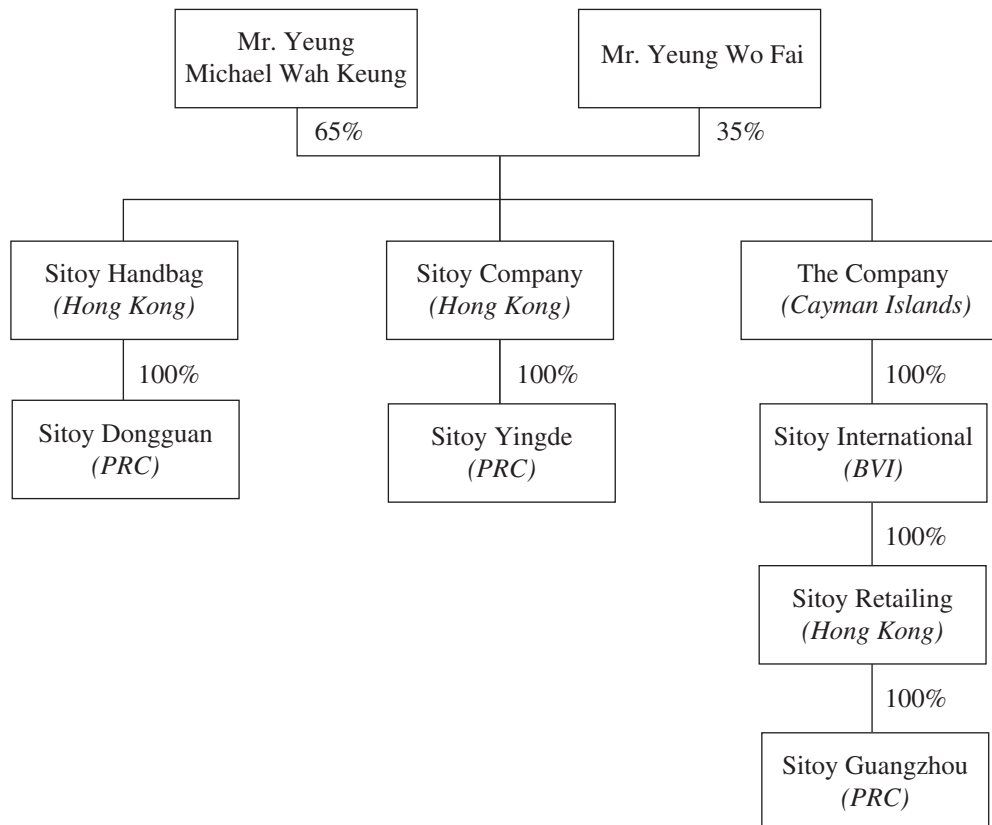
On 20 June 2011, Mr. Yeung Michael Wah Keung transferred 1,950 shares in Sitoy Company and Mr. Yeung Wo Fai transferred 1,050 shares in Sitoy Company (together representing the entire issued share capital of Sitoy Company) to Sitoy Investment, in consideration of an issue and allotment of 65 shares of no par value and 35 shares of no par value in Sitoy Investment to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively, based on the market value of Sitoy Company as of 31 May 2011.

Share transfers of Sitoy Factory and Sitoy Investment

On 13 July 2011, our Company issued and allotted 130 Shares and 70 Shares, all credited as fully paid, to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively, in consideration of Mr. Yeung Michael Wah Keung transferring 130 shares of no par value in Sitoy Factory and 130 shares of no par value in Sitoy Investment and of Mr. Yeung Wo Fai transferring 70 shares of no par value in Sitoy Factory and 70 shares of no par value in Sitoy Investment to our Company pursuant to two deeds for sale and purchase both dated 13 July 2011 entered into among our Company, Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai. Such consideration was based on the respective market value of Sitoy Factory and Sitoy Investment as of 20 June 2011.

The following chart set out the shareholding and corporate structure of our Group immediately before the Reorganization:

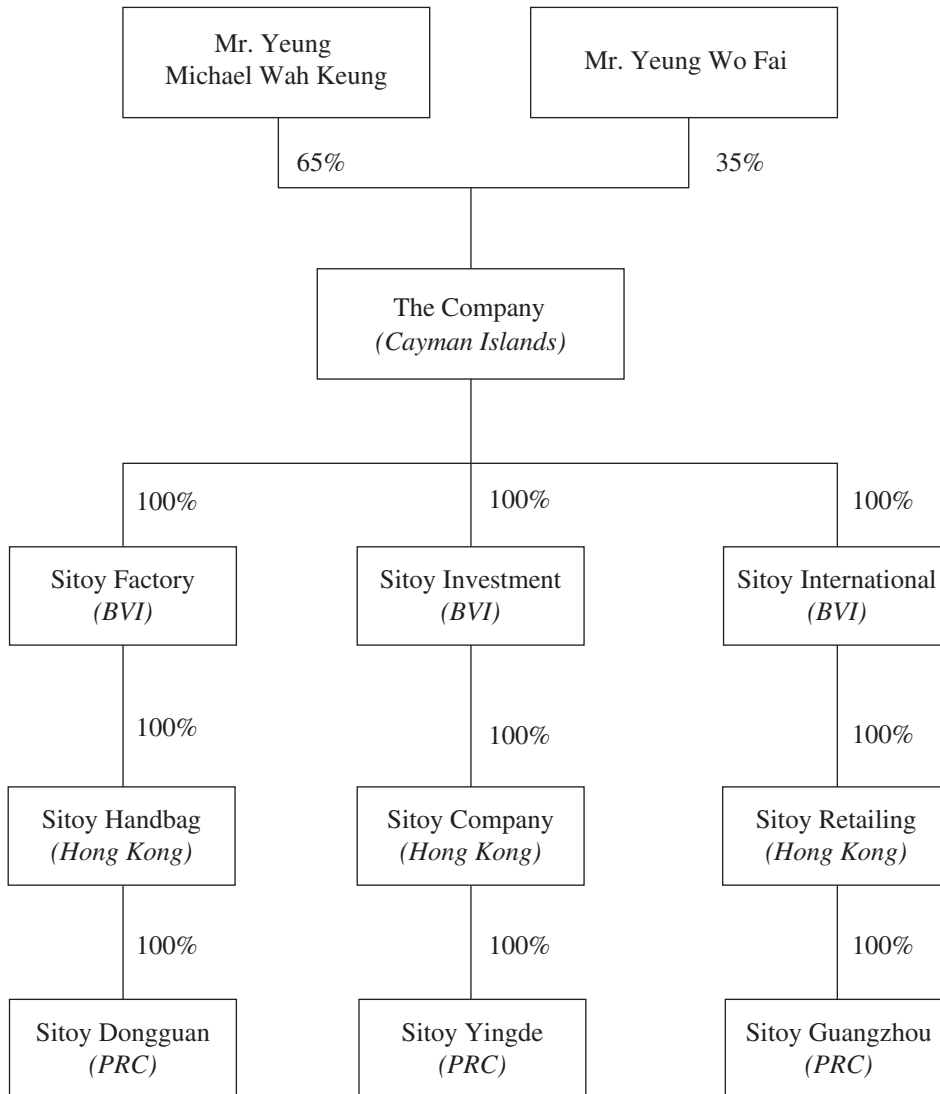
Group structure immediately before the Reorganization



OUR HISTORY AND REORGANIZATION

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganization but before the Global Offering and the Capitalization Issue:

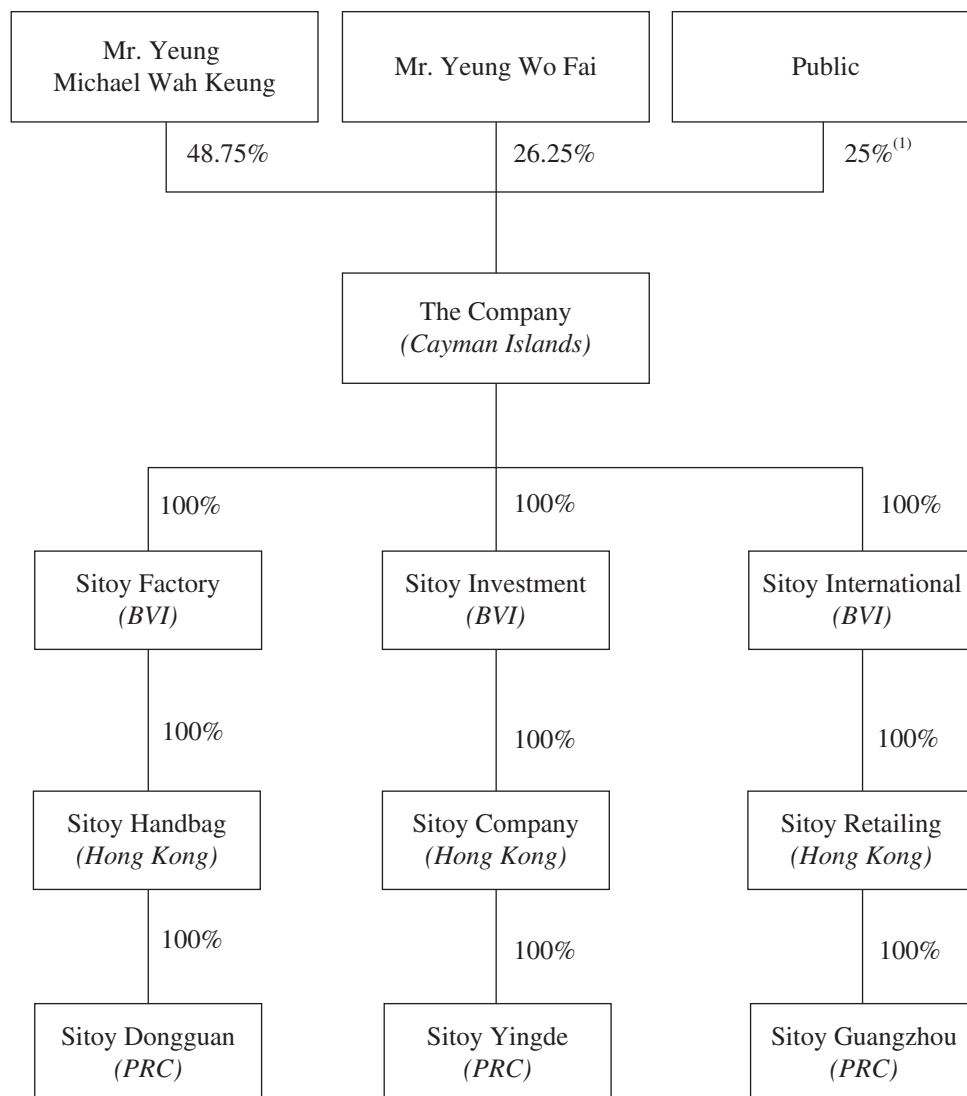
Group structure immediately after the Reorganization but before the Global Offering and the Capitalization Issue



OUR HISTORY AND REORGANIZATION

The following chart sets out the corporate structure of our Group immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme):

Group structure immediately after the Global Offering and the Capitalization Issue



⁽¹⁾ Immediately after the Global Offering and the Capitalization Issue, approximately 10.4% of our issued and outstanding Shares will be held by Cornerstone Investors as described under “Cornerstone Investors” in this prospectus.